

PRODUCTION INPUTS MONITOR

Issue 184 – April 2021

Overview

Spot prices	Apr-21	Change (from Mar-21)	Change (from Apr-20)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$279	-\$27	-\$106
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$205	\$0	-\$58
Irrigation (Northern Victoria) \$/ML	\$80	-\$18	-\$241
Irrigation (Murray Irrigation System) \$/ML	\$85	-\$10	-\$242

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

Despite most of the country experiencing drier conditions in April, input prices remain relatively affordable. As rainfall events from previous months supported waterways and storages, temporary water prices eased further with limited irrigation activity. Subdued domestic feed demand and favourable conditions for livestock grazing have supported elevated cull cow prices.

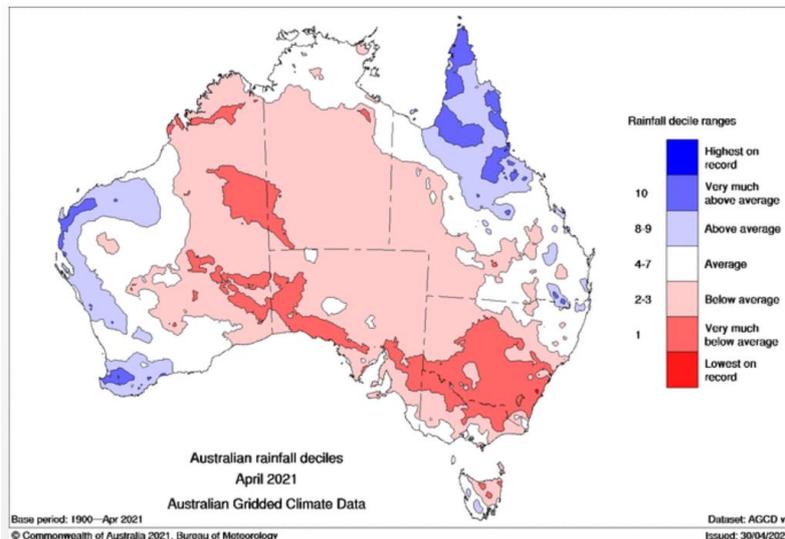
Feed and fertiliser prices

After several months of wet and cool conditions supporting pasture growth, overall demand for feed remains subdued. Fodder prices continue to track below the five-year average, as many farmers maintain fodder stores on-farm and utilise pasture as comparatively cheaper feed source. The quality of hay on offer remains compromised after a wet hay making period and damage caused by the mice outbreak. China's announcement to not renew the licences of 25 hay exporters saw Gilmac, Australia's largest hay exporter, announce they will be purchasing less hay this year from Australian producers.

Following this development, many growers have reportedly decided to divert away from hay production and focus on grain harvest during the upcoming cropping season. Grain values were relatively volatile over April, as the firming of international markets saw domestic prices rise in some regions. However, overall most prices remain subdued compared to last month. Future markets also strengthened over the month, particularly for wheat, as freezing weather impacted crop yields in countries like the US and import demand for feed grain remained strong.

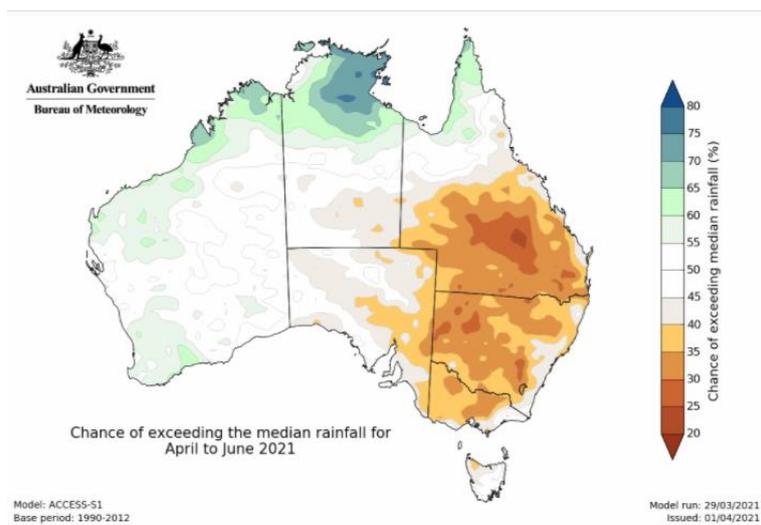
After surging earlier in the year, global fertiliser prices remained elevated this April. Cold conditions in the northern hemisphere saw fertiliser input values rise, such as natural gas and bituminous coal. This placed pressure on factories and halted production, while China continued to hold stocks for domestic use, constricting global supply. Ongoing strong global demand for fertilisers during a period of limited supply have continued to underpin values.

