

# PRODUCTION INPUTS MONITOR

Issue 185 – May 2021

## Overview

Spot prices	May-21	Change (from Apr-21)	Change (from May-20)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$300	\$21	-\$65
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$205	\$0	\$0
Irrigation (Northern Victoria) \$/ML	\$95	+\$15	-\$169
Irrigation (Murray Irrigation System) \$/ML	\$96	+\$11	-\$72

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

*Despite a relatively dry autumn, most input prices continue to sit below average. Whilst some farmers have begun to utilise stored feed, demand for purchased feed remains subdued. Most water storage levels remain steady, and temporary water prices continue to trade below \$100/ML. As operating conditions are still favourable for many, stock retention continues to support cull cow prices.*

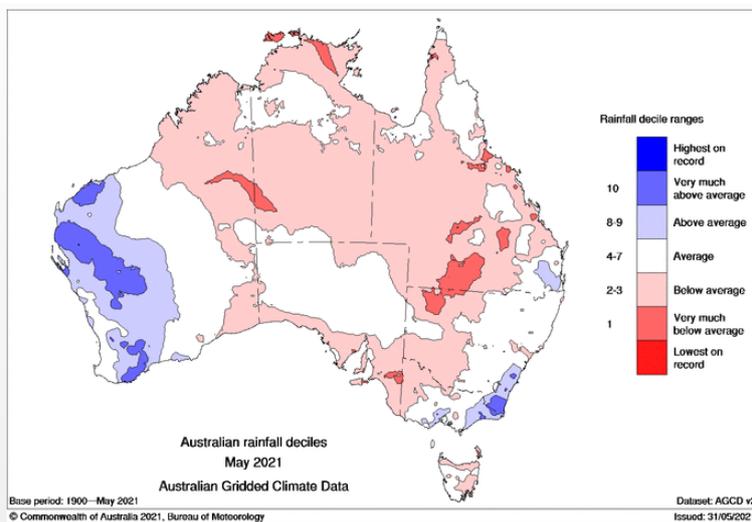
## Feed and fertiliser prices

Fodder prices have remained mostly stable this autumn, however, there continues to be demand for higher quality protein. These varieties are sold at a premium, due to low availability in several parts of the country. In the drier regions, particularly in parts of South Australia (SA), farmers continue to utilise stored feed for stock, with local sources expecting the winter months to place further pressure on feed stores. In light of current global grain prices, the amount of fodder stored on farm, and trade concerns with China, production of new season hay may fall this season.

The absence of an autumn break in western Victoria and parts of SA, saw many growers sow winter crops dry. After decreasing in April, the price of many grain varieties firmed again this month. Globally, the tightening of corn supply from Brazil and China's persistent importation of grain, has seen values rise. Strong demand from the US for cereals, has also underpinned increasing global prices. As canola values remain strong, some Australian farmers have increased the planted area of these varieties. Whilst global values continue to increase, the current strength in the AUD combined with the increase in domestic supply, may help to insulate the domestic market from a similar price rally.

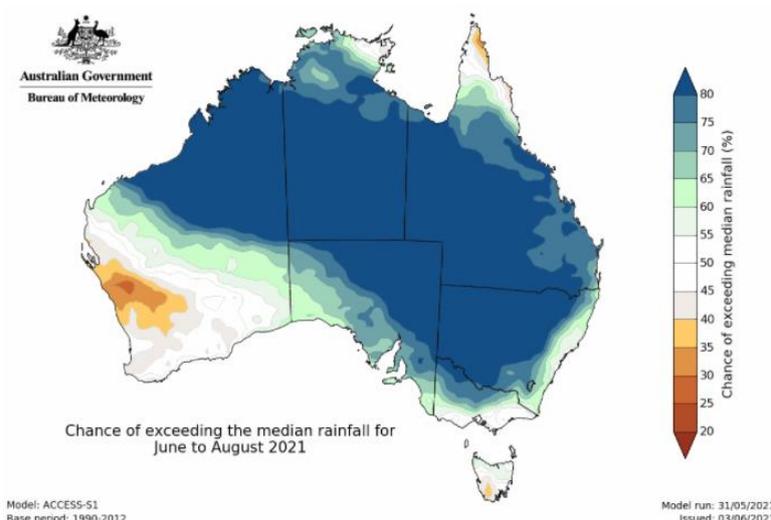
After India's second tender in May, urea prices remained steady, 64% above last year's levels. Global supply of DAP and urea remains tight, whilst strengthened demand from several countries continues. This has supported elevated values, while issues securing shipping containers has also played a part in increasing prices.

