



PRODUCTION INPUTS MONITOR

Issue 179 – October 2020

Overview

Spot prices	Oct-20	Change (from Sep-20)	Change (from Oct-19)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$283	- \$20	- \$87
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$205	\$0	- \$107
Irrigation (Northern Victoria) \$/ML	\$188	-\$48	- \$522
Irrigation (Murray Irrigation System) \$/ML	\$163	-\$21	- \$456

Source: AFIA, Profarmer, Victorian Water Register, Murray Irrigation Ltd

Whilst a wet month interrupted hay making and caused delays to the grain harvest, the weather has further improved feed production outlooks for the season. As a result of above average rain, streamflows improved water storage levels in most sites and the cost of temporary water has decreased. At the same time, the average price of cull cows has surged to a new record.

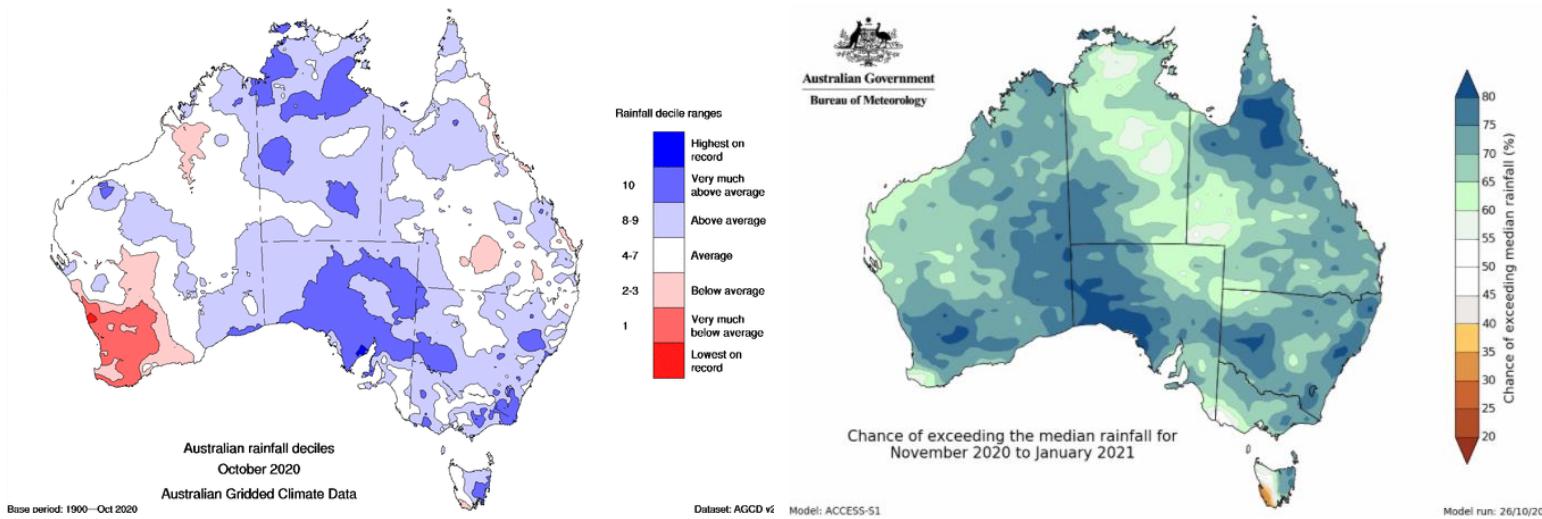
Feed and fertiliser prices

Above average rain in October made for wet hay making conditions in many regions across eastern Australia. A substantial fodder harvest is expected this season and with more hay being cut, the wet weather could create some challenges and extend curing times. Hay prices have remained steady with minimal demand reported in most regions. With weather damage reported to some of the new season hay originally destined for export markets, local supply may further increase and keep prices subdued for longer.

