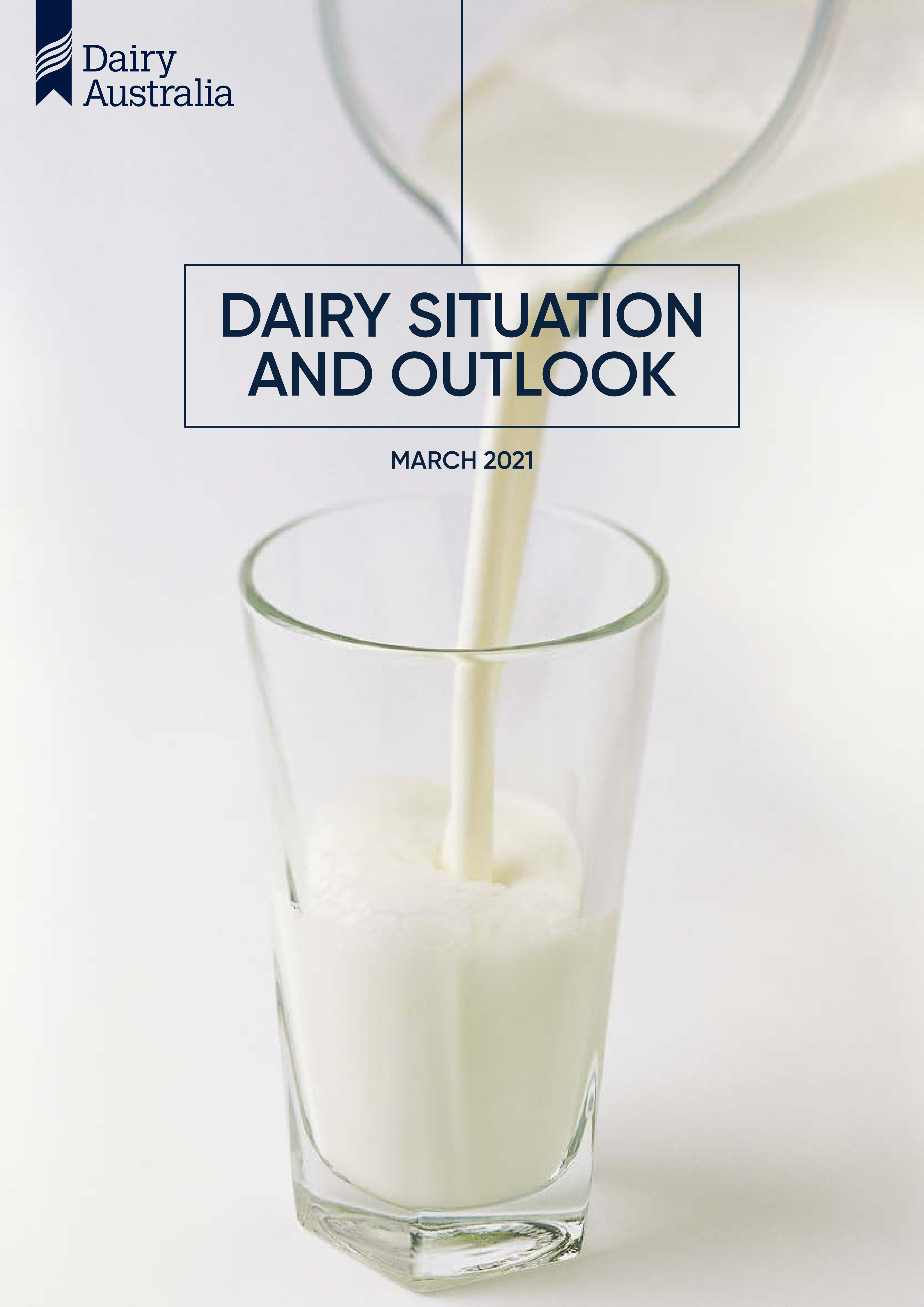
Dairy Australia



DAIRY SITUATION AND OUTLOOK

MARCH 2021

SEVEN KEY DRIVERS

OF THE AUSTRALIAN DAIRY INDUSTRY

Global supply

(+) Situation (|) Outlook

In the last months of 2020, global milk production growth started to slow. Drier weather in New Zealand and high feed costs in Europe have curbed milk flows, and smaller herds in several producing nations further add constraints this season. Whilst the US remains the key exception, reporting impressive production and herd increases throughout 2020, new supply management arrangements could slow this growth.

Australian market

(+) Situation (|) Outlook

As Australian consumers continue to enjoy more relaxed COVID-19 restrictions, sales through food service outlets have improved. This is having a positive flow-on effect on domestic demand for dairy at a time when retail sales remain elevated. Sales of all major dairy products have increased in the past year, with milk and yellowspread sales rising 4.3% and 8% respectively.

