

# DAIRY SITUATION AND OUTLOOK

MARCH 2020



# SEVEN KEY DRIVERS

## OF THE AUSTRALIAN DAIRY INDUSTRY



### Global supply

+ Situation    ⚪ Outlook

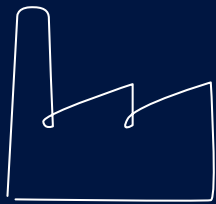
The southern hemisphere season is winding down, with dry conditions in New Zealand limiting milk production growth in many regions. Supply pressure is slowly building in the US and Europe however, and could weigh on markets as the northern hemisphere reaches its spring peak.



### Australian market

+ Situation    ⚪ Outlook

Australian demand for dairy remains robust, with positive growth reported for all dairy categories in the retail space. Milk sales grew modestly (up 1%) while yoghurt sales increased 4.7% in 2019. This can be attributed to growth in per-capita consumption as consumers increasingly recognise the health and convenience attributes of yoghurt.



### Australian production

- Situation    ⚪ Outlook

Over summer national milk production has shown signs of recovery, driven by growth in output from regions in Victoria and Tasmania. Rain in February has added some buoyancy to current sentiment; however confidence remains subdued, and combined with ongoing cost challenges (particularly feed), is weighing on production in many regions.



### Inputs

- Situation    ⚪ Outlook

Ongoing drought and widespread bushfires in January boosted demand for purchased feed, following a drop towards the end of last year. Rain across the eastern states subsequently helped alleviate demand and dampen prices. It has done little for the irrigation market which continues to operate at pricing well above historical averages.



### Global economy

- Situation    - Outlook

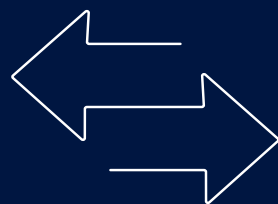
Manufacturing and trade weighed on global growth throughout 2019, with forecasts cut 0.7%. This was a result of trade policy uncertainty and increased trade barriers. The economy showed signs of long-term stabilization. Risks remain however, including Covid-19 and tension between the United States and Iran.



### Global demand

+ Situation    ⚪ Outlook

Global demand fundamentals are robust. Total import volumes grew 4.1% over the last twelve months, driven by growth in key regions including Greater China and Southeast Asia, while total value increased by 8.5%.



### Exchange rates

+ Situation    ⚪ Outlook

Australia's exchange rate has continued to trend south, reaching an 11-year low in February. Under the pressure from the US-China trade war and more recently the Covid-19 outbreak, the dollar has dropped over 15 US cents over the last twelve months.

+ Positive    ⚪ Neutral    - Negative

# EXECUTIVE SUMMARY

A recent recovery in national milk production, together with substantially more favourable weather conditions across many dairy regions have been positive developments at a time of strong local and global dairy market fundamentals. These have come amidst a tumultuous backdrop combining global disease with local drought and bushfires. Despite relatively stable supply and demand conditions, international trade faces the dual challenges of the ongoing African Swine Fever (ASF) outbreak, and the still-escalating Coronavirus (Covid-19) crisis.

While ASF unexpectedly moved the levers of global protein markets and disrupted pricing relativities, Covid-19 has posed a much more direct threat to global commerce. Face-to-face trade and business development activities have been widely disrupted, as has shipping and distribution, while the effect on underlying demand is uncertain. Locally, severe and widespread bushfires directly impacted over 100 dairy farms and had broader implications for fodder markets amidst what were already tight supply conditions.

Fortunately, widespread rain from late January not only slowed fire activity but also put a dampener on hay prices, as feed markets shifted from an impending shortage to a period of consolidation. Milk production at the national level is tracking ahead of earlier expectations, having been shored up by growth in key southern regions, offsetting continuing challenges elsewhere. Despite this, pressure on milk supplies within Australia has prompted some processors to announce farmgate price increases – despite the ongoing economic risks associated with Covid-19.

After a particularly challenging 2018-19 season and a difficult start to 2019-20 for many regions, December 2019 saw the first year-on-year increase in Australia's milk production in 18 months. This was followed by an increase of 0.5% for the month of January compared to January 2019, bringing the season-to-date total to a drop of 3.7%. Recent rainfall has been welcomed and bodes well for feed availability in the months ahead. It must however be noted that the bulk of the milk production recovery is centred on Gippsland and Tasmania, where most farmers have experienced a longer period of favourable weather in conjunction with this

season's high farmgate milk price. Other regions continue to face challenges, particularly those in the northern states where farmers remain largely reliant on purchased fodder. Western Australia (WA) is also experiencing tighter margins than recent years, whilst water costs and availability restrict farmer options in northern Victoria. South-west Victoria faces a somewhat unique combination of excellent seasonal conditions and falling milk production, driven by farm exits and conversions to beef and sheep production. Dairy Australia's current forecast envisages a drop of between 3% and 5% for the full 2019-20 season, for a total of between 8.35 and 8.5 billion litres. This incorporates the potential for further improvements in the event of a favourable autumn, but also recognises the patchy nature of the recovery, and ongoing challenges in many areas.