Wet weather has continued to improve Australia's winter grain production outlook in southern regions, with a large crop expected this season. Whilst recent rain has delayed the harvest, crop yields are expected to be above average in most states. Local grain prices have eased this month following the improved production forecast. Global grain prices have also remained relatively steady with a record wheat crop expected this year. This is expected to keep global values checked for some time and relieve pressure on local prices.

Fertiliser markets remained relatively steady in October with limited price movement. DAP and urea prices eased slightly, down 0.4% for the month to US\$357/mt and 2.2% to US\$245/mt, respectively, following slower demand in the US Gulf region. In comparison, MOP prices did not change and have now been trading at similar levels since the start of winter. Compared to last year MOP prices remain subdued, down 24%, due to a reduction in demand from the northern hemisphere.

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>



Climate

In line with previous months, October proved to be warmer than average, with above average temperatures in all states, except for a small area in Western Australia. The established La Niña event in the tropical Pacific resulted in a significantly wet month and nationally rainfall was 35% higher than the average for October. Rainfall was especially elevated in South Australia, parts of New South Wales, eastern Victoria and eastern Tasmania, with several areas reporting new daily rainfall records this month. More than 180mm of rain fell during one day on the east coast of New South Wales. Due to these wet conditions, soil moisture is now above average in most of eastern Australia.

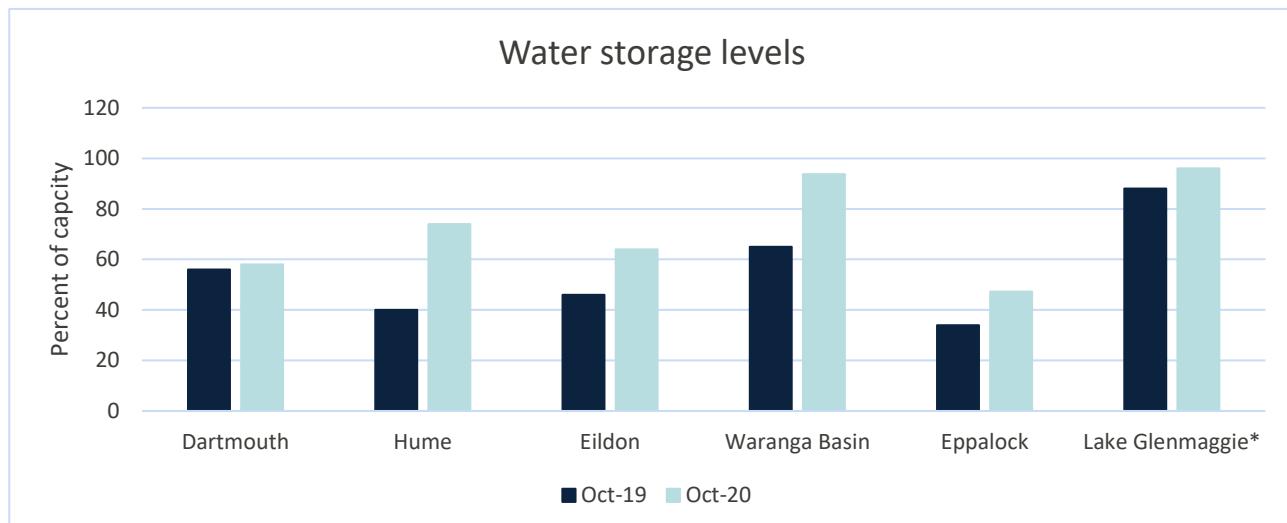
In comparison, Western Australia has remained dry with less rain than usual in October. Southwestern parts of the state reported some of the driest conditions on record during the month, following an already dry winter. Widespread rainfall has not been reported in the region since February 2020.

Seasonal Outlook

Similarly to last month, the Bureau of Meteorology's seasonal outlook for November – January suggests continued wet conditions across most of the country, except for western Tasmania. The ongoing La Niña weather pattern is expected to persist throughout summer and continues to drive this wetter outlook. Warmer water temperatures north of Australia are also increasing the chance of rain for the months ahead. As common during a La Niña event, the southern annular mode (SAM) is skewing towards positive values. A positive SAM usually creates more wind and humidity across the east coast, whilst western Tasmania may be drier than average. Temperatures are expected to be above average in central Australia and Tasmania but cooler than average across coastal New South Wales this summer.

