

# PRODUCTION INPUTS MONITOR

## Issue 186 – June 2021

### Overview

Spot prices	Jun-21	Change (from May-21)	Change (from Jun-20)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$307	\$5	-\$40
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$190	-\$10	-\$15
Irrigation (Northern Victoria) \$/ML	\$94	-\$1	-\$101
Irrigation (Murray Irrigation System) \$/ML	\$92	-\$3	-\$114

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

*The start of the new water season saw opening seasonal determinations released. With subdued demand for purchased feed and water, most input prices remain below last year's levels. Favourable weather continues to encourage stock retention, keeping cull cow prices elevated, while the Bureau of Meteorology's seasonal outlook suggests similar conditions will continue through winter.*

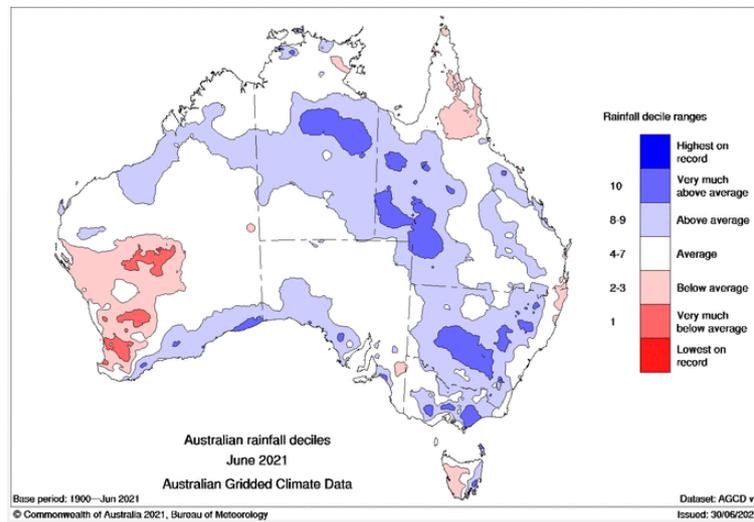
### Feed and fertiliser prices

Despite an increased number of farmers utilising feed stored on farm and pasture growth rates declining in some regions, demand for fodder continues to be tempered by the substantial amounts of feed still available on farm. While overall demand is relatively quiet, there is interest building for high-quality hay varieties. After the wet hay making conditions over the past six to 12 months, most of the high-quality stock sold is reportedly from 2019 harvest, which is seeing stocks depleted.

After sowing winter crops in dry weather in the Mallee region, rain during June brought some relief to growers. However, there are concerns that the late break and low soil moisture levels may impact crop yields. Reportedly, a vast majority of new season plantings are complete, with some wheat being sown when conditions are favourable. Wheat prices increased in most regions, supported by strong export demand, particularly from China, as drought conditions in the US lowered wheat production prospects. Favourable growing conditions in Australia continue to place downward pressure on prices, seeing some farmers incorporate wheat over barley into their feed rations.

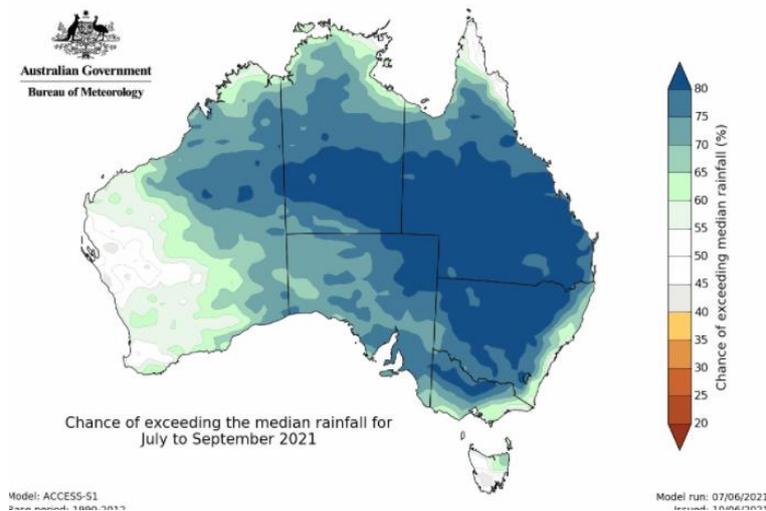
In global fertiliser markets, urea prices surged 19% in June, largely due to India's pursuit to secure more stock via another tender process. There are reports suggesting China may implement an export tax, holding stocks for domestic use. This would diminish any chances of alleviating supply pressures currently felt on the market. While MOP values remain steady, DAP prices continue to trade above average, increasing 5% this month.