Global demand

(+) Situation (|) Outlook

The commencement of COVID-19 vaccination programs has buoyed market sentiment and supported global dairy demand. This saw dairy exports increase 2.8% in the 12 months to October. China remains the key price driver, however an uptick in interest from other regions has further boosted demand in recent months.

Inputs

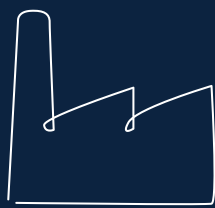
(+) Situation (+) Outlook

A wet and cool summer has continued to support pasture growth and suppress irrigation water prices. Overall grain and fodder production is at close to record levels this year, further easing feed costs in most regions. With a huge amount of feed produced, demand is expected to be muted for some time.

Global economy

(−) Situation (|) Outlook

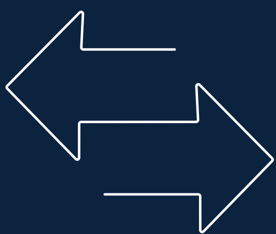
After the economic collapse of 2020, the global economy is forecast to grow 5.5% in 2021, according to the International Monetary Fund (IMF). Despite uncertainty surrounding new COVID-19 variants and potential future infection waves, the vaccine rollout is expected to support global economic growth. As this forecast remains highly dependent on vaccine efficiencies, the economic recovery is expected to vary between countries.



Australian production

(|) Situation (|) Outlook

Milk production has not experienced the growth many previously expected as labour shortages, farm exits, a smaller national herd and worsened per-cow yields weigh on growth prospects. In light of these constraints, Dairy Australia has revised its milk production forecast and is now projecting between a -1% to +1% change to the milk pool this season.



Exchange rates

(−) Situation (−) Outlook

The Australian dollar has continued to appreciate against the US dollar, up 12% since January 2020. Some analysts suggest the $AU could continue to strengthen throughout this year, up to 0.80$AU/$US. As the $US continues to depreciate against other major currencies, US dairy products remain more cost-competitive in export markets.

(+) Positive (|) Neutral (−) Negative

EXECUTIVE SUMMARY

It has been one year since COVID-19 was declared a global pandemic and during this time the world has fundamentally changed. We have spent a lot more time at home, added new terms (like self-isolation and social distancing) to our vocabulary, and become accustomed to regular restriction changes. In the midst of many firsts, like at-home haircuts, some things have remained the same. The reliability of consumers' appetite for food and agricultural products has been reassuring, and underpinned both global and domestic dairy markets. The dairy industry has also experienced a year of mostly favourable weather and, as a result, steadily improving operating conditions at the farmgate.

Looking at the domestic market, dairy demand continues to benefit from relaxed COVID-19 restrictions. As consumers enjoy more freedoms, overall sales through food service channels such as restaurant and cafés have started to recover. Whilst food service demand remains subdued compared to last year – down more than 25% – sales have recovered in the past three months. This is having a positive flow-on effect on domestic demand for dairy through these outlets, all the while retail sales remain elevated. In the 12 months to 26 December, retail sales of cheese grew 10.3% in volume and a whopping 17.5% in value. Sales of all major dairy products have increased in the past year, with milk and yellowspread sales rising 4.3% and 8% respectively.[1] Whilst still increasing, these growth rates have eased from earlier in the year, as consumers seem to be adjusting to the changes brought on by the pandemic and panic buying has receded.

Globally, demand for dairy has continued to gain momentum as more countries emerge from lockdowns. This has seen commodity prices increase, with milkfat products, such as butter and cream, in particular experiencing a resurgence over the past few months. Whilst demand from food service sectors across the world is far from recovered, the easing of restrictions, combined with an uptick in retail demand, has had a significant impact. China remains the key price driver, as close to record local milk prices, an appreciating Yuan and increased domestic consumption continue to strengthen demand. As the world's largest export market, China is an important partner for the Australian dairy industry, and dairy trade has continued to flow largely uninterrupted, despite wider geopolitical tensions. Bar a severe deterioration of the COVID-19 situation in the northern hemisphere resulting in additional lockdowns, global demand appears to be on the rise.

Turning to the supply side, global milk production growth has started to slow. Below average rains in New Zealand caused soil moisture deficiencies and, whilst conditions are better than last year, production has started to flatten. Following 0.4% growth in January (milk solid basis) local analysts believe production will end the season slightly down from last year. In the European Union (EU), high feed costs have curbed milk flows and incentivised culling. Smaller herds in key producing countries across Europe further add constraints to a significant production expansion this season. The United States (US) remains the key exception to this slowdown, reporting impressive production figures throughout 2020. With an increase in cow numbers, the US dairy herd is the largest it has been since the mid-1990s. This expansion has in part been supported by government stimulus and, whilst the recent administration change may impact the level and form of support going forward, continued production growth is to be expected. However, with supply management arrangements in place across most of the US, a rapid expansion of milk production is looking less likely.