With high soil moisture in most of eastern Australia and increased rainfall forecast for the balance of the year, the risk of widespread flooding has increased. The ongoing La Niña event is also expected to influence the tropical cyclone season and create an average to above average number of cyclones this season.

Water storage levels (2020/21 at 4th November)



Source: G-MW, *SRW

The end of October marks the end of the usual water filling season in southern Australia. A wet finish to the season resulted in further improvements in all storage sites, except for the Waranga Basin, where levels remained steady. Water levels in all monitored storages are now above last year. In comparison, water in storage sites in Western Australia and Tasmania remain below last year.

Victorian Irrigation Allocations (2020/21 at 2nd November)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	77%	+22%	0%
Broken	100%	0%	100%
Goulburn	93%	+16%	0%
Campaspe	100%	0%	0%
Loddon	93%	+16%	0%
Bullarook Creek	100%	0%	100%
MID	100%	0%	0%

As above average rainfall in October resulted in higher streamflows, water storage volumes in major sites increased. The Murray system benefitted the most from this, with high-reliability water shares growing 22% over the month. The seasonal determination also increased 16% in both the Goulburn and Loddon systems to 93% high-reliability water shares, respectively. Higher streamflows and continued wet weather is predicted to lead to further improvements over the next month.

New South Wales Irrigation Allocations (2020/21 at 2nd November)

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	+36%	+10%

For further details see www.g-mwater.com.au, www.srw.com.au or www.murrayirrigation.com.au

The New South Wales General Security allocation increased to 36% in October, up 10% from previous month. For more information on the latest Water Allocation Statement, please visit: https://www.industry.nsw.gov.au/__data/assets/pdf_file/0005/329198/WAS-Murray-20201102.pdf

Temporary water trades

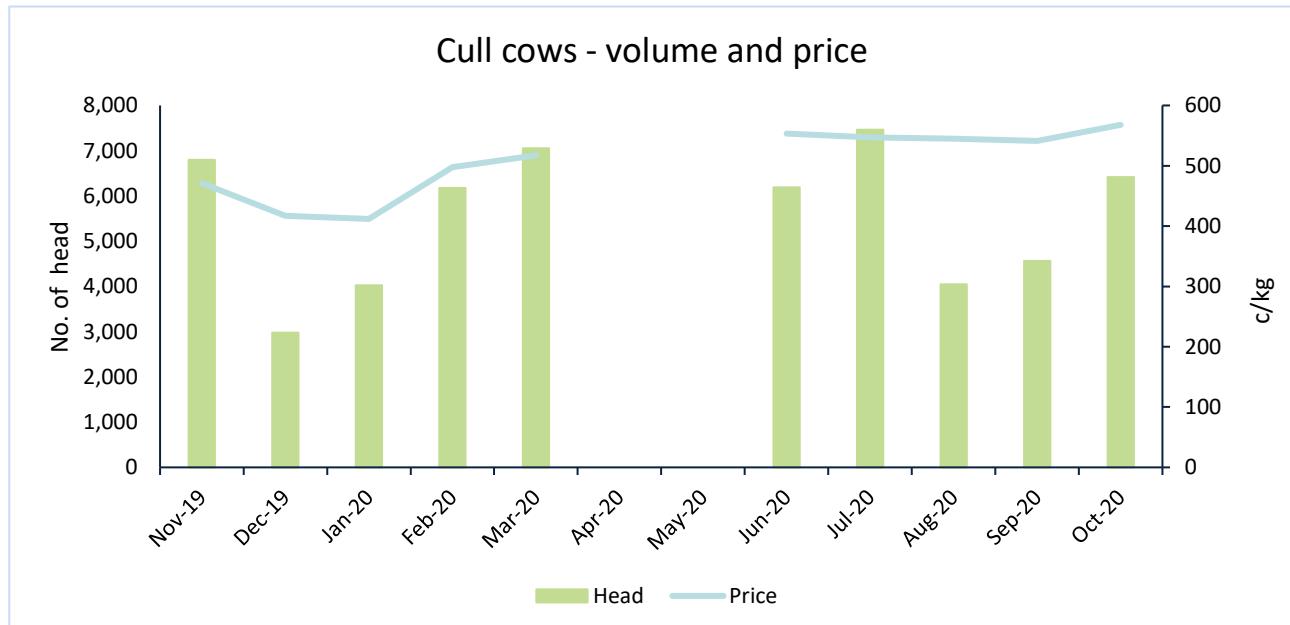
	Oct-20	Oct-19	% Change
Northern Victoria			
Volume traded (ML)	386,046	374,463	+3%
Average price (\$/ML)	\$188	\$710	- 74%
Murray Irrigation System*			
Volume traded (ML)	11,952	4,418	+171%
Average price (\$/ML)	\$163	\$619	- 74%