*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

As June marked the start of the winter season, cold fronts brought significant rainfall to southern Australia. After the past few months of above average rainfall in Western Australia, soil moisture levels remain strong for the region, despite reduced rainfall and cooler days this month. While soil moisture levels are also above average in southeast Australia, the rest of the country reportedly continues to experience below average moisture levels. However, rain through June brought a later than average autumn break to many dry regions across southeast Australia, such as the Mallee, helping to alleviate the severity of dry soils. With this rain, east Gippsland experienced major flooding and storms, causing damaging winds through central Victoria.



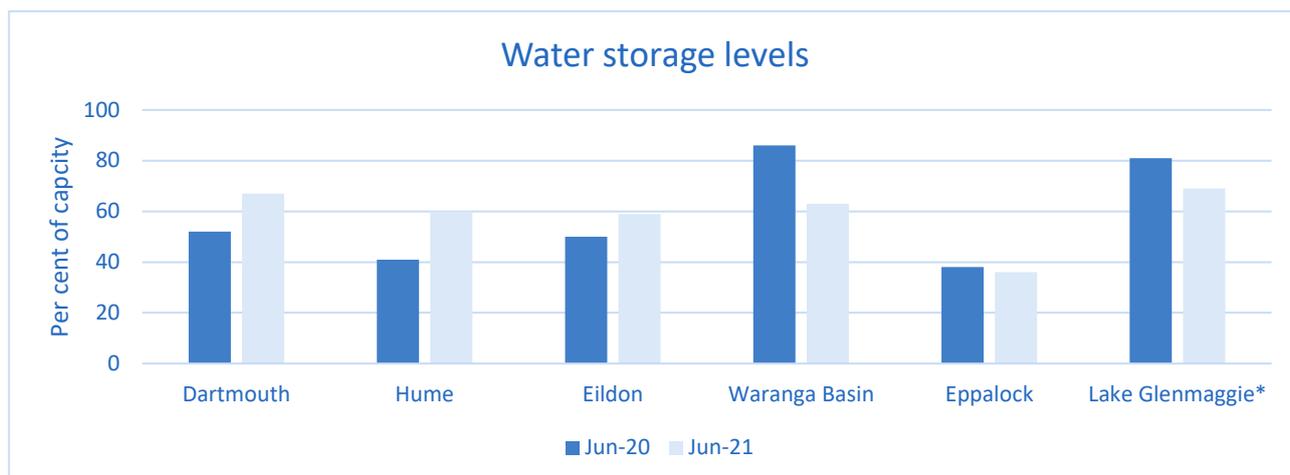
## Seasonal Outlook

The weather in June supported germinating crops across Australia’s agricultural regions and the outlook for the next few months suggests this is likely to continue. The BOM’s outlook for July to September forecasts above average rain for most of Australia. After the recent La Nina event and a few months of limited major climate drivers, the BOM indicates an increased likelihood of a negative Indian Ocean dipole (IOD) event occurring. This supports the above average winter/spring rainfall outlook, particularly for southern Australia. Warmer ocean temperatures around northwest Australia also contributes to this rainfall outlook. Day and night temperatures are forecast to be warmer than average for northern and southern Australia. Whilst temperatures are expected to be higher than average for most of the country, Tasmania and southeast Australian coastal areas remain the exception.

