

PRODUCTION INPUTS MONITOR

Issue 167 – September 2019

September was a particularly dry month which further impacted farms around the country. Harvest is underway although dry weather has decreased production expectations in some regions. New season hay is being made and has begun to enter the market, softening prices. The lack of rain did little to catchment areas of water storage levels. With low availability, the price for irrigation water firmed significantly in northern Victoria. The price of cull cows has increased from last year. The BoM is predicating particularly warm days for the remainder of the year.

Feed and fertiliser

Hay prices have continued to ease across the country as new season supply enters the market. Hay is currently being made in the north eastern states of Australia, Western Australia and recently commenced in northern Victoria and parts of south Australia. To the south of the Victoria, silage is made in Gippsland and southwest Victoria. Pasture hay has dropped \$64 in central Victoria and further reductions are expected as more hay is made. Canola meal and lucerne hay prices eased, but at smaller rate.

Like hay, the grain harvest has begun for most regions of the country. This hasn't applied the same downward price pressure seen in the hay market. Grain prices have remained relatively steady in the past month. In Melbourne, wheat increased by \$6/tonne over the course of September, while wheat eased \$3/tonne. The lack of rainfall in WA, parts of Victoria and SA has worsened the production outlook, slightly firming the market. In the coming month, harvest is expected to heat up. This could add some softness to the market. The eastern wheat and barley ASX futures firmed throughout September, ending up \$4 and \$13 respectively.

Global DAP prices eased over the month. Oversupply and low demand are weighing on the market. One DAP exporter in China announced they were cutting production by approximately 35% in response to the demand. China is the world's largest phosphate exporter and a low demand is changing the trade dynamics. In the other commodities, urea eased, down \$25/tonne month-on-month, while MOP remained steady.

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>

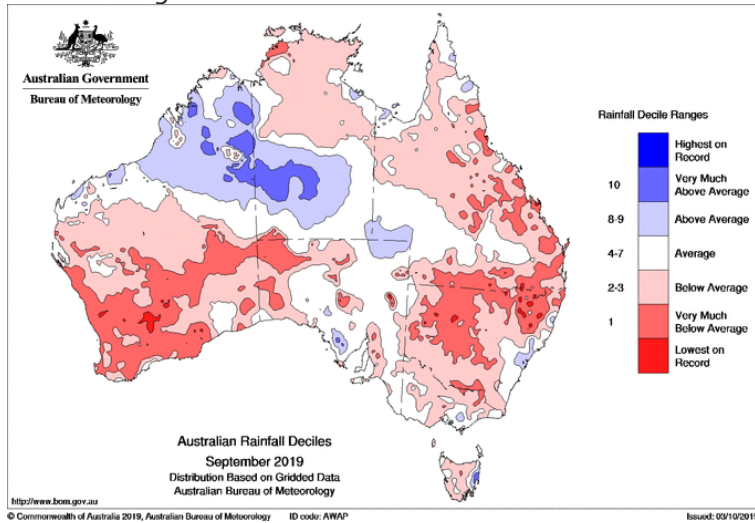
	Sep-2019	Change (from Aug-19)	Change (from Sep-18)
Spot prices			
Feed wheat (av. \$/t del Melbourne)	361	+\$6	-\$53
Barley (av. \$/t del Melbourne)	342	-\$3	-\$77
Canola meal (av. \$/t del Melbourne)	422	-\$11	-\$83
Lucerne hay (av. \$/t del Central Vic)	670	-\$36	+\$65
Pasture hay (av. \$/t del Central Vic)	338	-\$64	-\$28
Source: Rural press			
Urea (US\$/t, spot, fob, Black Sea)	238	-\$25	-\$30
DAP (US\$/t, spot, fob, US Gulf)	286	-\$7	-\$136
MOP (US\$/t, spot, fob Vancouver)	266	\$0	+\$50
Source: World Bank			
Futures prices (ASX)			
Wheat (av. \$/t Jan-20 east coast)	358	+\$4	-\$63
Barley (av. \$/t Jan-20 east coast)	330	+\$13	-\$66
*Compared to Jan-19 east coast contract		Source: ASX	

Contact: **Sam Leishman** Phone: (03) 9694 3733 Email: Sam.Leishman@dairyaustralia.com.au