Source: Victorian Water Register, *Murray Irrigation Ltd

Temporary irrigation water prices in northern Victoria have continued to fall, down 20% in October. Water is now trading below \$200/ML, which has not been the case in the region since the wet season in 2017/18. The cost of temporary water is currently 33% below the five year average. As prices have eased, volumes traded have grown, up 3% compared to last year and are significantly elevated (up 123%) compared to the five year average.

Water prices in the Murray Irrigation system have also dropped, down 12% for the month to \$163/ML. Compared to last year, prices are now economically justifiable for more agricultural businesses, driving a further increase in trading over the month. Volumes traded surged 171% compared to last year and are now 14% above the five-year average.

Cull cows



Source: NLRS, from saleyards within Vic

The average cull cow price has continued to increase, growing 5% for the month, to 568c/kg. This is the highest price reported since the beginning of the *Production Inputs Monitor* reports, reflecting the significantly high meat prices at present created by a shortage of Australian livestock from two years of drought. Despite a record price, culling rates are still below those of last year, down 3%, as favourable conditions have increased the incentive to hold onto stock.

Due to the ongoing impact of COVID-19 there has been changes to the reporting mechanism of saleyard cattle which may account for some variation in reported figures. COVID-19 related disruptions to market reporting between March and June could account for a discrepancy in data.

	Oct-20	Monthly % change	Sep-20	Aug-20	Jul-20
Cereal hay					
Northern Australia (\$/tonne)	298	-8%	325	310	340
Southern Australia (\$/tonne)	205	0%	205	205	205
Western Australia (\$/tonne)	350	0%	350	350	350
Wheat					
Northern Australia (\$/tonne)	257	-11%	288	394	396
Southern Australia (\$/tonne)	283	-7%	303	318	333
Western Australia (\$/tonne)	317	+5%	302	308	319
Futures prices (ASX)					
Wheat (av. \$/t Jan-21 east coast)	298	-3%	308	286	282
Barley (av. \$/t Jan-21 east coast)	231	-1%	234	217	223
Fertiliser					
DAP (US\$/tonne)	357	-0.4%	358	342	305
Urea (US\$/tonne)	245	-2%	251	250	214
MOP (US\$/tonne)	203	0%	203	203	203
Irrigation					
Northern Victoria					
Volume traded (ML)	386,046	+239%	113,905	89,855	252,350
Average price (\$/ML)	188	-20%	236	263	276
Murray Irrigation system*					
Volume traded (ML)	11,952	32%	9,026	4,417	1,332
Average price (\$/ML)	163	-12%	184	174	234
Cull Cows					
Sales volume (head)	6,416	+41%	4,566	4,044	7,461
Average price (c/kg)	568	+5%	541	545	547
	YTD 2020/21	% change	YTD 2019/20	YTD 2018/19	YTD 2017/18
Sales volume (head)	22,487	-29%	31,742	28,748	19,401
Average price (c/kg)	553	+19%	466	374	436

To access more information on the Hay and Grain report click [here](#)

Grain report 

Hay report 