Globally, milk production remains subdued, although the northern hemisphere spring has raised concerns about a supply rebound. United States (US) data for January follows the recent pattern of around 1% year-on-year growth that has persisted since September. Cow numbers remain marginally lower than prior year levels, and farm exits continue in Midwest and northeastern states, with per-cow production and the larger operations in the west making up the difference. Relatively mild winter temperatures across various western states have provided an early boost to the new season, and supply growth appears to be on the way.

Europe has also shown signs of improvement, up only 0.4% in the latest official data to December, but with signs of a gentle acceleration in growth. This is predominately the case amongst the larger producing states (Germany, France, the Netherlands, Italy and Poland) thanks to adequate moisture levels supporting pasture growth. The newly-excluded (from the European Union) United Kingdom (UK) has entered a period of modest contraction, brought on by a reduction in the national dairy herd last October (in turn due to reduced forage availability).

New Zealand (NZ) continues to track close to 2018-19 levels, down 0.5% for the season to January (though up 0.5% in milk solids terms). Unfavourable summer weather for many farmers has slowed intakes and led to reductions in full season expectations. Dry conditions have caused soil moisture deficits across much of the country's dairying regions, with the exception of the south of the country – and also the West Coast which has seen flooding.



While a market-moving recovery in global milk production is yet to appear, dairy demand continues to grow. Global dairy import volumes grew 4.1% over the last twelve months, driven by increased buying in key regions including Greater China (China, Hong Kong, Macau) and Southeast Asia. This increase came despite higher average pricing – total value of imports rising 8.5% over the same period.

Although market fundamentals remain sound, the elephant in the room remains the Covid-19 outbreak, which continues to spread. Supply and demand of dairy products is yet to be materially impacted by this developing issue; however, market sentiment has become more bearish, with prices for most commodities trending lower in recent weeks. Whilst sentiment has been the main impact on dairy to date, broader disruptions are also beginning to be felt. Travel restrictions are limiting face-to-face business development and negotiations, while container availability and blank sailings (ships skipping ports) are complicating the logistics task. Widespread restaurant closures and quarantine restrictions in China caused disruptions to food service channels, though more recent reports suggest gradual reopening is taking place. Looking ahead, restricted supply of key inputs to dairy production and processing is not out of the question. Additionally, the economic fallout of the crisis both in Australia and in key markets – especially China, is likely to have reverberations. It is worth noting that Covid-19 has emerged in the context of other, ongoing market disruptions including the ASF epidemic, trade disputes, and the spread of the crop-devouring pest Fall Armyworm. The latter has recently become established in northern Queensland, posing a threat to over 350 feed and fibre crops.

Australian domestic demand for dairy (as measured by Nielsen home scan data) remains robust with growth reported for all dairy categories in the retail channel, and higher average unit prices. Liquid milk sales increased in terms of both volume (up 1%) and value (up 6.9%), the latter driven by higher unit pricing of private label offerings. Cheese also saw value growth (5.6%) outpace volume increases (1.2%), supported by continued popularity of deli-style cheeses, as well as shredded and sliced cheese formats. For yoghurt (up 4.7% in volume, 6.1% in value), single serve products continued to increase their penetration, and now represent around 17% of total yoghurt sales (by volume).<sup>1</sup> Dairy Australia research suggests this growth is supported by consumer trust in the industry strengthening from 68% to 70%, and trust in dairy foods and products as healthy and wholesome growing from 81% to 84% over the past year.

These trends at home are heartening in the context of the seeming stream of market shocks and disruption that have characterised the start of 2020. Challenges around water and feed costs, bushfires, confidence and trust continue to impact different dairying regions. Adding in the broader pressure of an as-yet unquantified global health issue has the potential to overshadow what has largely remained an environment of robust commodity values, favourable currency, and good conditions for many in southern regions. Whilst the risks are very real and not to be underestimated, the recent widespread rainfall may yet prove the decisive, positive, surprise that makes all the difference going forward.



<sup>1</sup> DAIRY AUSTRALIA calculation based in part on data reported by Nielsen through its Homescan Service for the dairy category for the 52-week period ending 29/12/2019 & 26/01/2020, for the total Australian market, according to the Nielsen standard product hierarchy. Copyright © 2020, The Nielsen Company.

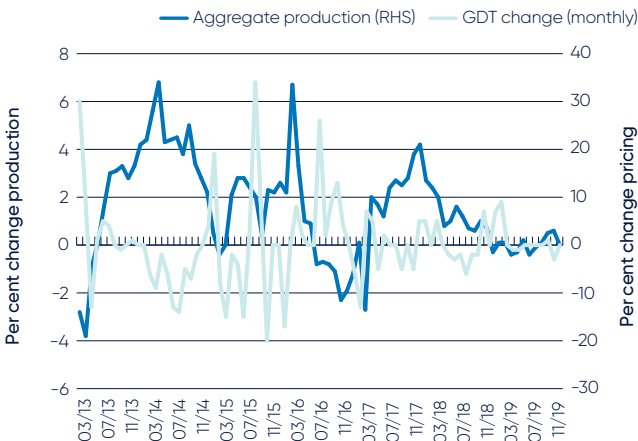
# WILL A SHORT-TERM CRISIS DERAIL DAIRY DEMAND?