*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

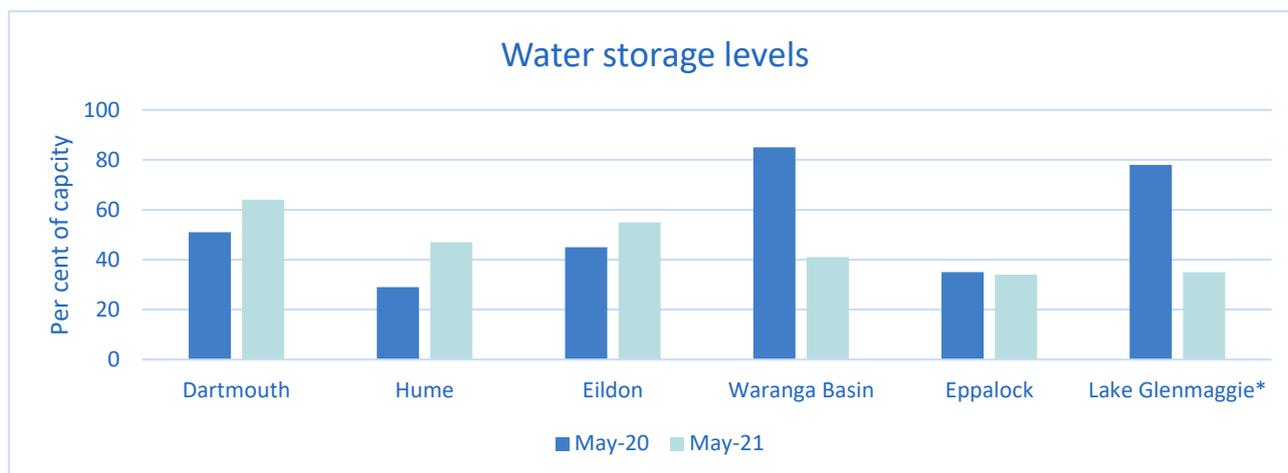
Overall, autumn has been drier than usual. After some regions experiencing the driest April on record, May followed with average to below average rainfall for most of the country. The only exception being parts of southeast Australia and southwest Western Australia (WA) which reported higher than average rain. Soil moisture levels in parts of southwest WA, New South Wales (NSW) and northern Queensland (QLD) remain above average following sustained rainfall, while moisture levels across southern Australia are mostly below average.



## Seasonal Outlook

Moving into the winter months, this time of year has historically proved to be a difficult period to forecast, as weather patterns can be extremely variable. Previously, the accuracy of weather outlooks from the Bureau of Meteorology (BOM) for southern and eastern Australian regions have ranged between the 0% to 65%. The BOM's outlook for June to August forecasts high to very high chances of above average rain for most of the country. This is supported by large parts of the eastern Indian Ocean being warmer than normal, favouring high rainfall for parts of Australia. After wetter than average weather in May across a large portion of WA, the outlook for the winter months suggests drier than average conditions, particularly for southern WA. Tasmania is also forecast to have low chances of above average rain over winter. Minimum and maximum temperatures are expected to be warmer than average, for southwest, southeast Australia, and Tasmania. High chances of above average rainfall and warmer than average temperatures may bode well for the winter cropping season, by supporting crop and pasture growth.

