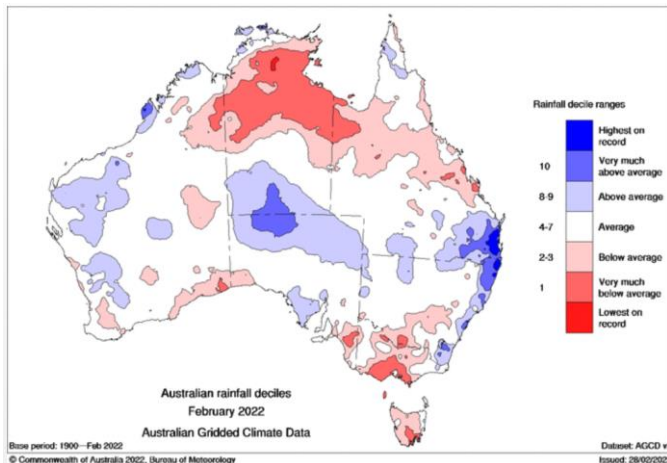


PRODUCTION INPUTS MONITOR

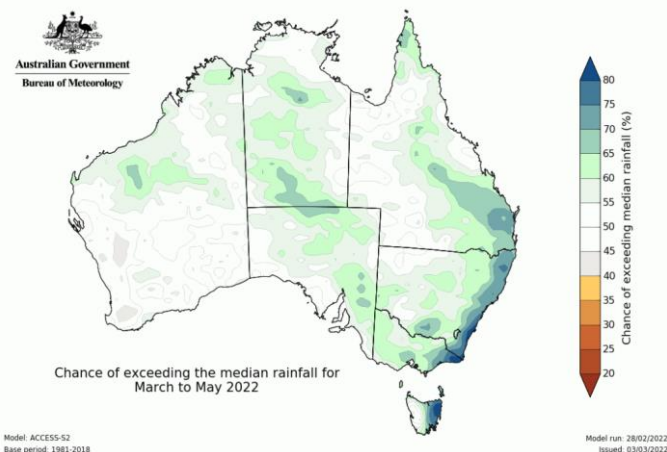
Issue 193 – February 2022

The weather has been extreme this February, with bushfires and floods on opposing sides of the country. Below average rainfall in southeast Australia saw water storage levels decline at some sites. Nevertheless, availability remains strong and temporary water prices subdued. Strong fodder supply continues to keep prices below five-year averages, whilst Russia's invasion of Ukraine pressures grain and fertiliser values. Cull cow prices have continued to fall as the number of cows passing through the saleyards remains in line with seasonal trends.



Climate and seasonal outlook

Over summer, rainfall measured above average for most of Australia, however, northwest Tasmania was the key exception, reporting one of its driest summers. In February, weather conditions were extreme, with bushfires in parts of Western Australia (WA). Warmer than average temperatures continued to dry out soils in regions such as southwest WA and northwest Tasmania. In comparison, severe flooding events occurred across South Australia (SA), Queensland (QLD), and New South Wales (NSW).



As the La Niña event in the Pacific is most likely past its peak, the Bureau of Meteorology's (BOM) climate models suggest the El Niño-Southern Oscillation (ENSO) will return to neutral phase sometime in autumn. Whilst La Niña is still active, in addition to the positive Southern Annular Mode (SAM), the BOM forecasts autumn to be wetter than average, particularly in central and eastern Australia. Looking ahead to the winter crop planting season, the BOM also suggests this year's break is likely to occur later than usual. As soil moisture levels and water storage sites remain

strong in eastern Australia and high streamflows are estimated to continue, there is a risk of further flooding this season. Temperatures are likely to be warmer than average for most of the country. As such, the risk of bushfire is above normal in parts of southeast SA and WA, where conditions have been drier.

Water availability and prices

Water levels in all monitored water sites in Victoria remained steady or decreased this February, as rainfall failed to flow into storages. After a sharp drop last month, storage levels in the Waranga Basin decreased a further 13% in February. Nevertheless, all monitored water storage sites remain above last year's levels. Water releases continue from the Hume Dam, with deductions from spillable water accounts occurring again this month.

