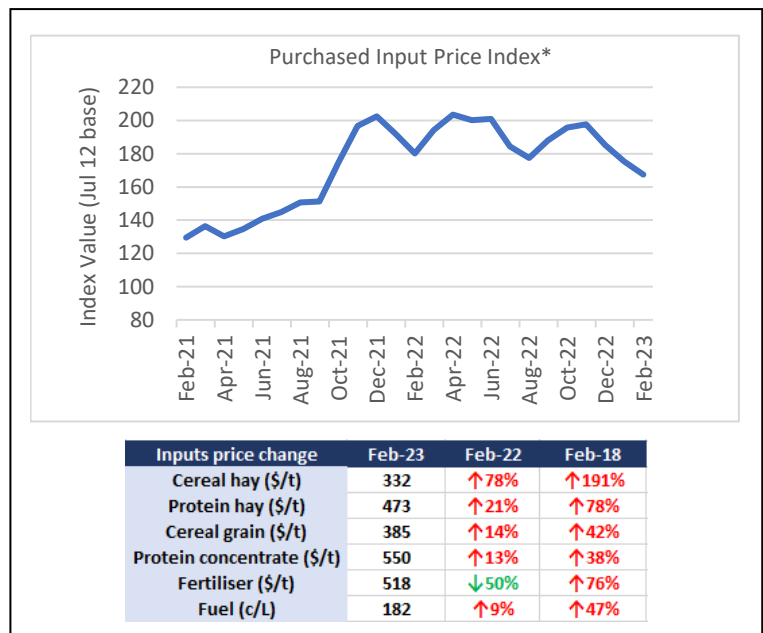


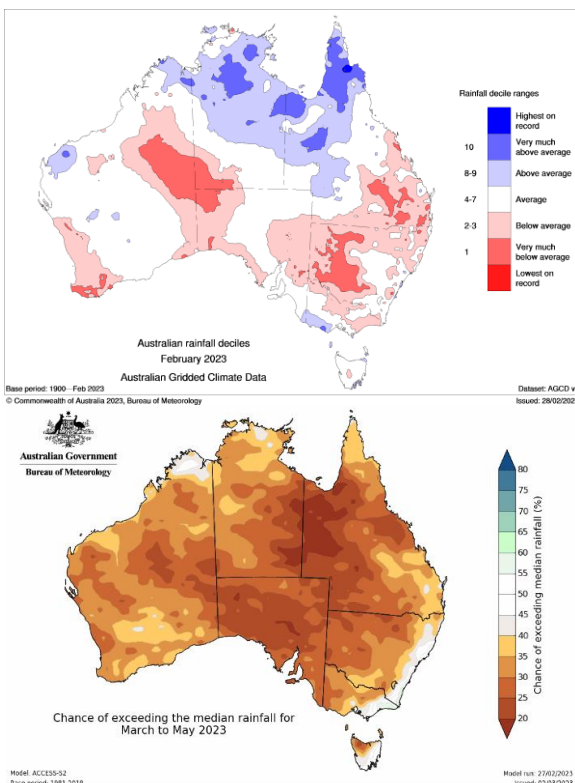
PRODUCTION INPUTS MONITOR

Issue 204 – February 2023

Drier conditions continued during February in southern Australia and are forecast to continue into the autumn months. Despite this, strong water availability is pushing temporary water prices down and water storages remain full. Both fodder and grain prices have begun to stabilise, and indicative fertiliser prices are easing significantly. Cull cow prices have increased marginally after trending down since October.



Climate and seasonal outlook



While this summer has been wetter than average across northern Australia, conditions were drier across southern Australia, particularly in February. Contrasting from previous years many regions experienced below average rainfall for the month, causing soils to dry, especially within the Murray Darling Basin (MDB). Despite this, most monitored water storages in eastern Australia are at 90% capacity or above, and streamflows in these areas are forecast to remain higher than usual.

