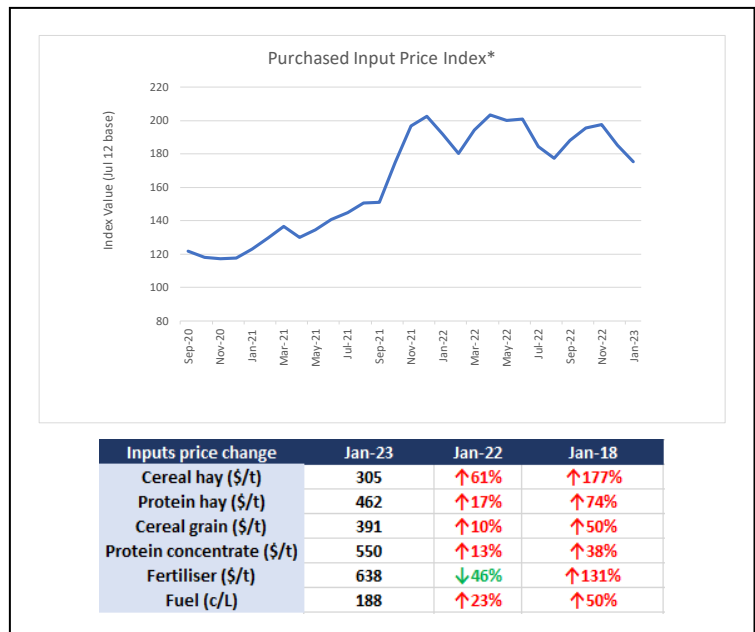


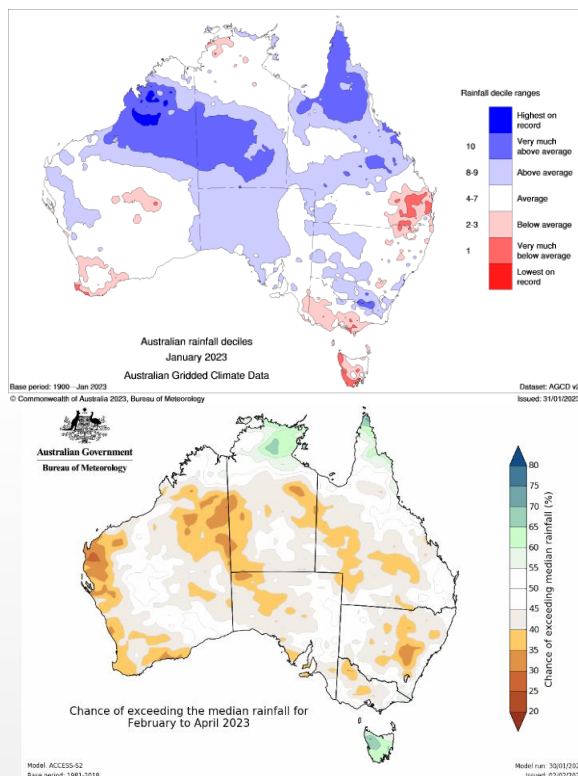
PRODUCTION INPUTS MONITOR

Issue 203 – January 2023

Some southern flood affected regions caught a break in January, while the northeast recorded heavy falls. After three consecutive events, the current La Niña is beginning to ease. Seasonal determinations are at 100% for all northern Victorian systems. Fodder shortages are now well established alongside a greater supply of feed grain options. Both indicative fertiliser prices and cull cow values continue to trend down.



Climate and seasonal outlook



Weather conditions were mixed across the country through January; while parts of Western Australia (WA) and Queensland endured intense rainfall and subsequent flooding, other previously flooded areas received a period of reprieve. As such, soils in parts of the east are beginning to dry after a long period of wet conditions. Heatwaves have also been a feature of the past month for central and southeast Australia, however thick cloud cover has kept summer daytime temperatures below average overall.