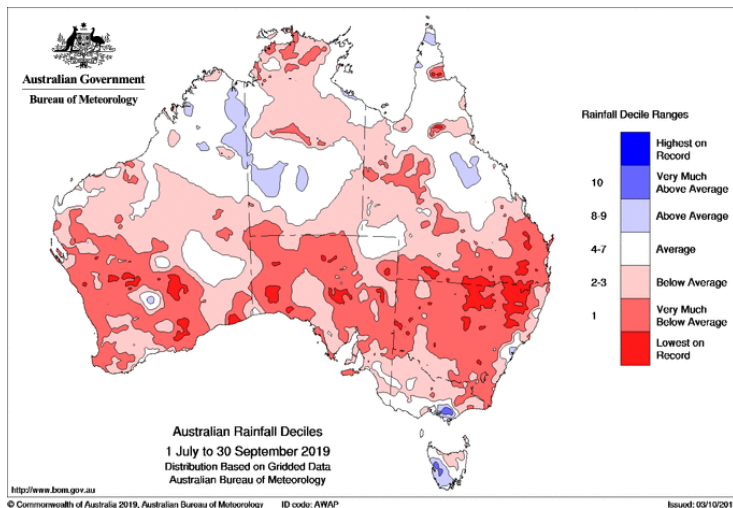
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Rainfall

Last month was extremely dry across Australia, particularly in the agriculture regions. September registered as the 10th warmest on record out of 120 years. Below average rainfall was reported for much of southern and eastern halves of Australia. It was especially dry in NSW, eastern QLD and southern WA where much of the state recorded very much below average rainfall.



September was warmer than average, although this was mixed around the country. Victoria, northern QLD and a small pocket of SA recorded below average temperatures, while the rest of the country was warmer than average. Maximum temperatures for the country were the fourth highest on record, a trend present throughout the year.



Drought Statement

Rain deficiencies continue to impact farm businesses across the country. In WA, warm and dry conditions, throughout the month, dried soil moisture along the wheatbelt. This is one area to watch prior to harvest. With more warm and dry weather forecast, we can expect further drying of soil moisture. For more information:

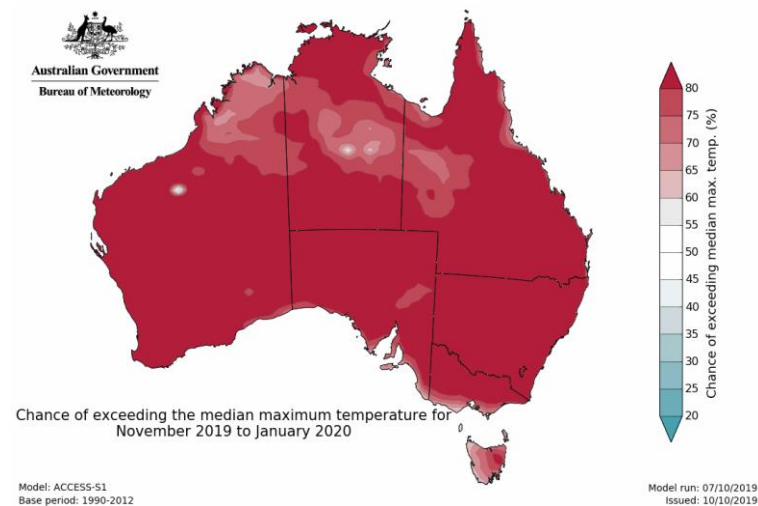
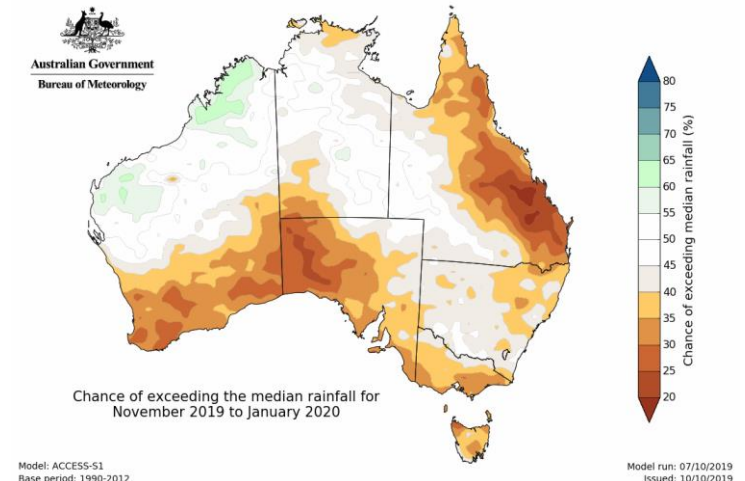
<http://www.bom.gov.au/climate/drought>