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://www.dairyaustralia.com.au/industry-statistics/industry-reports>



Climate

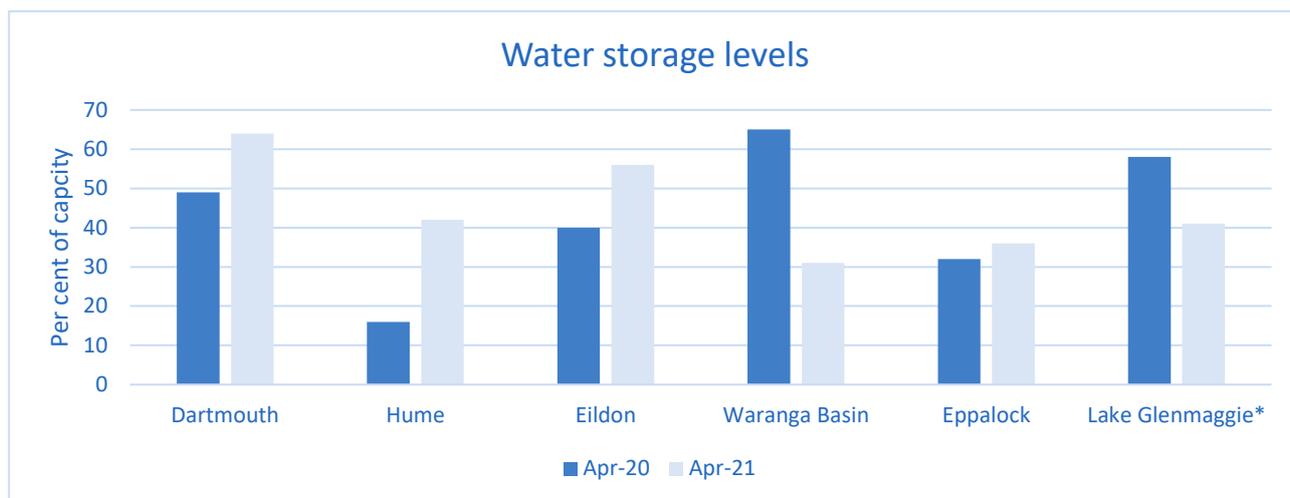
The start of autumn saw a continuation of the wet weather experienced through most of the year, with heavy rain falling across most regions, causing severe flooding in parts of New South Wales (NSW). Whilst rain continued to fall in northern Queensland and coastal Western Australia (WA) in April, the rest of the country experienced much drier conditions. This April proved to be the driest on record in NSW and South Australia (SA). Rain from earlier in the year helped keep soil moisture levels elevated and most water storages above last year's levels.



Seasonal Outlook

As forecast, the La Niña event broke down in March, with most climate drivers now in a neutral phase. The Bureau of Meteorology (BOM) predicts wetter than average weather throughout autumn and the start of winter in most of southern Australia. Whilst this is expected to support soil moisture levels through winter, it has also elevated the risk of further flooding in eastern Australia. Western Victoria and parts of SA are proving to be the exception, where conditions are relatively dry as many anticipate the autumn break to be delayed. Western Tasmania is also anticipated to be drier than average through this period. Across most of Australia, minimum and maximum temperatures are forecast to be warmer than average, with June likely to be cooler than average for southwest WA.

Water storage levels (2020/21 at 5th May)



Source: G-MW, *SRW

Conditions in April were relatively dry, which saw water levels decrease at multiple sites. Dartmouth was the only storage system where levels did not fall this month. However, as a wetter than average summer supported levels through a typically dry time of year, volumes in most storage systems remain higher than this time last year.

Victorian Irrigation Allocations (2020/21 at 1st April)

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

There have been no updates to seasonal determinations since April 1st, with the outlook for the 2021/22 season due to be released on the 17th May. All water systems maintained a position of 100% high reliability water shares (HRWS), with no change to existing low reliability shares (LRWS) for most systems; the Macalister Irrigation District (MID) LRWS increased by 80%, to 100% LRWS. The current irrigation season (2020/21) ends 15th May 2021.

New South Wales Irrigation Allocations (2020/21 at 3rd April)

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	50%	0%

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 remained at 50% in April. For more information on the latest Water Allocation Statement, please visit:

https://www.industry.nsw.gov.au/__data/assets/pdf_file/0007/368899/WAS-Murray-20210503.pdf