Seasonal determinations increased for low reliability water shares (LRWS) for the Victorian Murray system, up from 72% to 100% LRWS on February 15th. Water availability is strong in all systems, however, further rainfall is required to increase access to LRWS, particularly in the Goulburn system. In the Macalister Irrigation District, access to LRWS also increased 40% from the month prior. The NSW Murray General Security allocations remained unchanged in February. The first seasonal determinations outlook for the 2022/23 season indicated determinations for high reliability water shares could reach 100% for all Victorian systems by mid-October (in wet to average conditions).

Temporary water prices have remained subdued with strong availability, and price changes since last year continue to be substantial. In February 2022, temporary water prices in the northern Victorian and Murray Irrigation systems fell to \$64/ML and \$22/ML, respectively. Many water users continue to capitalise on these low prices by trading a significant amount of water; the volume of water traded in both systems are above five-year monthly averages.

For more information on the latest New South Wales general security water allocation statement, please visit: https://www.industry.nsw.gov.au/__data/assets/pdf_file/0007/473713/WAS-NSW-Murray-and-Lower-Darling-20211015.pdf

Irrigation allocations (2021/22 at 15th February)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	-	100%
Broken	100%	-	100%
Goulburn	100%	-	0%
Campaspe	100%	-	0%
Loddon	100%	-	0%
Bullarook Creek	100%	-	100%
MID	100%	-	50%
NSW – Murray Irrigation Ltd	Allocation		Change
Class C-General Security	110%		-

Further details www.g-mwater.com.au, www.srw.com.au, www.murrayirrigation.com.au or www.waterfind.com.au

Temporary water trades	Feb-22	Feb-21	% Change
Northern Victoria	Source: Victorian Water Register		
1A Greater Goulburn	\$63	\$100	-37%
6 Hume to Barmah	\$37	\$90	-59%
7 Barmah to Nyah	\$70	\$100	-30%
Volume traded (ML)	225,879	181,788	-40%
Average price (\$/ML)	\$64	\$99	-36%
Murray Irrigation System	Source: Murray Irrigation Ltd		
Volume traded (ML)	29,835	11,357	+163%
Average price (\$/ML)	\$22	\$95	-77%

Feed, fertiliser and cull cow prices

Spot prices	Feb-22	Change (from Jan-22)	Change (from Feb-21)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$339	-\$18	+\$50
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$186	-\$4	-\$19

Source: AFIA, Profarmer

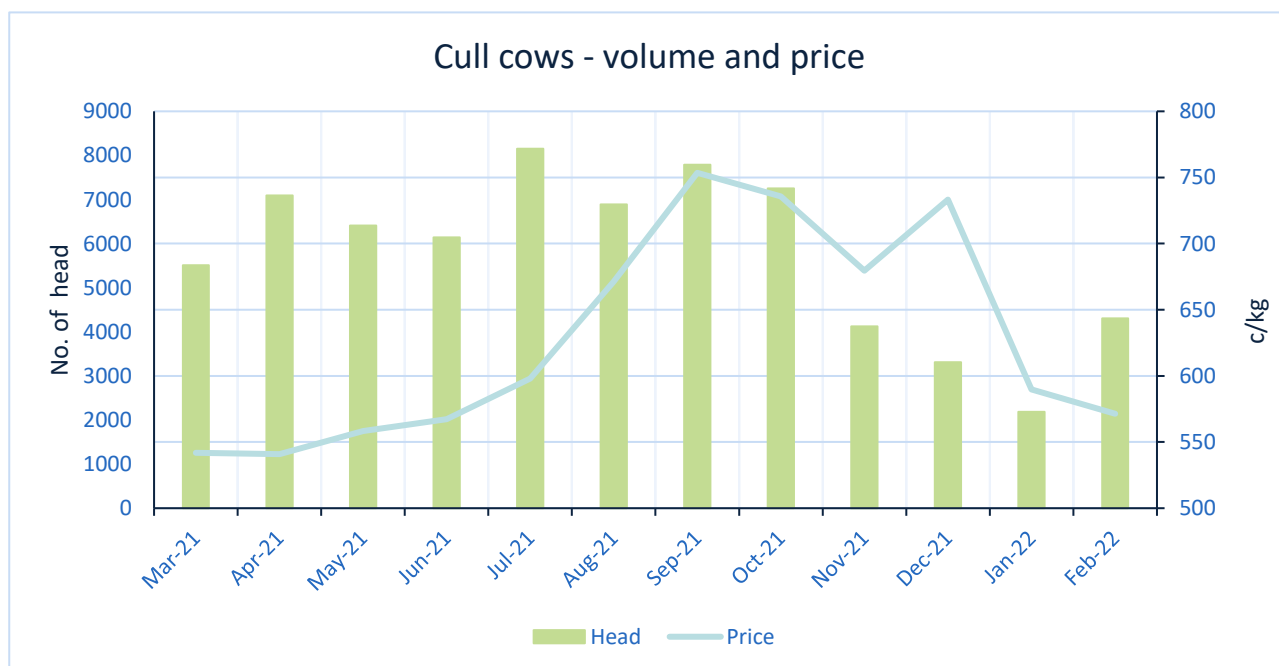
As many farmers have sufficient on-farm storage and there is viable pasture for grazing, demand for purchased fodder remains limited. With high cattle prices, many feedlots have been looking to increase stock numbers to capitalise on current values. This equates to increased demand for fodder which in turn provides price support, however, there is ample supply still available across the country. Recent flooding in NSW and QLD is expected to damage stored and paddock feed in affected regions, however, until the flood water recedes the full impact is unknown.