The ongoing strengthening of the Australian dollar, reaching a three-year high this February, has tempered some of the benefits of the otherwise supportive global fundamentals. Logistics also remain a significant issue for all trade dependent dairy producers as a worldwide container shortage delays shipments, adds costs and complexity to freight logistics. With freight delays

1 Source: NielsenIQ 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 26/12/2020 and 24/01/2021, for the total Australian market, according to the Nielsen standard product hierarchy. Copyright (c) 2021, Nielsen Consumer LLC.

cemented as a feature of international trade for the time being, the dairy industry will have to continue navigating these challenges.

Due to the ongoing La Niña event, summer proved both wetter and cooler than normal. Above average rain fell across most regions, except parts of Queensland and in Western Australia (WA), where dry weather resulted in bushfires. Following a generally wet February across most of the country, soil moisture levels have improved and further boosted summer crop programs.

Overall Australian grain production is close to record levels this year, having increased 76% from last year's winter crop, with wheat production more than doubling. Whilst global wheat prices have increased over summer, following international production concerns, domestic values have fallen with improved grain availability. Wheat prices are now trading below last year's level in all regions except WA. Similarly, as fodder production surged, hay prices plummeted nationally. Many farmers have been able to store a significant amount of feed on farm this year and as a result demand for purchased feed is expected to be muted for some time. Ongoing wet weather has also continued to suppress irrigation water prices, which are trading below $100/ML in northern Victoria and southern New South Wales (NSW). This is significantly below the five-year average and is expected to support feed production prospects well into next year.

Whilst global markets remain favourable and conditions at the farmgate have improved, a rebound in the national milk pool has not eventuated. In January milk production increased 3.3%, however, year-to-date figures have continued to track lower as a wet spring slowed production during the shoulder period.

Additional constraints – labour shortages, farm exits, a smaller national herd and reduced per-cow yields – have also weighed on growth prospects this season. From a regional perspective, milk production continues to increase in Tasmania and has picked up momentum in South Australia (SA), western Victoria and NSW this season. In Gippsland and northern Victoria, per-cow yields have been impacted due to worsened feed quality from a wet spring and changes in feeding regimes. This

is having a flow-on impact on production. In Queensland improved accessibility of grain delivered the first monthly increase in production this January in more than three years. Despite this, a significant drop in cow numbers from previous years continues to be a major impediment for growth. In WA, dry soils and higher cost of purchased feed continue to limit milk flows. In light of these constraints, Dairy Australia has revised its milk production forecast, projecting between a -1% to +1% change to the milk pool this season. This would equate to between 8.7 and 8.87 billion litres produced in 2020/21.

There is a significant amount of optimism evident as COVID-19 vaccinations are rolled out across the world. As the hope of a return to more 'normal' conditions continues to buoy sentiment, underlying market fundamentals also look more favourable, resulting in several milk price step-up announcements. As the dairy processing sector starts to adapt to the new operating environment brought on by the Mandatory Code of Conduct, Bega Cheese's acquisition of Lion Dairy & Drinks represents further changes to the processing landscape in Australia. After several challenging years for the industry, ongoing improvements to operating conditions at the farmgate are encouraging. This year's conditions have enabled many to rebuild feed storages, setting the industry up for future seasons. Whilst a milk production recovery takes time to eventuate, as an at-home haircut takes time to grow out, the outlook of improved profitability at the farmgate signals an even better year ahead.

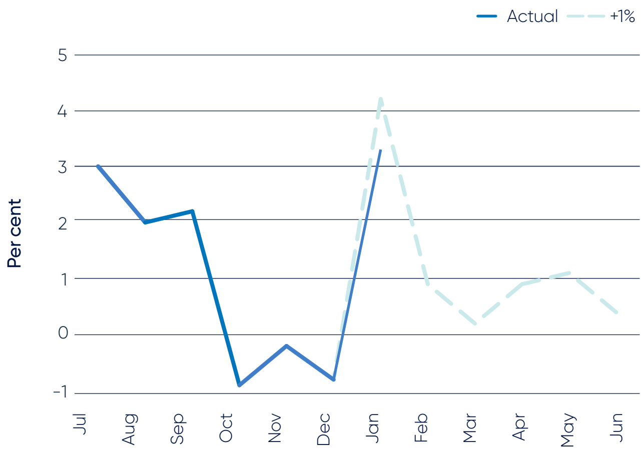
MILK PRODUCTION

PRODUCTION SLOWS WHILST PROFIT EXPECTATION GROWS

While society at large waits with bated breath for the next COVID-19 lockdown, many in the dairy industry are comparatively relaxed this season, as March marks a year of relatively favourable weather across most of Australia. As rainfall returned to normal patterns, grain and fodder production surged and irrigation water prices have eased.

Despite a season of improved operating conditions, milk production growth has come under pressure. Whilst production in January increased 3.3%, year-to-date figures have remained sluggish, with growth of only 1% for the season to date. So far, monthly rates have tracked below the forecast range of 1% to 3% growth, and a largely static national milk pool this season is looking increasingly possible. During a season generally described as the best in a decade, this is a notable outcome. There are many factors that can be readily offered as explanation, and with some common themes emerging, it is worth looking closer at what is curbing growth this season.