Over the next three months, the Bureau of Meteorology (BOM) is predicting drier than average conditions across the country. This is with a result of the easing La Niña event, with oceanic and atmospheric indicators returning to neutral El Niño-Southern Oscillation (ENSO) values over autumn. This is the driest autumn outlook for eastern Australia since 2019. Both day and nighttime temperatures are also expected to be warmer than average through to May.

* The PPI 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

With below average rainfall across Victoria this month, water levels in all monitored storages declined from January. The greatest declines were recorded in Waranga Basin and Lake Glenmaggie, dropping 29% and 17%, respectively. As a result, Lake Glenmaggie is now the only storage site with water levels below last year. This is also the first time the Hume Dam has dropped below full capacity since September 2021.

With the final update for the 2022/23 water season occurring on 15th December 2022, there are no further changes to be made before the 2023/24 season begins on July 1st. With this largely a result of continually improving water availability over the last few years, full access to allocations were provided substantially earlier than last season. Looking ahead, and any further rainfall this season will contribute to reserves for next season, likely supporting strong opening seasonal determinations.

Temporary prices continued to fall across both northern Victoria and the Murray Irrigation system this month, dropping 72% and 70% on last year, respectively. A relatively dry February also saw a significant jump in the volume of water traded in the northern Victoria zones, with users looking to take advantage of the low prices (\$18/ML). This was in contrast to the Murray Irrigation system, where the volume of water traded dropped 23% from January, despite prices continuing to fall to \$7/ML.

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	Feb-23	Feb-22	% Change
Northern Victoria	Source: Victorian Water Register		
1A Greater Goulburn	\$18	\$63	-71%
6 Hume to Barmah	\$14	\$37	-62%
7 Barmah to Nyah	\$18	\$70	-74%
Volume traded (ML)	211,629	225,879	-6%
Average price (\$/ML)	\$18	\$64	-72%
Murray Irrigation System	Source: Murray Irrigation Ltd		
Volume traded (ML)	13,288	29,835	-55%
Average price (\$/ML)	\$7	\$22	-70%

Feed, fertiliser and cull cow prices

Spot prices	Feb-23	Change (from Jan-23)	Change (from Feb-22)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$385	-\$6	+\$46
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$332	+\$27	+\$146

Source: AFIA, Profarmer

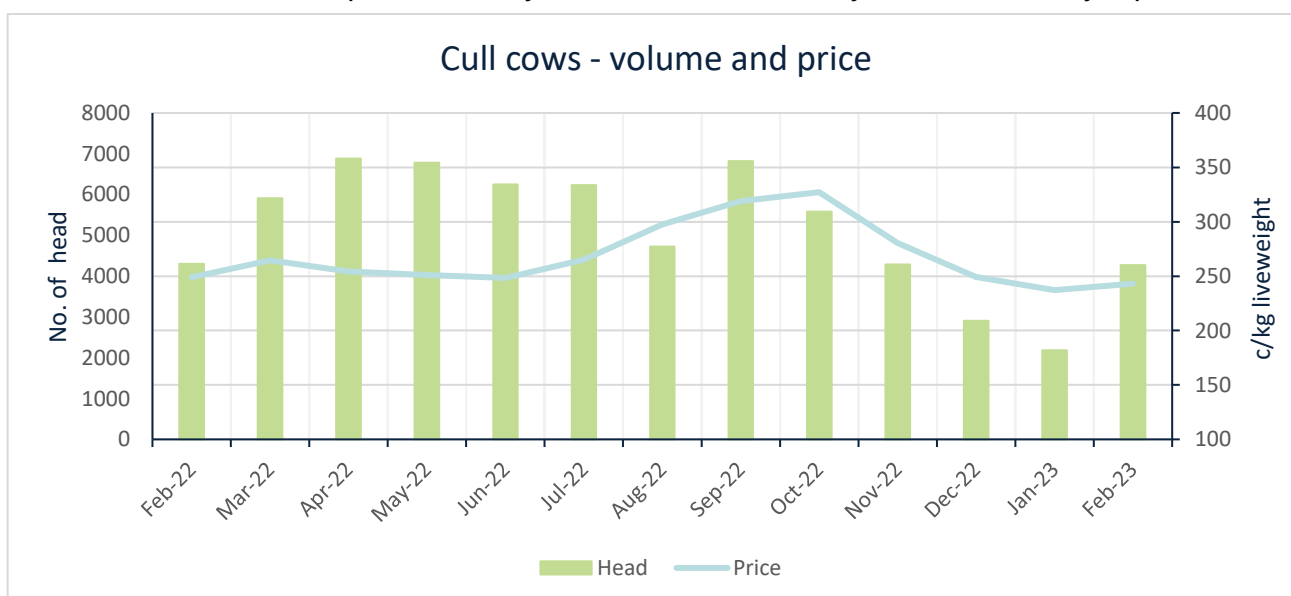
While wet soils have supported an extended growing season over the summer, drier conditions have now started to weigh on pasture growth. Hay and silage production has been winding up in some regions, with parts of Gippsland and southwest Victoria having now produced more than expected. While slowed pasture growth and farmers looking to build on-farm winter supplies is tipped to boost demand in the coming weeks, in most regions, prices have stabilised for the moment.