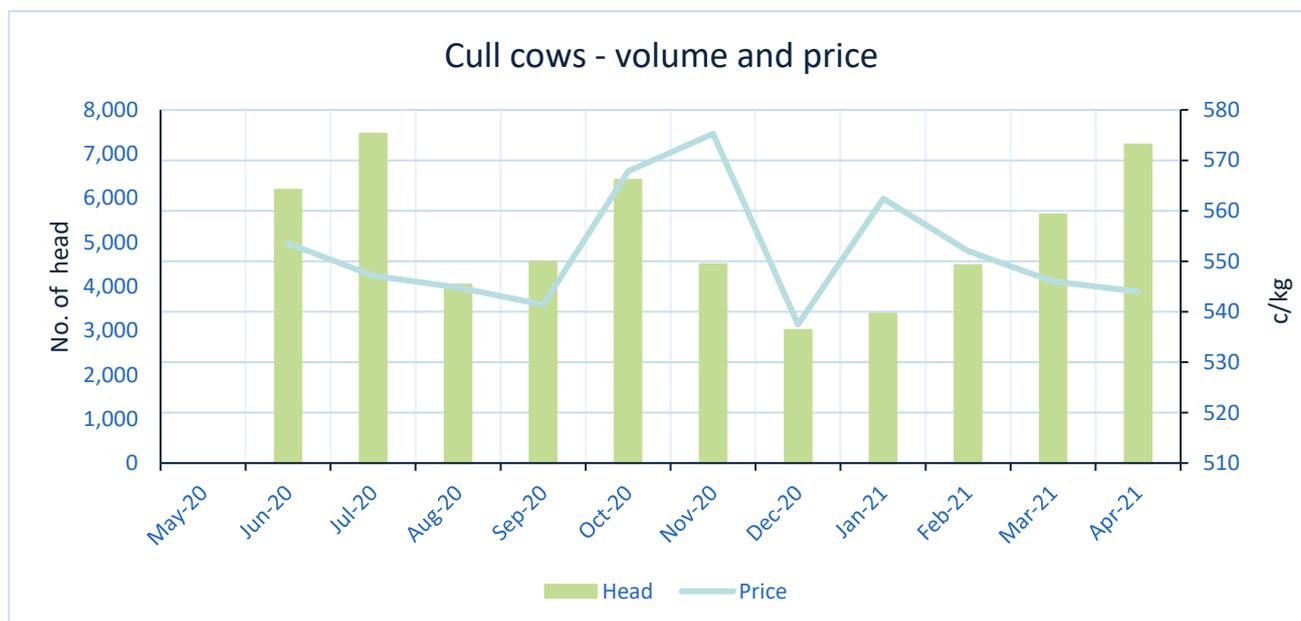
Temporary water trades

	Apr-21	Apr-20	% Change
Northern Victoria			
1A Greater Goulburn	\$80	\$254	-69%
6 Hume to Barmah	\$80	\$301	-73%
7 Barmah to Nyah	\$80	\$400	-80%
Volume traded (ML)	113,234	108,579	+4%
Average price (\$/ML)	\$80	\$321	-75%
Murray Irrigation System*			
Volume traded (ML)	16,724	2,203	+659%
Average price (\$/ML)	\$85	\$327	-74%

Source: Victorian Water Register, *Murray Irrigation Ltd

Despite drier than average conditions this April, previous month's rain improved plant growth conditions, decreasing the need to irrigate for many businesses. Water prices dropped further; down 11% in the Murray Irrigation system and 18% in northern Victoria, compared to March. These relatively low prices have continued to entice some farmers to irrigate, and as such traded volumes in the Murray Irrigation system increased by 37%. This remains above the five-year average. However, in northern Victoria traded volumes decreased from March, as sources suggest some farmers opted to utilise rain as the main source of water, in a bid to lower operating costs.

Cull cows



Source: NLRS, from saleyards within Vic

As the weather has supported pasture growth and feed costs remained relatively low, many farmers continue to retain stock. Despite the number of cows passing through saleyards increasing 28% from March, the supply of cull cows to the market continues to be constricted. As a result, prices remain elevated, easing only slightly this April, down 0.4% compared to March. Reports indicate these high values have not enticed many farmers to destock, particularly as conditions remain favourable for herd rebuilding. 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.

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	Apr-21	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	263	-5%
Southern Australia (\$/tonne)	205	0%
Western Australia (\$/tonne)	311	-1%
Wheat		
Northern Australia (\$/tonne)	269	-2%
Southern Australia (\$/tonne)	279	-9%
Western Australia (\$/tonne)	324	-1%
Futures prices (ASX)		
Wheat (av. \$/t Jan-22 east coast)	321	+10%
Barley (av. \$/t Jan-22 east coast)	255	+9%
Fertiliser		
DAP (US\$/tonne)	543	+2%
Urea (US\$/tonne)	328	-7%
MOP (US\$/tonne)	203	0%
Irrigation		
Northern Victoria		
Volume traded (ML)	113,234	-37%
Average price (\$/ML)	80	-19%
Murray Irrigation system*		
Volume traded (ML)	16,724	+37%
Average price (\$/ML)	85	-10%
Cull Cows		
Sales volume (head)	7,218	+28%
Average price (c/kg)	544	-0.4%
	YTD 2020/21	% change
Sales volume (head)	50,723	-18%
Average price (c/kg)	552	+21%

Mar-21	Feb-21	Jan-21
Source: AFIA		
275	275	275
205	205	205
315	315	315
Source: Profarmer		
273	285	273
305	288	290
327	335	330
Source: ASX		
292	346	300
235	244	243
Source: World Bank		
534	529	421
353	335	265
203	203	203
Source: Victorian Water Register, *Murray Irrigation Ltd		
179,251	181,788	161,877
98	99	145
12,200	11,357	12,932
95	95	129
Source: NLRs (saleyards within Vic)		
5,633	4,483	3,382
546	552	562
YTD 2019/20	YTD 2018/19	YTD 2017/18
62,219	55,371	48,425
456	361	423

To access more information on the Hay and Grain report click here

Grain report 

Hay report 

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