On the 24th of February, Russia invaded Ukraine. Together these two countries represent one-third of the world's grain supply and as such, prices are surging globally. While limited moisture improved crop prospects in the US, conditions remain dry and prices have continued to climb. Challenging weather in South America also continues to lower soybean estimates, bolstering canola values. In Australia, port congestion (particularly along the eastern seaboard) continues to partly shield grain prices from the pull of international values. Nevertheless, prices are above last year, adding pressure to farm margins.

The Russia-Ukraine war also weighs on global fertiliser supplies, as both countries are significant exporters. Russia has paused all exports of fertiliser as some logistical companies refuse to operate and China's export ban still stands. As such, fertiliser prices remain high globally, with muriate of potash (MOP) values surging 77% in February.

Despite year-to-date culling rates remaining 20% above 2020/21, the number of cows passing through the saleyards remain in line with seasonal trends during February. Cull cow prices decreased a further 3%, however, remain above last year and the four-year average.

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>.



Source: NLRS, from saleyards within Vic, NSW, QLD, SA, WA

Contact: Eliza Redfern Phone: (03) 9694 3762 Email: eliza.redfern@dairyaustralia.com.au

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	Feb-22	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	230	0%
Southern Australia (\$/tonne)	186	-2%
Western Australia (\$/tonne)	275	0%
Wheat		
Northern Australia (\$/tonne)	278	-1%
Southern Australia (\$/tonne)	339	-5%
Western Australia (\$/tonne)	340	+5%
Futures prices (ASX)		
Wheat (av. \$/t Jan-23 east coast)	420	+16%
Barley (av. \$/t Jan-23 east coast)	289	-0.3%
Fertiliser		
DAP (US\$/tonne)	747	+7%
Urea (US\$/tonne)	744	-12%
MOP (US\$/tonne)	392	+77%
Irrigation		
Northern Victoria		
Volume traded (ML)	225,879	+132%
Average price (\$/ML)	64	-26%
Murray Irrigation system*		
Volume traded (ML)	29,835	-4%
Average price (\$/ML)	22	-43%
Cull Cows		
Sales volume (head)	4,306	+97%
Average price (c/kg)	571	-3%
	YTD 2021/22	% change
Sales volume (head)	44,005	+20%
Average price (c/kg)	675	+22%

Jan-22	Dec-21	Nov-21
Source: AFIA		
230	230	250
190	190	196
275	257	275
Source: Profarmer		
280	307	308
356	392	358
323	336	372
Source: ASX		
362	377	429
290	290	360
Source: World Bank		
699	745	727
846	890	901
221	221	221
Source: Victorian Water Register, *Murray Irrigation Ltd		
97,564	213,891	207,718
86	85	90
31,188	20,111	16,290
39	51	63
Source: NLRS (saleyards within Vic)		
2,189	3,308	4,122
590	733	680
YTD 2020/21	YTD 2019/20	YTD 2018/19
36,530	47,696	46,934
553	465	368

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

Grain report ▶

Hay report ▶

Contact: Eliza Redfern Phone: (03) 9694 3762 Email: eliza.redfern@dairyaustralia.com.au

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