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## Water storage levels (2021/22 at 6<sup>th</sup> July)



Source: G-MW, \*SRW

Substantial amounts of rain across Victoria and southern New South Wales saw water storage levels increase for all monitored sites. After the flooding event in Gippsland, Lake Glenmaggie's storage reached a peak of 85% filled, before declining to 69% at the end of the month. Despite Lake Glenmaggie's storage levels being boosted by 97% from last month, current levels continue to sit below last year.

## Victorian Irrigation Allocations (2021/22 at 1<sup>st</sup> July)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	21%	-	0%
Broken	5%	-	0%
Goulburn	33%	-	0%
Campaspe	14%	-	0%
Loddon	33%	-	0%
Bullarook Creek	40%	-	0%
MID	100%	-	0%

Opening seasonal determinations were announced on July 1<sup>st</sup>, marking the first time since 2012/13 that all northern Victorian systems have received a non-zero seasonal determination at the start of water year. Determinations for this season have been supported by the efforts of the last; recent rainfall created strong flows into major storages and enhanced water availability in all systems, ending the season with strong reserves. Despite wet catchments and rainfall causing runoff into water systems, any increase to seasonal determinations hinges on further rainfall over the coming months. The BOM's July to September outlook reflects a high chance this may occur.

## New South Wales Irrigation Allocations (2021/22 at 1<sup>st</sup> July)

NSW – Murray Irrigation Ltd	Allocation	Change
Class C-General Security	3%	-

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 opened at 3% in June. For more information on the latest Water Allocation Statement, please visit:

[https://www.industry.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0007/388321/regulated.pdf](https://www.industry.nsw.gov.au/__data/assets/pdf_file/0007/388321/regulated.pdf)