Figure 1 Milk production changes – Actuals vs forecast



Source: Dairy Australia

One of the major challenges for the dairy industry is the lack of available workers. Whilst labour accessibility has been a challenge for several years, the COVID-19 pandemic has exacerbated this issue via border closures and movement restrictions. Without access to international workers, the dairy industry has even fewer staffing options than usual, and the domestic pool of available labour is coming up short. In all dairy regions in Australia, labour is highlighted as the most significant challenge, as the lack of workers impacts all types of businesses, from smaller family farms to large corporate entities. As a result, many dairy herds are seeing cuts of varying degrees.

Furthermore, high cattle prices have slowed the rebuild of the national herd and made culling decisions much more acceptable financially. Buying additional heifers at the current time, with continued high demand from the live export trade, has proven uneconomic, and farmers are therefore relying on replacement calves to come through to grow their herds. Thus, any expansion in Australia's dairy herd is being constrained, and a smaller national herd will limit growth opportunities in the meantime.

Elevated beef prices have also influenced some farmers' retirement decisions, with farm exits reported throughout the country. In stark comparison to earlier years, current exits seem to be driven by farmers wanting to exit on a 'high', believing the market is near a peak. High land prices, purchase interest from beef and sheep farms, strong milk prices and record high beef prices are all referenced by farmers as reasons for choosing to retire at the moment. Whilst reports indicate that a large portion of cows remain in the supply chain, exits do represent some removal of productive capacity. This places an upper limit on milk production growth for this and future seasons.

Whilst labour unavailability and high cattle prices have influenced many farmers' production plans, per-cow yields are also playing a part in slowing milk flows this year. Following a superb spring, feed supplies have rallied across much of the country, and grain and fodder costs have eased. Widespread rainfall also drove a surge in pasture growth which reduced demand for purchased feed. Despite a drop in grain and fodder prices, farmers in several regions have slowed supplementary feeding in favour of increasing direct grazing as a cheaper feed source. This is a sensible decision for many but has had the overall effect of denting feeding rates in some regions and reducing per-cow yields. In addition, rain during summer impacted the quality of pasture grown on many farms and generated significant weed growth. This is also having a negative impact on per-cow production and slowing growth in affected regions.

Volume growth by state:

	January	YTD
QLD	+3.6%	-2.6%
NSW	+4.5%	+1.7%
VIC	+3.2%	+0.8%
SA	0.0%	+2.6%
WA	-4.3%	-0.8%
TAS	+5.9%	+2.6%
By VIC regions:		
Gippsland	+0.4%	-0.2%
Northern	+3.5%	+1.2%
Western	+6.5%	+1.6%

Source: Dairy Australia

From a regional perspective, these factors are impeding milk flows at various rates. Tasmania has been the real standout, with strong growth for most of the past year, as conditions remain highly favourable in the state. Milk production in SA and western Victoria has also continued to improve, as farmers in these regions enjoy favourable operating conditions for a second year. Despite this growth, labour challenges remain, and several farmers have chosen to either convert part of their business into beef or leave the industry. With significant interest from beef and sheep farmers to purchase properties (especially in western Victoria), several farm exits have been reported, impacting growth prospects this season.

Following last year's rapid expansion, milk production has slowed in Gippsland. Wet weather during late spring and summer impacted the quality of pasture, with implications for per-cow production. In northern Victoria, some farmers have chosen to reduce supplementary feeding in favour of grazing, which is a cheaper source of feed. This is also impacting per-cow yields in the region. With a huge amount of feed produced, milk flows could pick up towards the end of this season; however, a smaller herd is placing some limitations on this opportunity in the region.

Following a new grain production record in NSW, lower prices have encouraged higher feeding rates which are expected to drive an increase in milk production. In Queensland, the accessibility of grain improved during summer and resulted in the first monthly increase in milk production in more than three years. Whilst destocking has started to stabilise, a significant drop in cow numbers from previous years is expected to mute milk production this season. Meanwhile in WA, dry weather and the ongoing high cost of purchased feed has continued to affect milk flows.

This season is not likely to deliver the production response many previously expected. Many of the constraints present this season represent longer term challenges for the industry and are not unique for any one year. In light of these challenges, Dairy Australia has revised its milk production forecast, suggesting between a -1% to +1% change to the milk pool this season. This would equate to between 8.7 and 8.87 billion litres produced in 2020/21. Whilst production falters, many factors point to increased profitability at the farmgate this year. As the weather remains favourable, feed availability is plentiful and input costs have eased, this season is looking like a welcome relief from the tough times experienced all too recently.

SO WHAT?

