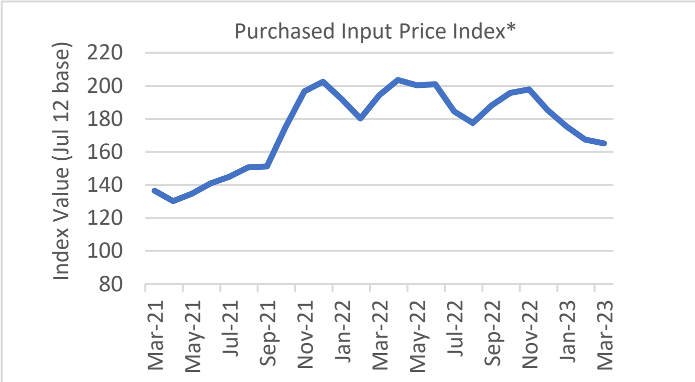
PRODUCTION INPUTS MONITOR

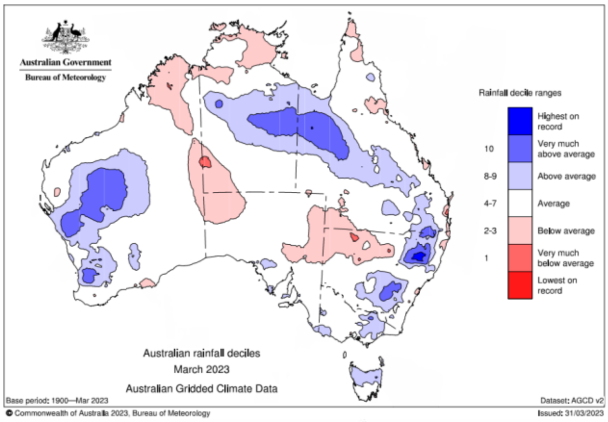
Issue 205 – March 2023

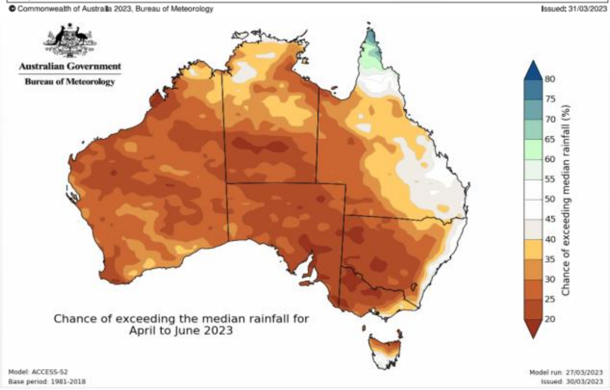
Temperatures were above average across many areas in March, contributing to the drying of soils in Southern Australia. Water levels in most monitored storages of eastern Australia remain above last year and temporary water prices continue to fall. Hay prices remain relatively stable; however, demand is expected to pick up heading into the cooler months. Winter crop sowing has commenced. Fertiliser prices remain under pressure, and despite falling values, cull cow sales continue to pick up.



Inputs price change	Mar-23	Mar-22	Mar-18
Cereal hay ($/t)	342	↑85%	↑210%
Protein hay ($/t)	471	↑21%	↑78%
Cereal grain ($/t)	387	↑7%	↑38%
Protein concentrate ($/t)	550	↑13%	↑38%
Fertiliser ($/t)	469	↓60%	↑56%
Fuel (c/L)	179	↑9%	↑47%

Climate and seasonal outlook





In a similar story to recent months, conditions were drier in March for some regions while others experienced record-breaking rainfall and flooding from tropical storms. Additionally, most of Australia also experienced well above average temperatures throughout the past month, contributing to the widespread drying of soils across southern Australia. Despite this, most monitored storages in southern and eastern Australia remain at or above 90% capacity.

Looking ahead into the coming months, large parts of the mainland have an increased chance of below average rainfall, experiencing drier than normal conditions leading into winter. Driving this is the shift to neutral El Niño-Southern Oscillation (ENSO) values in the tropical Pacific Ocean, and an elevated chance of an El Niño event forming later in the year. El Niño weather events typically bring an increased chance of a drier winter and spring for eastern Australia, and while the Indian Ocean Dipole (IOD) is currently neutral, a potential shift into a positive IOD event in the coming months, may amplify this drying effect.