Whilst a majority of dairy produced in Australia these days winds up on the domestic market, global commodity prices still drive returns throughout the supply chain. The one third of milk exported overseas is directly impacted by international competition, as is local product that competes against imports. Global commodity prices are, as basic economics would have it, the result of demand and supply. When supply grows prices tend to drop and when demand increases prices should, in theory, rise. Thus, any change to global supply and demand balances, will affect returns throughout the local dairy industry.

Whilst milk production in NZ, the US, the European Union (EU) and Australia acts as the main supply-side driver, one country tends to dominate demand-side sentiment. In 2019, 21% of the world's dairy exports was destined for Greater China. For Australia, China is the single-largest market with a 33% share and roughly 12% of all Australian milk produced ends up on the Chinese market.

When threats of disruption to Chinese demand arises, such as the outbreak of ASF or Covid-19, market sentiment is quick to react. China is a significant demand creator and stable trade conditions are key to keep international demand for dairy supported. However, the question is, how much do these types of disruptions actually impact the global market balance?

**Figure 1** Global supply and commodity price change



Source: GlobalDairyTrade, Dairy Australia

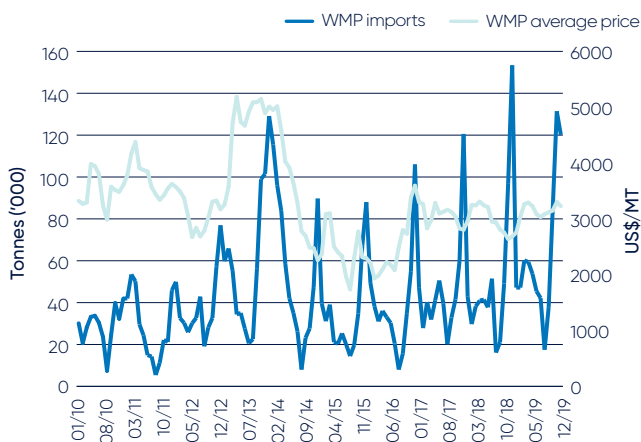
Over the past decade global supply changes have had a seemingly larger influence of commodity prices, than demand shifts. While buyers can change purchase decisions in response to price movements, supply is less reactive. Milk production is slow moving and heavily influenced by outside factors, such as weather conditions at critical points in the production season. Therefore, it tends to drive commodity price changes, in the short term, instead of responding to them, as evident in figure 1 where indicative pricing tends to lag supply. Whilst the outbreak of Covid-19 has spooked markets, global supply over the next few months is more likely to affect actual returns.

Despite a slight recovery in milk output in January (up 0.5%), Australian production is down 3.7% season-to-date. Combined with recent dry conditions across much of NZ, product availability from Oceania is tight. However, milk flows are gaining momentum as the northern hemisphere spring ramps up, with the US and EU reporting modest but expanding year-to-date growth. Consequently, milk supply (not a virus from the northern hemisphere) is likely to form the bigger threat to commodity prices for the next few months.

Nonetheless, events in China have influenced global dairy commodity prices multiple times throughout the past decade, for example in 2013-14 when the price of whole milk powder (WMP) soared. This increase was driven by a drop in NZ supply combined with a surge in Chinese demand. Despite an increase in domestic milk production, buyers remained active over the better part of a year, which resulted in large stockpiles of WMP in China. Once global milk production recovered, prices fell, and buying slowed dramatically. Prices were depressed much longer than anticipated as Chinese import demand remained dormant whilst the stockpile was consumed. This was a sustained shift in dairy demand from China that considerably impacted commodity prices.

Obviously, factors changing commodity values tend not to act in isolation to one another. The global dairy price drop in 2015 can also be attributed to another sustained alteration of the global demand balance: when Russia closed its market to imports. This saw a sharp reduction in overall demand for dairy which, combined with excess supply, drove markets down.