After consecutive La Niña events spanning the last three years, the current La Niña is beginning to ease, with a predicted end likely in February. Although easing, some influence will remain until the atmosphere responds to changing La Niña thresholds. This, in addition to the strongly positive Southern Annular Mode (SAM), brings an increased chance of above average rainfall for parts of the east through February to April. In these areas, there is still a risk of flooding, due to additional rainfall, high streamflows and full storages.

* 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 consistent rainfall and recent flooding events, monitored storages across northern Victoria are all either at 100% capacity or are being actively managed. As such, water levels have marginally changed month to month at these sites. Nevertheless, compared to last year, Lake Eildon, Waranga Basin and Lake Eppalock storage levels have recorded the most markable increases, rising 15%, 44% and 83% respectively.

In line with this, all northern Victorian catchment systems have now reached the maximum seasonal determination for the 2022/23 season; low reliability water shares (LRWS) increased to 100% in both the Goulburn and Loddon systems in December. This is the first time since water entitlements were unbundled since 2007. Any further resource improvements will contribute to reserves for the 2023/24 season.

Temporary water prices across both the northern Victoria and Murray Irrigation systems have both decreased slightly over the past month, falling 6% and 12% respectively. This was despite increased demand for irrigation water, resulting in a 76% jump in the volume of water traded across the Murray Irrigation System from last month. Prices in both the northern Victoria and Murray Irrigation systems remain 60% and 71% below last year, respectively.

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%	-	10%
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	Jan-23	Jan-22	% Change
Northern Victoria	Source: Victorian Water Register		
1A Greater Goulburn	\$35	\$75	-53%
6 Hume to Barmah	\$20	\$62	-68%
7 Barmah to Nyah	\$37	\$95	-61%
Volume traded (ML)	113,409	97,564	+16%
Average price (\$/ML)	\$34	\$86	-60%
Murray Irrigation System	Source: Murray Irrigation Ltd		
Volume traded (ML)	17,363	31,188	-44%
Average price (\$/ML)	\$12	\$39	-71%

Feed, fertiliser and cull cow prices

Spot prices	Jan-23	Change (from Dec-22)	Change (from Jan-22)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$391	-\$16	+\$34
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$305	+\$36	+\$115

Source: AFIA, Profarmer

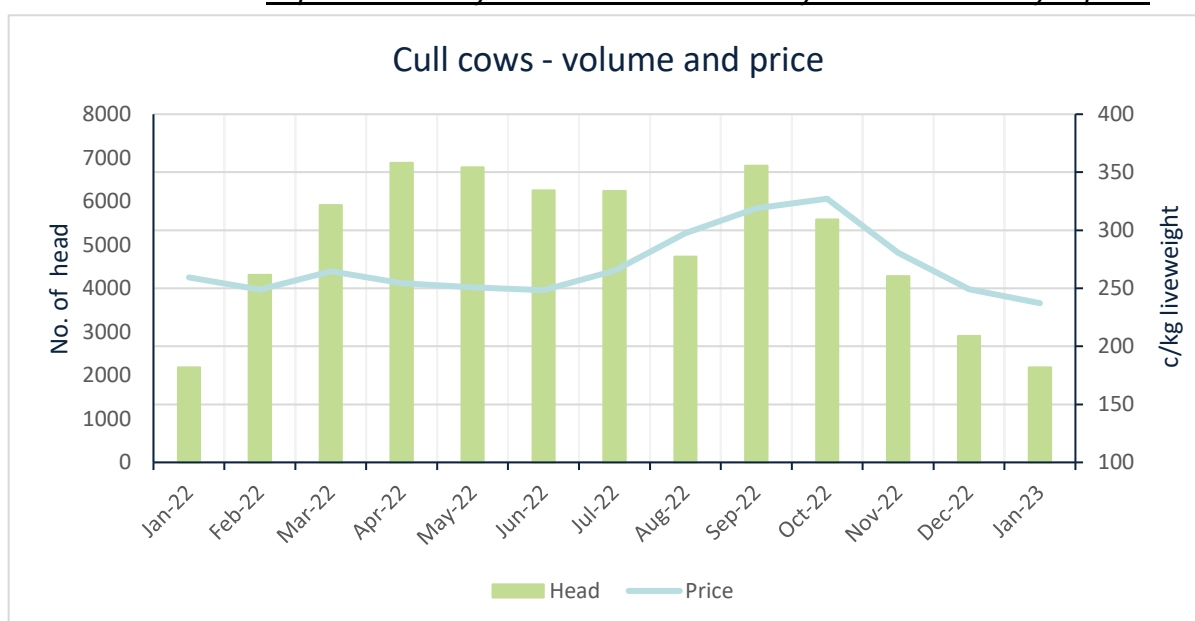
Fodder supply shortages are now firmly entrenched, with dramatic price increases being seen in most regions over the month of January. As expected, the shortages of most hay types are being met with strong demand to purchase feed, much stronger than is typical for this time of year. While some growers have chosen to plant summer crops with recent dry weather, pastures are beginning to dry off in some areas. This is adding to demand for supplementary feed, further inflating prices.