## Water storage levels (2020/21 at 7<sup>th</sup> June)



Source: G-MW, \*SRW

Rainfall through May improved water levels for the Hume and Waranga Basin storages, which increased 12% and 32%, respectively. Despite this, Lake Eppalock levels fell below last year's levels, the first time in 12 months. Lake Glenmaggie levels dropped 15%, with all other sites remaining steady.

## Victorian Irrigation Allocations (2020/21 at 1<sup>st</sup> 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%

Seasonal determinations remain unchanged from the last update on April 1<sup>st</sup>; flows in water storages between May and the end of June, as well as carryover volumes, will impact opening seasonal determinations released on July 1<sup>st</sup>. The 2021/22 outlook indicates the Murray, Goulburn, Campaspe and Loddon systems are likely to open with less than 25% high reliability water shares (HRWS), while the Broken and Bullarook systems are anticipated to start with 0% HRWS. After the floods in northern NSW in March, levels in the Menindee lakes have exceeded 640GL storage. This water can now be accessed in Victoria via the Murray Darling Basin Agreement, supporting allocation outlooks for the Murray. Whilst carried over allocations will be fully deliverable in all systems from July 1<sup>st</sup>, there are moderate spill risks for some systems (Murray system: 45%, Goulburn and Campaspe systems: 30%).

## New South Wales Irrigation Allocations (2020/21 at 17<sup>th</sup> May)

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

For further details see [www.g-mwater.com.au](http://www.g-mwater.com.au), [www.srw.com.au](http://www.srw.com.au) or [www.murrayirrigation.com.au](http://www.murrayirrigation.com.au)

The New South Wales General Security allocation remained at 50% in May. For more information on the latest Water Allocation Statement, please visit:

[https://www.industry.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0004/378175/WAS-Murray-20210517.pdf](https://www.industry.nsw.gov.au/__data/assets/pdf_file/0004/378175/WAS-Murray-20210517.pdf)