** The PIPI is created using data collected from the Dairy Farm Monitor Project (DFMP) alongside our monthly reporting and reflects the cost movement of the following grouped inputs: fodder, feed concentrates, fertiliser, and fuel.*

Water availability and prices

Water levels in all monitored storages decreased over the last month. While for most this was marginal, levels in Waranga Basin and Lake Glenmaggie fell 21% and 24% respectively. Likely a result of drier conditions and increased demand from irrigators, water levels in both Waranga Basin and Hume Dam are now below last year, while all other storages remain well above 90% capacity.

With current seasonal determinations unchanged from December last year, high opening seasonal determinations are expected moving into the next water season, despite drier summer conditions in many areas. This can be attributed to the build-up of carry over reserves from continued rainfall last year, after the water requirements for the 2022/23 water season were met.

Temporary water prices continued to fall again this month, across both the northern Victoria and Murray Irrigation systems, falling 17% and 28%, respectively (albeit from low prices). Over the same period, the volume of water traded jumped 202% in the Murray Irrigation system, compared to a 21% decline across the northern Victorian trading zones. Despite this, drier conditions, and the upcoming winter cropping season, have driven increased demand for irrigation water from the northern Victorian zones. In a similar trend, the jump in water traded within the Murray Irrigation system likely signified greater demand for both winter crop sowing and the assessment of water needs for the year.

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/0016/524320/WAS-Murray-20220815.pdf

Irrigation allocations (2022/23 at 15th December)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	-	100%
Broken	100%	-	100%
Goulburn	100%	-	100%
Campaspe	100%	-	100%
Loddon	100%	-	100%
Bullarook Creek	100%	-	100%
MID	100%	-	20%
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	Mar-23	Mar-22	% Change
Northern Victoria	Source: Victorian Water Register		
1A Greater Goulburn	$15	$50	-70%
6 Hume to Barmah	$10	$25	-60%
7 Barmah to Nyah	$16	$63	-75%
Volume traded (ML)	167,318	153,711	+9%
Average price ($/ML)	$15	$51	-71%
Murray Irrigation System	Source: Murray Irrigation Ltd		
Volume traded (ML)	40,073	41,553	-4%
Average price ($/ML)	$5	$15	-67%

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Feed, fertiliser and cull cow prices

Spot prices	Mar-23	Change (from Feb-23)	Change (from Mar-22)
Feed wheat (av. $/t del Goulburn/Murray Valley)	$387	+$2	+$25
Cereal hay (av. $/t del Goulburn/Murray Valley)	$342	+$10	+$157

Source: AFIA, Profarmer

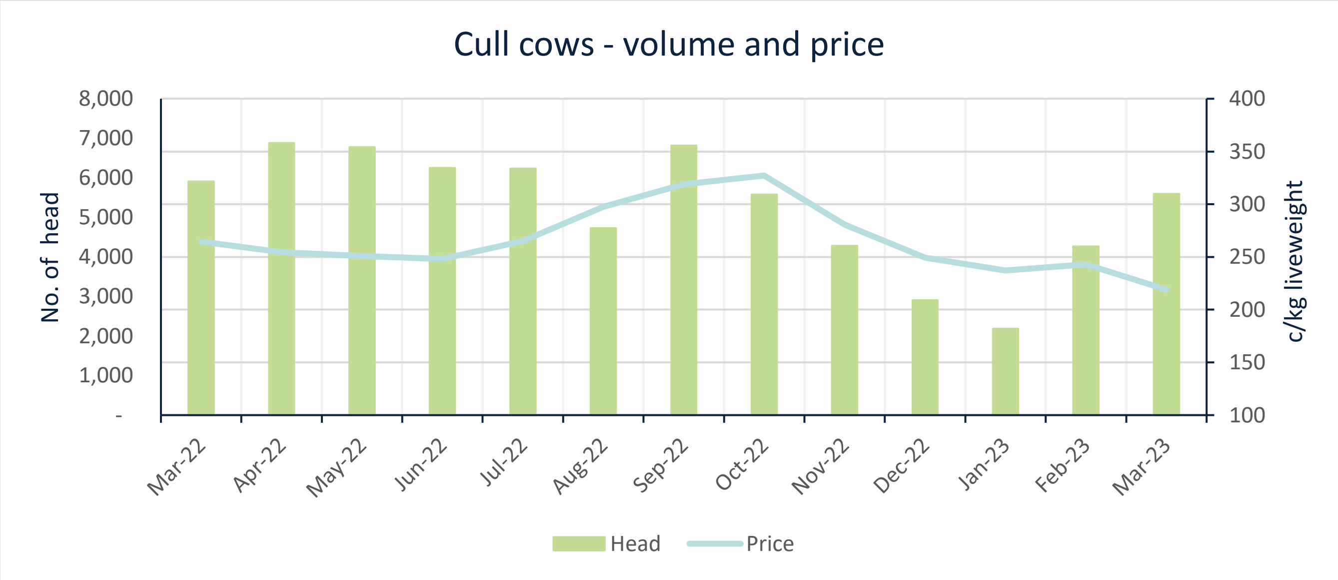
While some areas have received average autumn rain, prolonged dry conditions in others have seen some farmers increase supplemental feeding of hay. With this requiring the replacement of on-farm fodder supplies, demand for fodder has increased as supply shortages continue to drive pricing. However, the current fodder situation does differ substantially between regions, with the dynamics of local markets dependent on the availability of green feed and access to homegrown fodder over the short to medium term. While currently in a quieter purchasing period, demand is expected to increase leading into the winter months.