Whilst production increases are far less important than profitability, they tend to be the focal indicator of industry health. This season is likely to go down as one of the best in recent times for many, however, despite a favourable outlook at the farmgate, milk production growth is failing to materialise. A production contraction trend is difficult to overcome and, as history proves, usually requires consecutive years of good conditions to break the downward spiral. Given the structural challenges at play, the distinction between profit and production in debating the performance of the industry is vital this season.

GLOBAL MARKETS

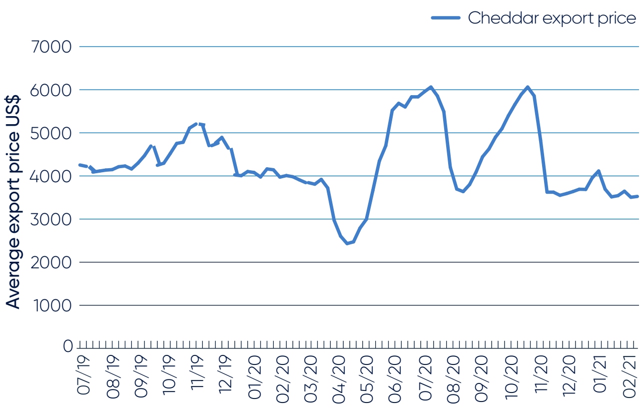
COVID-19 + CODE = CONSERVATISM

Despite steady erosion by a strengthening currency, Australian dollar denominated returns for dairy products have largely improved over the course of the current season, whilst competitiveness of imports has correspondingly declined. This has prompted extensive discussion about farmgate milk prices, based on the established practice where opening prices in southern regions form a conservative starting point in a given season. In contrast, what has been observed this season fits a different pattern, with aggressive opening prices to secure supply and a risk-averse approach to subsequent changes. Although domestic-focused regions have a different history of seasonal pricing, a similar profile has flowed through, with some tweaks in the second half as shortfalls emerge. This is a pattern we can expect to see more in future years while excess milk processing capacity remains a factor.

Anybody looking at a monthly dairy commodity price chart could be forgiven for largely overlooking the havoc that COVID-19 wreaked upon the world in 2020. The first few months did see volatility and lower product values as the initial shock of COVID-19 hit the market, but from the middle of the year onwards, prices gradually trended upward. Against this backdrop, Australian farmers and milk processors have been navigating the changes prompted by the Australian Competition and Consumer Commission (ACCC)'s *Dairy Code of Conduct.*

The code is widely regarded as having concentrated the competitive period for milk supply to the start of the season, between minimum prices being disclosed and supply agreements being signed. As a result, opening prices were aggressive in the context of a depressed mid-2020 market, exceeding the more conservative expectations and forcing prompt changes for processors opening behind the pack. However, since that time there have been few changes in what looks like a rising market, leading to confused signals.

Figure 2 US indicative export cheddar price



Source: Chicago Mercantile Exchange, Dairy Australia

In market confusion, Australia is not alone. Northern hemisphere dairy markets have seen a strong element of intervention since the initial COVID-19 lockdowns, combined with widespread government stimulus efforts for overall economies. In short, 2020 was a year where the number of zeroes attached to the end of public spending totals was so eyewatering as to become largely academic. Although the impact of government largesse in protecting markets from sharp falls has been beneficial, this leads to the issue of commodity prices being reliant on the continuation of this support. The accompanying chart showing indicative US cheese pricing offers one of the more dramatic examples of price volatility brought on by the influence of public policies – and uncertainty around decision points. Reliance on politicians when market signals are having a tough time being heard, is an unsettling prospect for anyone managing risk, let alone in the midst of a global pandemic.

With the economics propped up by taxpayers, largely favourable seasons have helped support steady or higher growth in milk production around most of the major exporting regions. Europe (excluding the UK) finished 2020 up 1.7%, while US production rebounded from the chaotic early days of COVID-19, up 1.9% for the year. Closer to home, milk production in New Zealand has tracked closely to the near-record 2019/20 season (down 0.1% from July-December). The country's significant exposure to global markets has translated to several increases in farmgate price forecasts in recent months, and the current outlook remains bullish. Nonetheless, local analysts expect production to finish the season to June slightly lower than the year prior due to dry conditions denting pasture availability during summer. In Australia, the legacy of a challenging few years together with high beef prices and strong competition for land in key regions has constrained production, as described elsewhere in this report.

Despite some supply growth, dairy market fundamentals remain in reasonable shape. Demand has managed to stay the course, with government stimulus and an early recovery in key markets (particularly China) helping avert the build-up of damaging stockpiles seen in previous crises. Inventory levels are likely to rise in the months ahead, as a result of fluctuating demand and logistical issues; as stock levels accumulate buying pressure is likely to ease. That is not to understate the disruption faced in the food service channel over the past year, with restaurants and cafés in many jurisdictions opening and closing repeatedly at short notice. Markets that have suppressed COVID-19 infection rates are seeing a return to more normal trading conditions, albeit still punctuated by regular lockdowns. Meanwhile, markets where the virus is rife are pinning hopes on vaccine rollouts to allow removal of restrictions.