Grain harvesting is either now complete or nearing completion across many regions and grain receipt records have been broken in a number of states. In-line with heavy rainfall and flooding experienced in the east over harvest, widespread downgrades in grain quality have led to an abundant supply of feed grain options. While prices have fallen as a result, strong international demand for Australian grain has kept pressure on grain values. Despite reports of improved crop conditions in parts of the United States (US) and a bumper harvest in India, global supply of grain remains relatively constrained.

While fertiliser prices remain above long-term averages, global indicative values have been slowly trending down over the last six months. The largest fall in the past month occurred for urea, dropping 17% from December. Being met with quieter than expected demand at the beginning of this year, this has also been driven by recovering production out of Europe, a result of falling natural gas prices. Even so, tight global supply continues to drive fertiliser markets, with continued uncertainty around the conflict in Ukraine and exports from China finishing well behind longer-term averages.

With sales typically quiet during the holiday period, the number of head passing through the saleyards dropped 25% in January. Additionally, cull cow prices followed the trend, falling a further 9% from the previous month's decline. Nevertheless, values remain 18% above the four-year average, despite the steady decline over the past few months.

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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	Jan-23	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	388	+19%
Southern Australia (\$/tonne)	305	+13%
Western Australia (\$/tonne)	286	+5%
Wheat		
Northern Australia (\$/tonne)	401	+2%
Southern Australia (\$/tonne)	391	-4%
Western Australia (\$/tonne)	346	+2%
Futures prices (ASX)		
Wheat (av. \$/t Jan-24 east coast)	405	+4%
Barley (av. \$/t Jan-24 east coast)	347	+1%
Fertiliser		
DAP (A\$/tonne)	907	-2%
Urea (A\$/tonne)	638	17%
MOP (A\$/tonne)	809	-3%
Irrigation		
Northern Victoria		
Volume traded (ML)	113,409	+16%
Average price (\$/ML)	34	-60%
Murray Irrigation system*		
Volume traded (ML)	17,363	+76%
Average price (\$/ML)	12	-12%
Cull Cows		
Sales volume (head)	2,181	-25%
Average price (c/kg lwt)	237	-5%
	YTD 2022/23	% change
Sales volume (head)	32,723	-18%
Average price (c/kg lwt)	290	-3%

Dec-22	Nov-22	Oct-22
Source: AFIA		
327	310	303
269	211	195
272	261	256
Source: Profarmer		
392	394	391
407	439	396
341	365	349
Source: ASX		
390	381	495
343	339	330
Source: World Bank (<i>global indicative prices converted from US\$/tonne to A\$/tonne</i>)		
926	1007	1140
769	891	1000
833	851	884
Source: Victorian Water Register, *Murray Irrigation Ltd		
97,564	76,113	67,740
86	23	41
9,855	3,647	5,540
13	10	8
Source: NLRS (<i>saleyards within Vic, NSW, QLD, SA, WA</i>)		
2,904	4,283	5,579
249	281	327
YTD 2021/22	YTD 2020/21	YTD 2019/20
39,699	32,224	42,136
300	243	201

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

Grain report ▶

Hay report ▶

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