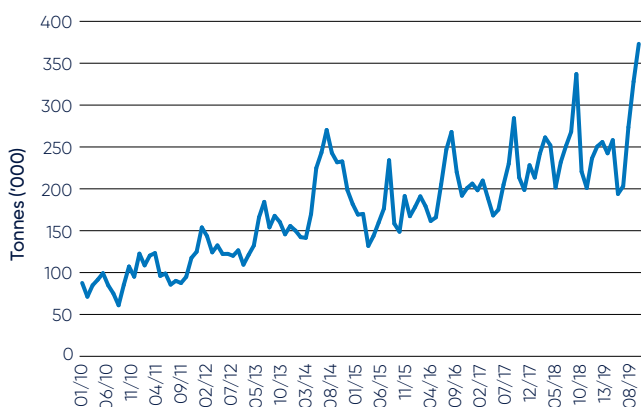
**Figure 2** WMP Imports and price trends



Source: TDM, GlobalDairyTrade

Over the past decade, Chinese imports of WMP have appeared to grow more volatile. Although much of the regular annual cycle can be explained by the mechanics of tariff-quotas, increased volatility could be attributed to buyers becoming more responsive to price change. Reports suggest this is already happening in China following the spread of Covid-19. Since the outbreak, the initial market reaction has seen prices of most major dairy commodities drop. As a result, an uptick in interest from different traders has been reported. And so, while sentiment is driving the market down, demand is in some ways counteracting this, by being responsive to price changes.

**Figure 3** Total Imports to Greater China



Source: TDM

For a demand-side disruption to alter commodity values it needs to fundamentally change overall interest in a product, and not just temporarily shift sentiment. As such, overall demand for dairy in a country would seem to matter more for markets balance than sentiment reaction. Over the past ten years global imports into China have increased 259%. This represents a genuine growth in baseline demand for dairy, that is unlikely to disappear even at the face of momentary disruptions.

The overall effect of dairy trade will therefore depend on the length of a disruption and its underlying impact on overall demand. This can easily be forgotten during crises when markets tend to panic and produce substantial price fluctuations. The disturbance caused by Covid-19 has contracted dairy commodity prices, however, the drops have so far come in below expectations as fundamentals remain relatively supportive. Covid-19 is causing a multitude of logistical and distribution challenges, with container availability becoming an issue and blank sailings delaying product delivery into China. It is also risking disrupting supply chains in Australia due to delayed production and exports from China. It has, however, yet to have any visible impact on overall demand, except for foodservice, with some provinces in China already starting to return to 'business as usual'. An incident like the Covid-19 immediately drives sentiment, but it doesn't necessarily alter fundamentals. If, however, the spread continues to worsen, as evident in recent weeks, it is expected to impact other factors, such as global economic growth. This in turn generates flow-on effects to all trade. While dairy demand for now looks reasonably well supported, an extended outbreak could seriously disrupt and challenge trade with negative impacts for the Australian dairy industry. Time will tell if the virus will have any sustained impact on demand and trade, or if its main impact is acute short term market disruption.

### So what?

China plays a vital role balancing global markets and supporting commodity prices for dairy. Whilst short-term disruptions drive instant market reactions, they are less likely to have significant flow-on effects on global values in and of themselves – whatever the level of news sensation. Instead it is sustained changes to underlying demand that would be expected to influence returns throughout the dairy supply chain, and that's the factor to watch.

# AUSTRALIAN SUMMER BUSHFIRES

The recent, widespread Australian bushfires made global headlines, raising questions about the effect on Australia's milk production and dairy industry more generally.

The latest information to hand as of early March, suggests the following impacts across four distinct geographic areas:

- **NSW** - 32 dairy farm businesses on south coast and far south coast, 8 on mid coast from pre-Christmas;
- **North East Victoria** - 35 dairy farms directly affected, further 11 operations significantly impacted by power outages, roads cuts etc.;
- **East Gippsland** - approximately 30 dairy farms affected in direct fire zone with varying degrees of impact, including 2 known to have lost major assets; and
- **SA** - 12 dairy farming businesses affected by fires prior to Christmas.

This represents a total of 128 dairy farms. It should be noted that this total does not fully capture all farms which may have lost assets of some kind, had turn out blocks or other land separate to the main dairy burnt, or lost young stock housed elsewhere. Overall, the loss of milking cows was limited, but the fires caused significant loss of young dairy stock (replacement heifers).

Further, a broader group of dairy farmers, in the 'shadow' of fire zones were affected by road closures, power outages, loss of access to phone and internet and limited access to road-based supplies and local services providers.

**The impact of the summer bushfires and persistent drought conditions overlapped in geography, creating mutually reinforcing negative impacts.**

In terms of milk production, the overall impact in the national context has been minimal. Most affected dairy farms were able to resume milking within 48 hours, and whilst some milk was disposed of due to transport or cooling issues, these were steadily restored through close cooperation between authorities, industry bodies, suppliers and milk processors. December and January volumes exceeded expectations as farmers in non-affected areas in southern Australia continued to capitalise on favourable weather conditions and high farmgate prices.

Fodder markets were initially impacted by increased demand and fears of a national shortage, however more recent reporting shows that improved conditions have dampened demand for feed across the majority of the eastern states. Demand is still strong in central west NSW and is driving some of the enquiry for hay in Victoria. In Tasmania demand is strong and largely coming from the north central coast and east coast, where conditions are dry. Hay continues to be donated to fire affected areas. While the movement of hay has slowed there is still a lot of hay being transported around the country.

For directly impacted farmers, the recovery process will be lengthy, and Dairy Australia, together with the Regional Development Programs (RDPs) continues to undertake a wide range of support activities in conjunction with local, state and national authorities.