The residual threat of COVID-19 lockdowns remains one major risk factor as we move towards the setting of new season pricing in time for this year's 1 June release. Withdrawal of government supports both in Australia and overseas is another, even as the market looks to have lifted under its own steam. Logistics remains a major headache, with worldwide container shortages delaying shipments and adding to costs, as well as unpredictability. Industrial action at Australian ports, and COVID-19 testing of packaging at some destinations are also in the mix.

> With Australia's milk pool static, competition for milk will help sharpen pencils in the lead-up to 1 June. It is a good time for markets to be recovering, and the COVID-19 headaches to be receding.

However, unlike the case over the 'ditch', farmgate prices are pegged at or above the opening minimum for the full 12 months of the season, and any mid-season decrease remains largely off limits. Outside the initial contracting period, there is a strong motivation to be conservative.

SO WHAT?

With COVID-19 slowly receding in many countries, market forces are taking back the reins from government stimulus. Risks abound, however, and with limited flexibility in farmgate pricing and a concentrated contracting period, the Australian industry is likely to see more seasons like 2020/21. Recovering dairy commodity prices and ongoing tension in the farmgate milk market are early indications of a competitive opening, and risk-averse decision-making on either side of that. How well the new regime meets farmer as well as processor needs will have significant influence on both the transmission and response to market signals going forward.

MILK PRICE INITIATIVES

In recent years, issues surrounding milk price transparency, risk management and trust between farmers and processors have been highlighted across the dairy supply chain. These concerns have been identified as key challenges for the industry by farmers, representative bodies and external authorities such as the ACCC. In addition to a regulatory approach via the Dairy Code of Conduct, several initiatives have been launched, aimed to improve information flow and transparency of process in relation to the setting of farmgate milk prices.

Currently, there are three platforms either available or in the advanced stages of development:

- **Australian Dairy Products Federation (ADPF) Milk Value Portal (MVP)**

Funded by milk processors and operated by a contracted third party, the MVP is a website which offers resources and information surrounding milk price derivatives and dairy commodity values. Within the site, the Farmgate Milk Value Tool (FMVT) presents aggregated regional milk prices, based on components such as farm size, fat and protein content and seasonality of milk supply.

- **Milk2Market and the Milk Exchange (MX)**

As a privately funded commercial venture, Milk2Market is an online platform where users can compare individualised milk prices from processors via their Milk Price Calculator. This calculator allows users to compare estimates for more than 20 milk prices currently on offer. Additionally, Milk2Market also offers an online milk trading platform, the Milk Exchange (MX), which facilitates the trading of physical dairy products.

- **Australian Milk Price Initiative (AMPI)**

Currently in its development stages, the AMPI is a government funded and industry supported milk trading proposal. The aim of the initiative is to create a futures market for milk prices, where farmers and processors can agree on and lock in milk price/s up to three years in advance. Supported by organisations such as Australian Dairy Farmers (ADF), the AMPI was conceptualised to provide an open market for milk trading, focusing on establishing security for farmers around future milk prices.

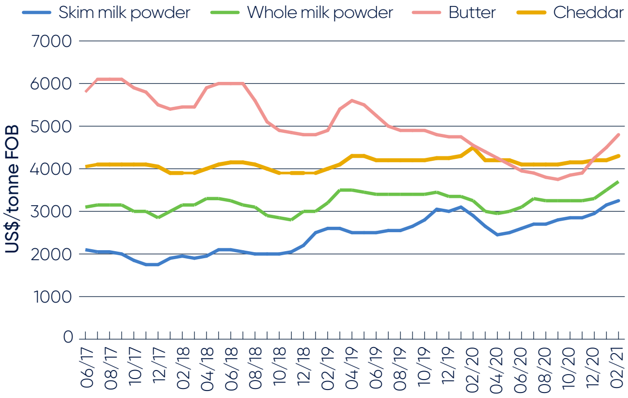
This table summarises the key components of each initiative:

Initiative	Developed by	Main purpose	Inclusions	Additional resources
Australian Dairy Products Federation Milk Value Portal	Funded by milk processors and operated by a contracted third party. Milk prices are updated with public release from processors.	• Farmgate Milk Value Tool (average regional milk prices) – no price comparisons, no processor differentiation. • Additional information regarding how milk price is determined.	Provides past and current milk prices. Prices are averaged within each dairying region, for the selected year.	• Global market analysis with price updates. • Informational resources and videos surrounding driving factors of milk price and milk supply agreement conditions. • Access to Freshagenda quarterly report.
Milk2Market and the Milk Exchange	Privately funded commercial venture. Milk prices updated with publicly available data and industry sources.	• Milk Price Calculator – ability to compare prices, processor specific. • MX – trading platform for milk and dairy products.	Milk Price Calculator references milk prices currently on offer.	• Access to industry reports (Dairy Australia, Freshagenda, Rabobank). • Up-to-date commodity market updates. • Support services offered to users trading on MX.
Australian Milk Price Initiative	Government funded and industry supported. In development stages.	Open market trading platform – lock in milk prices for future.	Lock in fixed future milk price with processor/s, up to three years.	Plans to include information resources surrounding farmgate milk prices.