Grain harvest is reaching its end in the later sown areas of Tasmania, while on mainland Australia, growers look ahead into the approaching sowing window. With last season seeing record production out of Western Australia, there are reports that the drier outlook for autumn will likely see a reduction in crop planted area in some areas of the state. Additionally, a weakening Australian dollar over the past month has increased Australian exports, with strong interest in our feed grade product from Southeast Asia. While prices have steadied after dropping over harvest, this strong global demand and uncertainty around northern hemisphere yields is likely to keep them close to current levels.

Quiet demand and building physical inventories around the world have caused an easing of indicative urea and phosphate prices in recent months. This quiet period has been driven by lower-than-expected demand out of India, and in regions such as North America, farmers have been holding off on purchasing in anticipation of further price falls. While a delayed harvest in Australia also led to a quiet period earlier this year, this substantial price decline has now induced an increase in sales for the next growing season.

The number of cull cows passing through the saleyards surged compared to last month, mostly a reflection of coming out of a quieter sales period. Cull cow prices increased marginally over the same period, and while slightly below last year, remain 10% above the five-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

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	Feb-23	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	415	+7%
Southern Australia (\$/tonne)	332	+9%
Western Australia (\$/tonne)	296	+3%
Wheat		
Northern Australia (\$/tonne)	404	+1%
Southern Australia (\$/tonne)	385	-1%
Western Australia (\$/tonne)	353	+2%
Futures prices (ASX)		
Wheat (av. \$/t Jan-24 east coast)	405	0%
Barley (av. \$/t Jan-24 east coast)	328	-5%
Fertiliser		
DAP (A\$/tonne)	888	-2%
Urea (A\$/tonne)	518	-19%
MOP (A\$/tonne)	816	+1%
Irrigation		
Northern Victoria		
Volume traded (ML)	211,629	+87%
Average price (\$/ML)	18	-49%
Murray Irrigation system*		
Volume traded (ML)	13,288	-23%
Average price (\$/ML)	7	-42%
Cull Cows		
Sales volume (head)	4,269	+96%
Average price (c/kg lwt)	243	+2%
	YTD 2022/23	% change
Sales volume (head)	36,992	-16%
Average price (c/kg lwt)	285	-3.4%

Jan-23	Dec-22	Nov-22
Source: AFIA		
388	327	310
305	269	211
286	272	261
Source: Profarmer		
401	392	394
391	407	439
346	341	365
Source: ASX		
405	390	381
347	343	339
Source: World Bank (global indicative prices converted from US\$/tonne to A\$/tonne)		
907	926	1007
638	769	891
809	833	851
Source: Victorian Water Register, *Murray Irrigation Ltd		
113,409	97,564	76,113
34	86	23
17,363	9,855	3,647
12	13	10
Source: NLRs (saleyards within Vic, NSW, QLD, SA, WA)		
2,181	2,904	4,283
237	249	281
YTD 2021/22	YTD 2020/21	YTD 2019/20
44,005	36,530	47,696
295	242	203

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

Grain report 

Hay report 

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