# WHAT ABOUT THE ECONOMY?

Trade wars, Brexit, rising tensions in the Middle East and now Covid-19. These are all red warning lights appearing on the dashboard of the global economy, as governments around the world aim to steer away from recession, and back to growth.

A range of factors weighed on economic growth last year, including geopolitical tensions, trade policy uncertainty, social unrest and stressed emerging markets. Overall, growth in global output fell 0.7% to total 2.9%, the lowest level since the 2008-09 financial crisis. Manufacturing and trade were at the centre on the downturn, particularly in the latter half of the year. This is partly a reflection of increased tariff barriers and the drop in production, resulting from the deterioration of the bilateral relationship between the US and China. On top of the trade headwinds, climate-related challenges and underperforming emerging markets added to the downturn.

**In the cyclical nature of the global economy, some factors are recovering (or at least bottoming the trough). Manufacturing and trade appear to have found a floor, the trade war has abated from recent extremes and the UK has a window of relief from Brexit.**

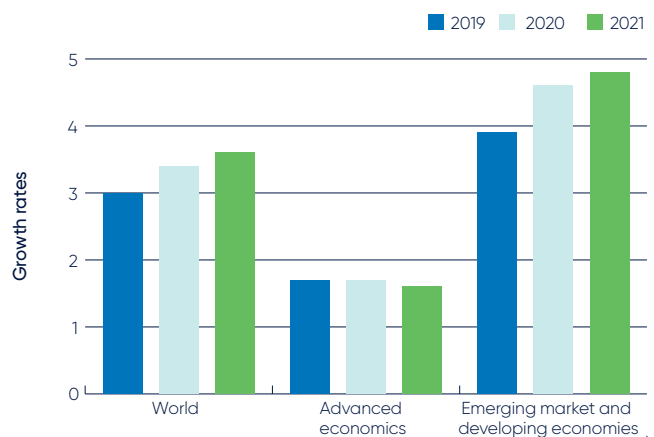
Positive steps towards resolution of these issues helped stabilise the global economy, albeit momentarily. Prior to the global spread of Covid-19, the International Monetary Fund's (IMF) January projections showed global output reaching 3.3% in 2020 and 3.4% in 2021. The improved economic activity was expected to be accompanied by an upturn in world trade. However, these projections are expected to be slashed as Covid-19 spreads around the world and increasingly dramatic steps are taken to slow its spread.

Prior to the outbreak, growth was already threatened by a number of mounting international developments. Rising geopolitical tensions (particularly the US and

Iran), increased social unrest and the weakening trade relationships all pose challenges to world trade. Undoubtedly, Covid-19 is currently posing the greatest risk to the health of the global economy. Further weakening in emerging markets (including India, Brazil, Turkey and Mexico) also has the potential to add further downward pressure to growth.

Notwithstanding this, emerging economies have driven global growth in recent history. Since the start of the 2000s, emerging markets not only outperformed advanced counterparts, but proved resilient throughout the last global recession. For instance, at the peak of the global financial crisis, average Gross Domestic Product (GDP) growth in emerging markets dropped to a low of 5.7% compared to 0.2% in advanced markets. Taking a longer time period, on average over the last 20 years, GDP in developing economies has grown 6% annually compared to 2% in advanced economies. This trend has empowered a new population of emerging middle class in developing markets.