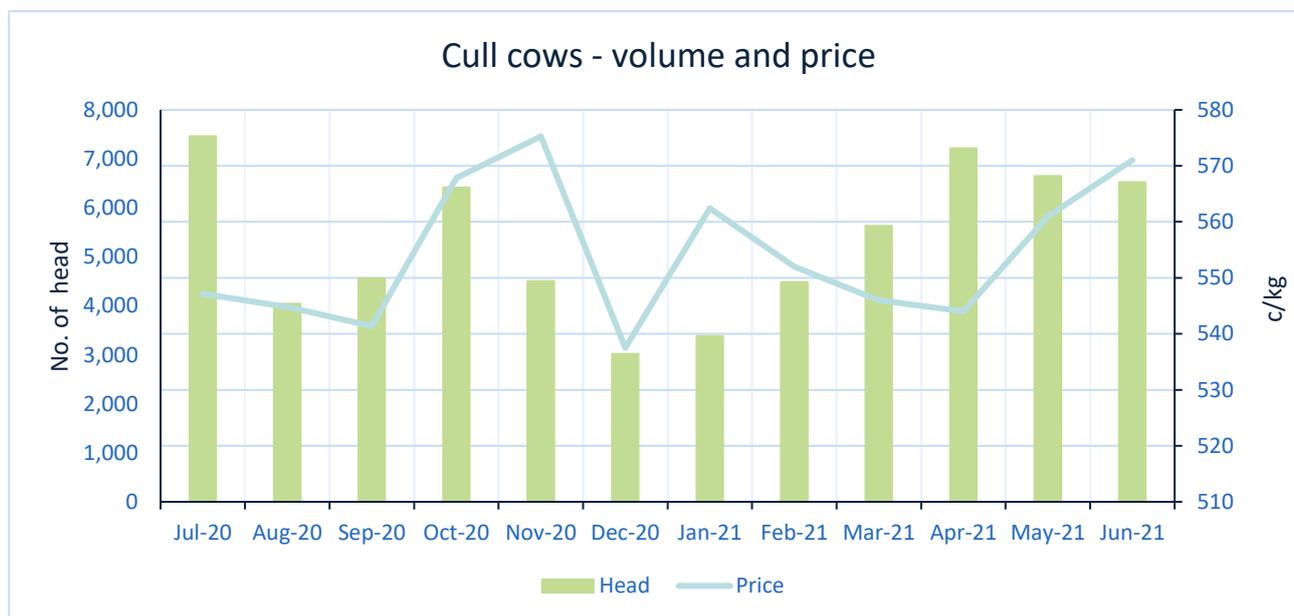
## Temporary water trades

	Jun-21	Jun-20	% Change
<b>Northern Victoria</b>			
1A Greater Goulburn	\$95	\$190	-50%
6 Hume to Barmah	\$91	\$200	-55%
7 Barmah to Nyah	\$95	\$200	-53%
Volume traded (ML)	536,263	414,036	+30%
Average price (\$/ML)	\$94	\$195	-52%
<b>Murray Irrigation System*</b>			
Volume traded (ML)	12,627	3,587	+252%
Average price (\$/ML)	\$92	\$206	-55%

Source: Victorian Water Register, \*Murray Irrigation Ltd

As typically seen this time of year, the end of the irrigation season saw a flurry of trade activity as people assess their water requirements for the upcoming water year. As a result, temporary water trades in northern Victoria surged 257% compared to last month. Despite this, water continue to trade below \$100/ML, supported by decreased water usage during a period of favourable weather. Limited water usage over the last season has seen large amounts of carryover, helping to strengthen water storages, availability and seasonal determinations. Whilst trade volumes in the Murray system decreased by 15% in June, more water was traded than usual.

## Cull cows



Source: NLRS, from saleyards within Vic

As conditions at the farmgate remain relatively favourable, many farmers have opted to retain stock, aiming to rebuild herds, with the number of cows going through saleyards decreasing marginally this month. In light of this, cull cow prices remain 29% above the five-year average and are yet to entice significant destocking.

	Jun-21	Monthly % change
<b>Cereal hay</b>		
Northern Australia (\$/tonne)	250	0%
Southern Australia (\$/tonne)	190	-5%
Western Australia (\$/tonne)	300	0%
<b>Wheat</b>		
Northern Australia (\$/tonne)	275	0%
Southern Australia (\$/tonne)	307	+1%
Western Australia (\$/tonne)	337	+2%
<b>Futures prices (ASX)</b>		
Wheat (av. \$/t Jan-22 east coast)	292	-6%
Barley (av. \$/t Jan-22 east coast)	260	0
<b>Fertiliser</b>		
DAP (US\$/tonne)	605	+5%
Urea (US\$/tonne)	393	+19%
MOP (US\$/tonne)	203	0%
<b>Irrigation</b>		
<b>Northern Victoria</b>		
Volume traded (ML)	536,263	+257%
Average price (\$/ML)	94	-1%
<b>Murray Irrigation system*</b>		
Volume traded (ML)	12,627	-15%
Average price (\$/ML)	92	-4%
<b>Cull Cows</b>		
Sales volume (head)	6,527	+5%
Average price (c/kg)	571	+3%
	YTD 2020/21	% change
Sales volume (head)	63,898	-16%
Average price (c/kg)	555	+22%

May-21	Apr-21	Mar-21
<b>Source: AFIA</b>		
250	263	275
205	205	205
300	311	315
<b>Source: Profarmer</b>		
275	269	273
300	279	305
328	324	327
<b>Source: ASX</b>		
312	321	292
260	255	235
<b>Source: World Bank</b>		
575	543	534
332	328	353
203	203	203
<b>Source: Victorian Water Register, *Murray Irrigation Ltd</b>		
150,005	113,234	179,251
95	80	98
14,855	16,724	12,200
96	85	95
<b>Source: NLRS (saleyards within Vic)</b>		
6,648	7,218	5,633
561	544	546
YTD 2019/20	YTD 2018/19	YTD 2017/18
76,293	82,798	69,318
456	360	404

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

Grain report 

Hay report 

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