MARKET DASHBOARD

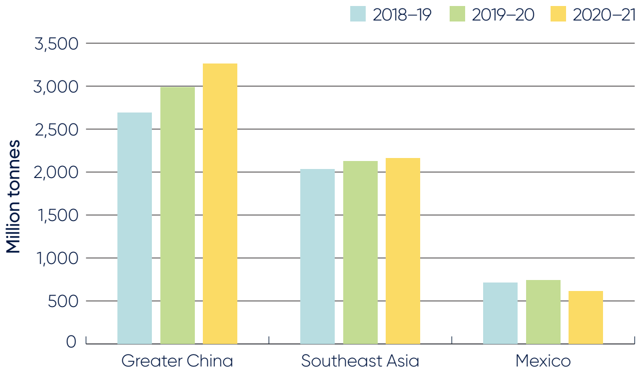
Commodity prices

Figure A1 Key dairy commodity price indicators



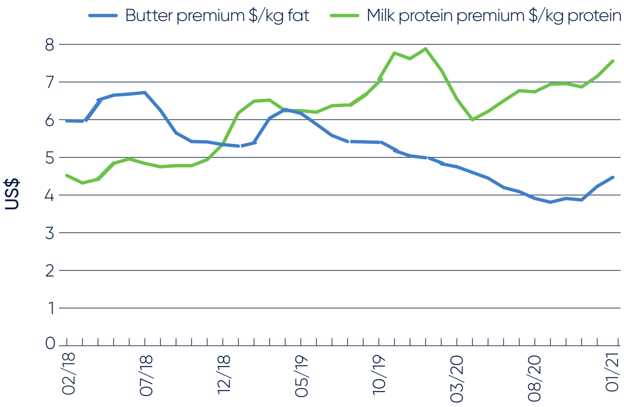
Source: Dairy Australia

Figure A4 Exports to key markets



Source: Dairy Australia, TDM. Data represents 12-months to October 2020

Figure A2 Dairy fat and protein – pricing relative to substitutes



Source: Dairy Australia, Oil World

Australian market

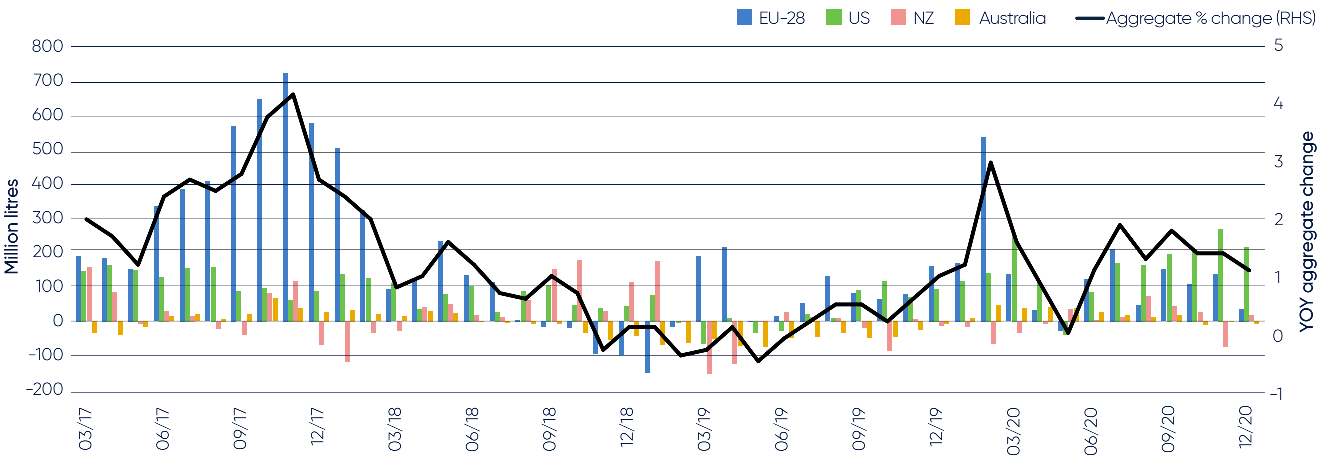
Figure A5 Australian retail sales

	Take home volume	YoY growth	Take home value $m	YoY growth
Milk *As of 24/01/21*	1,539m. L	↑ 4.3%	2,676	↑ 11.4%
Cheese *As of 26/12/20*	169kt	↑ 10.3%	2,434	↑ 17.5%
Yellow spreads *As of 24/01/21*	96kt	↑ 8.0%	865	↑ 12.5%
Yoghurts *As of 26/12/20*	174kt	↑ 4.6%	1,174	↑ 5.9%

Source: NielsenIQ 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 26/12/2020 and 24/01/2021, for the total Australian market, according to the Nielsen standard product hierarchy. Copyright (c) 2021, Nielsen Consumer LLC.