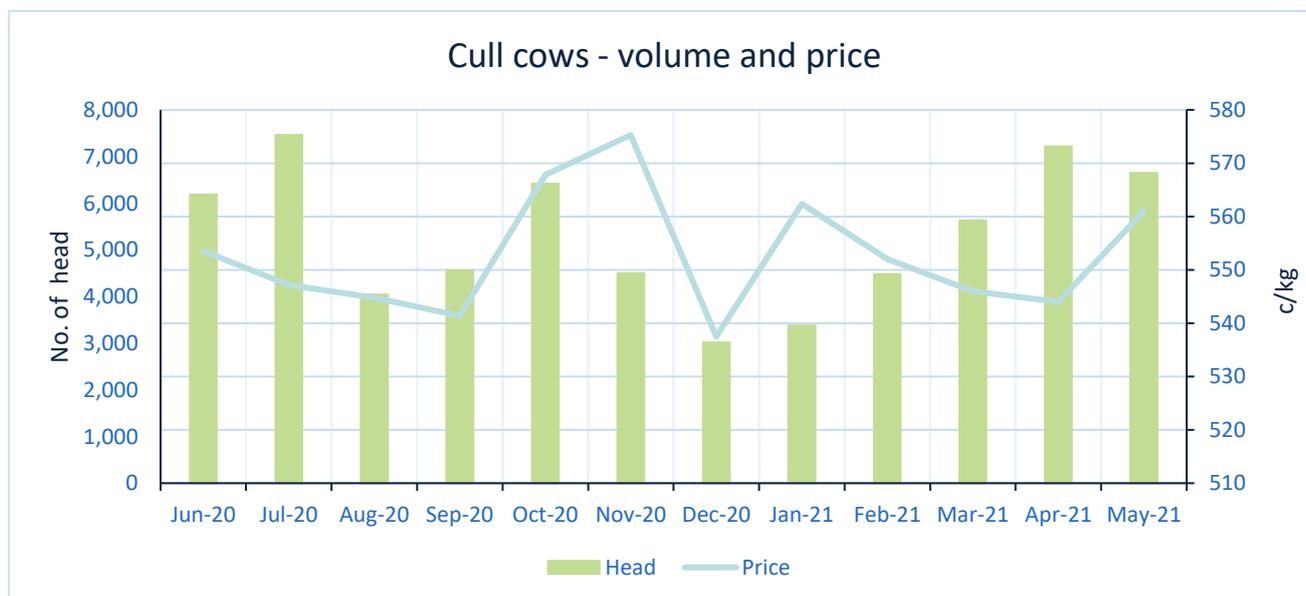
## Temporary water trades

	May-21	May-20	% Change
<b>Northern Victoria</b>			
1A Greater Goulburn	\$95	\$210	-55%
6 Hume to Barmah	\$95	\$245	-61%
7 Barmah to Nyah	\$95	\$300	-68%
Volume traded (ML)	150,005	66,006	+127%
Average price (\$/ML)	\$95	\$264	-64%
<b>Murray Irrigation System*</b>			
Volume traded (ML)	14,855	2,263	+556%
Average price (\$/ML)	\$96	\$214	-55%

Source: Victorian Water Register, \*Murray Irrigation Ltd

Despite water prices increasing for both the northern Victoria and Murray irrigation systems, the value of temporary water remains under \$100/ML. Following dry weather across most of northern Victoria this May, the volume of water traded increased 32% from the month prior. This is a turnaround from previous months, as sources suggest many water users have previously utilised rain as the main source of water to lower input costs. Conversely, temporary water trades in the Murray system decreased 11% against April volumes, however, still remain above the five-year average.

## Cull cows



Source: NLRS, from saleyards within Vic

As operating conditions remain favourable, many farmers have retained stock. This is supporting cull cow prices at a time when demand remains strong. Whilst increasing 6% in May, prices have overall remained relatively steady, fluctuating between 540c/kg and 580c/kg for the past 12 months. Compared to the five-year average, the average cull cow price this May is 26% higher. Elevated prices are yet to entice farmers to destock, as the number of cows passing through the saleyards decreased by 8% from last month.

	May-21	Monthly % change
<b>Cereal hay</b>		
Northern Australia (\$/tonne)	250	-5%
Southern Australia (\$/tonne)	205	0%
Western Australia (\$/tonne)	300	-4%
<b>Wheat</b>		
Northern Australia (\$/tonne)	275	+2%
Southern Australia (\$/tonne)	300	+8%
Western Australia (\$/tonne)	328	+1%
<b>Futures prices (ASX)</b>		
Wheat (av. \$/t Jan-22 east coast)	312	-3%
Barley (av. \$/t Jan-22 east coast)	260	+2%
<b>Fertiliser</b>		
DAP (US\$/tonne)	575	+6%
Urea (US\$/tonne)	332	+1%
MOP (US\$/tonne)	203	0%
<b>Irrigation</b>		
<b>Northern Victoria</b>		
Volume traded (ML)	150,005	+32%
Average price (\$/ML)	95	+19%
<b>Murray Irrigation system*</b>		
Volume traded (ML)	14,855	-11%
Average price (\$/ML)	96	+12%
<b>Cull Cows</b>		
Sales volume (head)	561	+3%
Average price (c/kg)	6,648	-8%
	YTD 2020/21	% change
Sales volume (head)	57,371	-18%
Average price (c/kg)	553	+24%

Apr-21	Mar-21	Feb-21
Source: AFIA		
263	275	275
205	205	205
311	315	315
Source: Profarmer		
269	273	285
279	305	288
324	327	335
Source: ASX		
321	292	346
255	235	244
Source: World Bank		
543	534	529
328	353	335
203	203	203
Source: Victorian Water Register, *Murray Irrigation Ltd		
113,234	179,251	181,788
80	98	99
16,724	12,200	11,357
85	95	95
Source: NLRS (saleyards within Vic)		
7,218	5,633	4,483
544	546	552
YTD 2019/20	YTD 2018/19	YTD 2017/18
70,106	75,320	62,064
448	358	409

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

Grain report 

Hay report 

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