After expectations of a delayed autumn break this year, recent rainfall over the last couple of weeks in some areas has been considered by many as a sign to commence winter crop sowing. While the long-term rainfall forecast had brought some uncertainty to planted areas and feed supply earlier in the year, well-timed rainfall in some areas has renewed grower confidence in the season. Despite robust availability of feed grain options, domestic grain prices are currently upheld by strong international demand for Australian product, especially from Southeast Asia. A weaking Australian dollar has further added to its competitiveness and demand is unlikely to slow while exportable supply remains uncertain out of the northern hemisphere.

In global fertiliser markets this month, buyers used the opportunity to take a step back and see what eventuates, while inventories continue to build. This has been evident through springtime purchases from both northern hemisphere and Indian importers unable to make a material impact on pricing, with global indicative urea and muriate of potash (MOP) prices falling 10% and 17% respectively. Despite quieter than expected demand, continued export bans from China and Russia and below average production in Europe are holding global supply relatively tight.

The number of cull cows passing through the saleyards surged 31% this month, continuing to climb from the beginning of the year. As such, prices continue to plummet, falling 10% over March and 17% from last year.

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

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	Mar-23	Monthly % change	Feb-23	Jan-23	Dec-22
Cereal hay			Source: AFIA		
Northern Australia ($/tonne)	418	+3%	415	388	327
Southern Australia ($/tonne)	342	+6%	332	305	269
Western Australia ($/tonne)	305	+1%	296	286	272
Wheat			Source: Profarmer		
Northern Australia ($/tonne)	390	-3%	404	401	392
Southern Australia ($/tonne)	387	+0.4%	385	391	407
Western Australia ($/tonne)	354	+0.2%	353	346	341
Futures prices (ASX)			Source: ASX		
Wheat (av. $/t Jan-24 east coast)	400	-1%	405	405	390
Barley (av. $/t Jan-24 east coast)	332	+1%	328	347	343
Fertiliser			Source: World Bank (global indicative prices converted from US$/tonne to A$/tonne)		
DAP (A$/tonne)	907	+2%	888	907	926
Urea (A$/tonne)	469	-10%	518	638	769
MOP (A$/tonne)	678	-17%	816	809	833
Irrigation			Source: Victorian Water Register, *Murray Irrigation Ltd		
Northern Victoria					
Volume traded (ML)	167,318	-21%	211,629	113,409	97,564
Average price ($/ML)	15	-17%	18	34	86
Murray Irrigation system*					
Volume traded (ML)	40,073	+202%	13,288	17,363	9,855
Average price ($/ML)	5	-28%	7	12	13
Cull Cows			Source: NLRS (saleyards within Vic, NSW, QLD, SA, WA)		
Sales volume (head)	5,594	+31%	4,269	2,181	2,904
Average price (c/kg lwt)	219	-10%	243	237	249
	YTD 2022/23	% change	YTD 2021/22	YTD 2020/21	YTD 2019/20
Sales volume (head)	42,586	-15%	49,915	42,042	54,232
Average price (c/kg lwt)	276	-5%	291	242	206

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

Grain report

Hay report

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