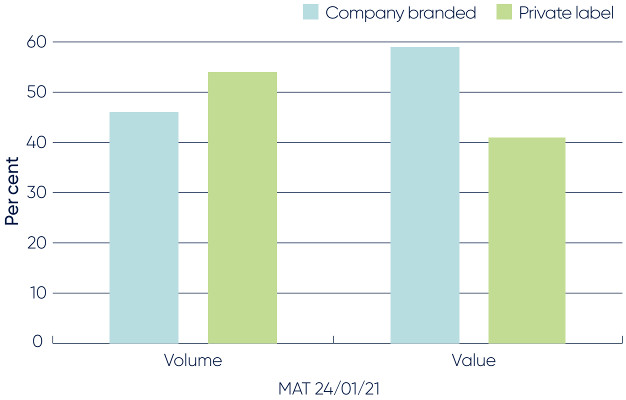
Global supply and demand

Figure A3 Milk production year-on-year changes



Source: USDA, DCANZ, Eurostat, Dairy Australia

Figure A6 Retail sales - private label share



Source: NielsenIQ Homescan based on a continuous panel of 10,000 households; excludes non-private dwellings and businesses, non-permanently occupied households and 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 24/01/2021, for the total Australian market, according to the Nielsen standard product hierarchy. Copyright (c) 2021, Nielsen Consumer LLC.

Inputs

Hay and grain

	Australian dairy regions	Hay		%	Grain		%
1	Atherton Tablelands*	$315	↓	-19	$348	↓	-23
2	Darling Downs	$310	↓	-37	$310	↓	-31
3	North coast NSW	$275	↓	-44	$285	↓	-36
4	Central west NSW	$230	↓	-51	$255	↓	-34
5	Bega Valley	$325	↓	-32	$300	↓	-29
6	Goulburn/Murray Valley	$205	↓	-37	$288	↓	-18
7	Gippsland*	$110	↓	-59	$315	↓	-9
8	South-west Victoria	$200	↓	-35	$308	↓	-8
9	South-east SA	$235	↓	-23	$300	↓	-7
10	Central districts SA	$225	↓	-30	$303	←	0
11	South-west WA	$315	↓	-11	$335	↑	3
12	North-west Tasmania	$233	↓	-22	$405	↓	-10

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)

Hay quoted is sourced and delivered locally, GST exclusive unless stated otherwise. Prices are estimates in $/tonne at February 2021, compared to equivalent date February 2020.
*Note that all regions other than Atherton Tablelands and Gippsland is cereal hay. *Atherton Tablelands and Gippsland is pasture hay.*

Source: Australian Fodder Industry Association (AFIA), Profarmer

Fertiliser

Urea (granular Black Sea)	DAP (US Gulf)	MOP (granular Vancouver)
265 US$/t	421 US$/t	203 US$/t
↑ +23% LY	↑ +59% LY	↓ -17% LY
↑ +11% 5Y	↑ +21% 5Y	↓ -7% 5Y

Price is January 2021 average, compared to the 2020 January average (LY) and 5-year (5Y) January average.

Source: World Bank

Cows

Cull cows

562 c/kg	64,143 head
↑ +37% LY	↓ -24% LY
↑ +30% 5Y	↓ -20% 5Y

Dairy cattle exports	↓ -25% LY
81,666 head	↑ +9% 5Y

Price is January 2021 average, compared to January last year (LY) and 5-year (5Y) average. Number of head is last 12 months (cull cows to January 2021, dairy cattle exports to December 2020) compared to year earlier (LY) and 5-year (5Y) average.

Source: NLRS, ABS

Water

Northern Victoria	Murray Irrigation System
145 $/ML	138 $/ML
↓ -81% LY	↓ -78% LY
↓ -47% 5Y	↓ -23% 5Y
2,236,010 ML	71,685 ML
↑ +8% LY	↑ 32% LY
↑ +6% 5Y	↓ -45% 5Y
Monthly average(12 months)	
271 $/ML	186 $/ML
186,334	5,974

Price of water traded is January 2021 average compared to January last year (LY) and 5-year (5Y) average. Volume of water is 12 month total, to January 2021, and compared to same period last year (LY) and last 5 year (5Y) average. Monthly average is the average price and volume over the past 12 months to January.

Source: Victorian Water Register, Murray Irrigation Ltd

For ongoing information and updates on farm inputs, readers can subscribe to Dairy Australia's weekly Hay and Grain Reports, or the monthly Production Inputs Monitor, found on the Dairy Australia website
dairyaustralia.com.au/hayandgrain
dairyaustralia.com.au/industry-statistics/industry-reports

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