**Figure 4** Gross domestic product by segmentation

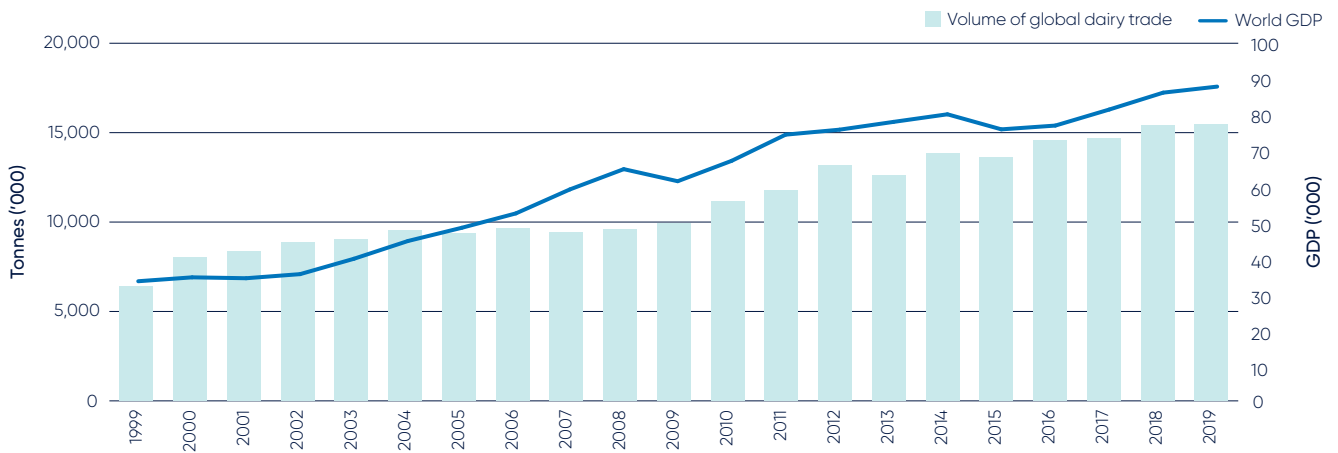


Source: International Monetary Fund

A rise in the affluent population in a market results in two main developments; a higher level of disposable income and more sophisticated consumer preferences. As the population and disposable income grows around the globe, demand for higher value products such as meat and dairy increase. This is particularly true in emerging markets. Overall, a higher-level of GDP coincides with higher total volumes dairy traded globally as figure 5 (page 7) illustrates.



**Figure 5** World GDP and volume of global dairy trade



Source: International Monetary Fund & TDM

Greater China's overall population size and rapid growth in GDP has been fundamental in growing global dairy trade, with China now ranking as the biggest dairy market by volume - and Australia's largest export market. As education and living standards improve, more Chinese consumers are becoming health conscious and aware of upmarket Australian products. Despite recent headwinds, easing of the recent trade dispute with the US had improved the economic outlook for the country. Projections formulated before the Covid-19 outbreak suggested economic growth in the region was expected to ease only slightly in the medium term, with GDP rates of 6.0% in 2020 and 5.8% in 2021. It is now expected these figures will be heavily revised, due to the disruptive impact of the virus to economic activity.

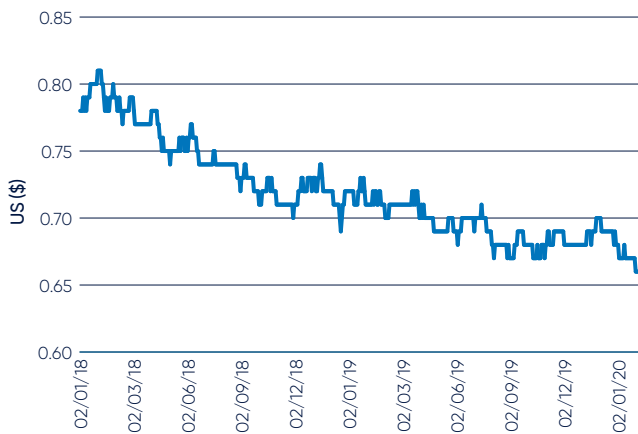
In addition to China, Southeast Asia and the ASEAN subregion (comprised of 10 members) are providing strong (long-term) market opportunities with historical ties and geographic proximity to Australia. Rapid urbanisation has boosted the proportion of middle-income citizens from 29% in 2010 to a forecast 65% in 2030. Cities such as Hanoi, Phnom Penh and Depok are all expected to continue to drive this trend, providing a growing market for premium Australian dairy as the number of health-conscious consumers rises.

These economies are also encountering Covid-19 impacts. Quarantine measures have helped contain the spread of virus but have significantly disrupted the supply chain, particularly for those countries that rely heavily on Chinese intermediate and capital goods. Vietnam, Malaysia, Thailand and Singapore are all expected to be impacted due to their reliance on Chinese supply chains. In response, local governments will likely cut interest rates and devalue currencies to improve cost competitiveness of exports. A weakening of foreign currency against the Australian dollar will be unfavourable for Australian exports, including dairy.



Australia's exchange rate dropped to an 11-year low in February, trading at 65.24 US cents and has continued to decline. Since mid-January, the Australian dollar has gradually weakened (15.51 US cents) on the back of US-China trade tensions, multiple interest rate cuts and now Covid-19. Exporters typically benefit from a lower Australian dollar, improving competitiveness internationally. However, the outbreak of Covid-19 has complicated the usual flow of trade. Fearing that the outbreak could cause a global recession, investors have pulled out of the market. Australian economic growth reached 1.7% in 2019 (down 1% from 2018) and had been forecast to remain stable this year. Although a sluggish finish, fires throughout January and the ongoing economic damage from Covid-19 will add further downside to the outlook.

**Figure 6** Exchange rate



Source: Reserve Bank of Australia

### So what?

Although the global economy has managed to handle numerous red warning lights throughout 2019 without substantial slowdown, the greatest test to the economic vehicle in recent times is expected to be Covid-19. While the full impact is still being quantified, current projections are expected to be heavily revised downwards, as the virus itself, and efforts to slow it, apply the brakes to economic growth. The global supply chain is currently under immense pressure, and any economic slowdown will be a drag on dairy demand.