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Seasonal Outlook

The climate outlook released by the Bureau of Meteorology is indicating that the dry and warm start to spring is likely to continue through to the end of the year. Temperatures are expected to be higher than average for nearly all the country. Tasmania and a small band along the southern coast of Victoria are expected to be near average. Rainfall in October has a high chance of being below average for most of the country, this is expected to persist for the rest of the year in southern WA and south eastern Australia. In QLD, the northern rainfall onset is likely to arrive late this year. This will continue to impact streamflow and soil moisture through evaporation and a lack of run off.



Warm water in the Tropical Pacific Ocean continues to move west, impacting Australia's climate. The positive IOD is bringing the warm and dry weather to large parts of the country. This combined with a negative SAM, which promotes dry air across the south eastern states are the key drivers of the hot dry conditions.

Water

Storage levels (2018/19 as at 30 September)

	% full Sep-19	Change from Aug -19	% full Sep-18
Dartmouth	58	-2%	86
Hume	42	-5%	52
Eildon	47	+2%	64
Waranga Basin	65	+3%	56
Eppalock	37	-3%	55
Glenmaggie*	92	+23%	95

Source: G-MW, *SRW

There were mixed movements in the water level of monitored storage sites this month. Half the sites experienced minor reductions; the Dartmouth Dam, Hume Dam and Lake Eppalock all dropped 5% or less. Conversely, Lake Eildon and the Waranga Basin increased slightly and Lake Glenmaggie improved by 23%. This site is now operating at 92% capacity while all others are under 65% and three below 50%. Most storage facilities are entering summer in a precarious position with low levels and limited rainfall forecast.

Irrigation Allocations (2018/19 as at 1 October)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	38%	5%	0%
Broken	0%	0%	0%
Goulburn	48%	11%	0%
Campaspe	54%	5%	0%
Loddon	48%	11%	0%
Bullarook Creek	100%	0%	100%
MID	100%	5%	0%

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

September was another month of small improvements to HRWS. The largest increases were in the Goulburn and Loddon irrigation system which both increased by 11%. The Murray, Campaspe and MID all increase by 5% while the other systems remained steady. Bullarook Creek is currently the only system which has any LRWS. The low rainfall and warmer temperatures have dried catchments impacting on availability.

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>

Contact: **Sam Leishman** Phone: (03) 9694 3733 Email: Sam.Leishman@dairyaustralia.com.au

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Temporary water trades

	Sep - 19	Sep - 18	Change
Northern Victoria			
Volume traded (ML)	108,436	190,347	-43%
Average price (\$/ML)	699	321	+118%
Murray Irrigation System*			
Volume traded (ML)	5,329	18,105	-71%
Average price (\$/ML)	601	351	+71%

Source: Victorian Water Register, *Murray Irrigation Ltd

Water prices in the Northern Irrigation system have continued to climb higher while the Murray Irrigation System prices eased. Northern Victoria experienced a substantial price increase this month, firming \$141 since August. Water traded at an average of \$699/ML, the highest price since the recent drought started. With the rest of the year looking dry, it's hard to see prices softening from here. Total volume that was traded in the system was approximately 108,000ML, down 43% compared to the same time last year.

The price in the Murray Irrigation System eased month-on-month to \$601/ML. Still historically high, this cost has deterred many farmers, resulting in only approximately 5,300ML traded. This is significantly less compared with September last year where 18,100 ML was traded (down 71%).

Cull Cows

	Sep-19	Sep-18	Change
Sales volume (head)	7,591	7,632	-1%
Average price (c/kg)	450	359	25%
	YTD 2019/20	YTD 2018/19	Change
Sales volume (head)	25,116	23,316	8%
Average price (c/kg)	473	382	24%

Source: NLRS, from sale-yards within Vic

When compared to the last financial year, culling is up 8%. Sales volume has reached 25,116 year-to-date. This could be partly due to the higher average price, which is up 24%. The average price for the year-to-date fetched 473c/kg, up 91c/kg. This month's price was 450c/kg, a decrease from last month but still higher than last year. The demand for Australian beef has influenced this as ASF continues to develop, driving demand.