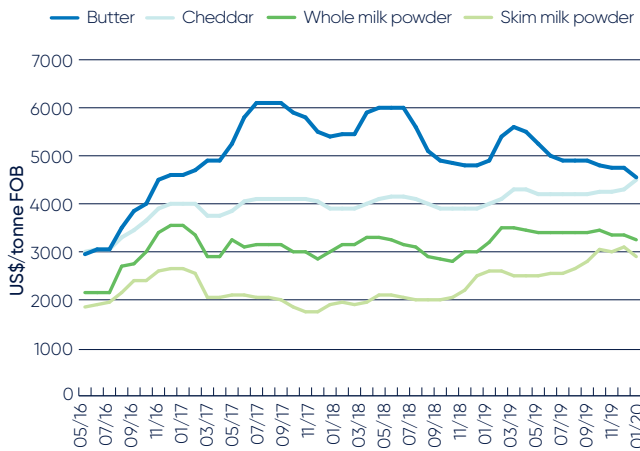
Some markets are better positioned to absorb economic shocks and will return to growth quicker in the now-plausible event of a global recession. These include the emerging Asian markets that will be home to a projected 65% of the world's middle class citizens by 2030. In these markets, strong long term fundamentals such as growing disposable income are driving more consumers to dairy, and boosting demand for premium Australian products. As the global economy steers through these current challenges, the inevitable return to the 'accelerator phase' of the cycle will drive growth for Australian dairy.



# MARKET DASHBOARD

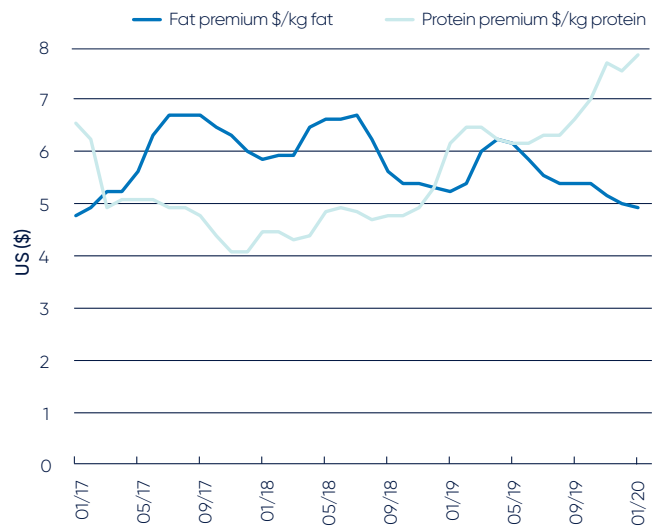
## Commodity prices

Figure 7 Key dairy commodity price indicators



Source: Dairy Australia

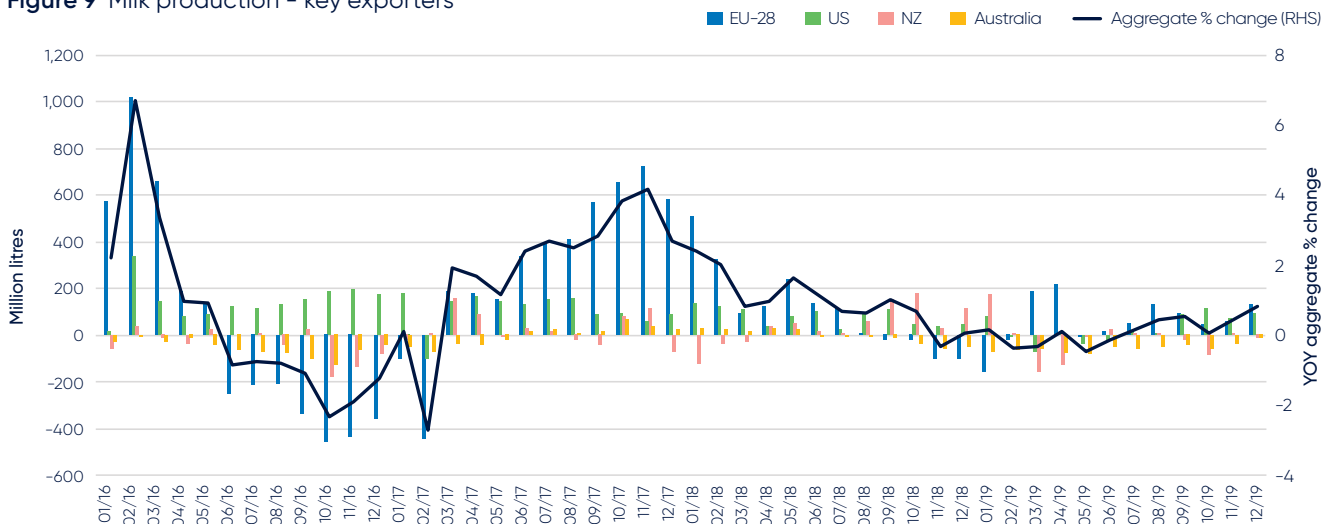
Figure 8 Dairy fat and protein – pricing relative to substitutes



Source: Dairy Australia, Oil World

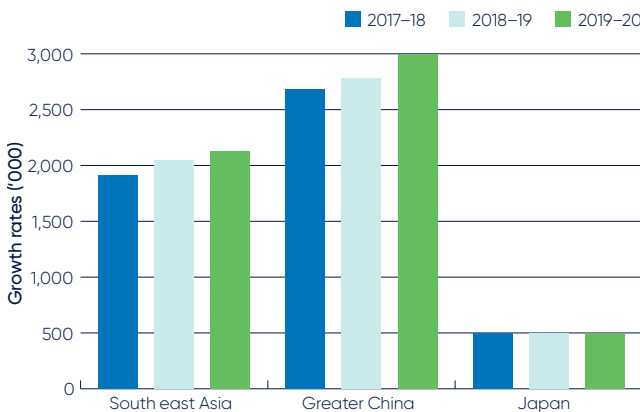
## Global supply and demand

Figure 9 Milk production - key exporters



Source: USDA, DCANZ, Eurostat, Dairy Australia

Figure 10 Global exports to key markets



Source: Dairy Australia, TDM. Data represents 12 months to December 2019

Figure 11 Australian retail sales

	Take Home Volume	YoY growth	Take Home Value	YoY growth
<b>Milk</b> (As of 26/01/20)	1,475 m. litres	↑ 1.0%	2,400	↑ 6.9%
<b>Cheese</b> (As of 29/01/20)	161kt	↑ 1.2%	2,262	↑ 5.6%
<b>Yellow spreads</b> (As of 26/01/20)	89.1kt	↑ 0.2%	769.8	↑ 1.1%
<b>Yoghurt</b> (As of 29/12/20)	162kt	↑ 4.7%	1,057	↑ 6.1%

Source: Nielsen Homescan based on a continuous panel of 10,000 households; excludes non-private dwellings & businesses, non-permanently occupied households & out-of-home/impulse purchasing, DAIRY AUSTRALIA calculation based in part on data reported by Nielsen through its Homescan Service for the dairy category for the 52-week period ending 29/12/2019 and 26/01/2020, for the total Australian market, according to the Nielsen standard product hierarchy. Copyright (c) 2020, The Nielsen Company.

## Inputs



### Hay and grain prices

Australian dairy regions	\$/t		%	\$/t		%
1 South-west WA	\$324	-	0	\$355	↑	+14
2 Central districts SA	\$304	↓	-14	\$320	↓	-4
3 South-east SA	\$324	↓	-14	\$305	↑	+4
4 South-west Victoria	\$336	↓	-15	\$308	↑	+4
5 Goulburn/Murray Valley	\$351	↓	-12	\$323	↓	-8
6 Gippsland*	\$346	↓	-23	\$267	↓	-13
7 North-west Tasmania	\$451	↓	-4	\$300	↑	+94
8 Bega Valley	\$421	↓	-7	\$475	↑	+6
9 Central west NSW	\$385	↑	+7	\$470	↑	+8
10 North coast NSW	\$445	↑	+4	\$492	↑	+15
11 Darling Downs	\$449	↑	+2	\$495	↓	-1
12 Atherton Tablelands*	\$455	-	0	\$388	↑	+11



Shedded cereal hay: mid-range product without weather damage, of good quality and colour



The relevant stockfeed wheat available in a region (ASW, AGP, SFW1 or FED1)

Prices are estimates in \$/tonne at February 2020. Compared to equivalent date February 2019.

\*Note that all regions other than Atherton Tablelands and Gippsland is cereal hay. Atherton Tablelands and Gippsland is pasture hay.

Source: AFIA, Profarmer



### Fertiliser

Urea (granular Black Sea)	DAP (US Gulf)	MOP (granular Vancouver)
215 US\$/t	265 US\$/t	245 US\$/t
↓ -17% LY	↓ -31% LY	↑ +14% LY
↓ -7% 5Y	↓ -19% 5Y	↑ +3% 5Y

Price is January 2020 average, compared to the 2019 January average (LY) and 5-year (5Y) January average.

Source: World Bank



### Cows

#### Cull cows

412 c/kg	84,262 head
↑ +16% LY	↑ +9% LY
↑ +18% 5Y	↓ -1% 5Y

#### Dairy cattle exports

109,341 head	↑ +70 % LY
	↑ +49% 5Y

Price is January 2020 average, compared to January last year (LY) and 5-year (5Y) average. Number of head is last 12 months (cull cows to January 2020, dairy cattle exports to December 2019) compared to year earlier (LY) and 5-year (5Y) average.

Source: NLRs, ABS



### Water

#### Northern Victoria

614 \$/ML
↑ +137% LY
↑ +138% 5Y
2,077,103 ML
↓ -4% LY
↑ +2% 5Y

#### Murray Irrigation System

554 \$/ML
↑ +122% LY
↑ +210% 5Y
54,294 ML
↓ -62% LY
↓ -61% 5Y

Price of water traded is 12 month average and volume of water is 12 month total, both to January, 2020, and compared to year earlier (LY) and last 5 year (5Y) average.

Source: Victorian Water Register, Murray Irrigation Ltd