



Hay & Grain Outlook Colin Peace

Northern Irrigator Seasonal Update

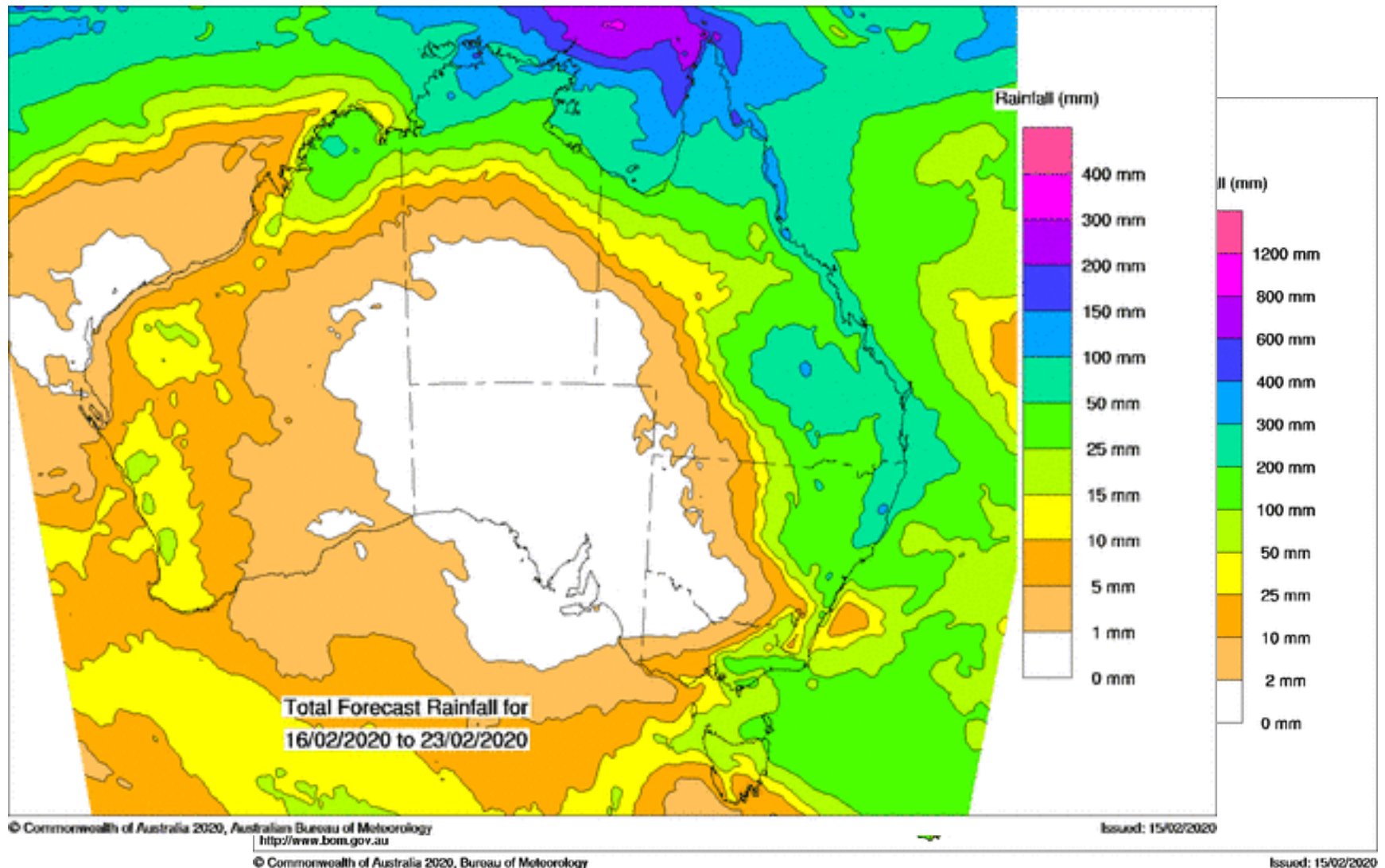
February 2020

AGRICULTURE VICTORIA



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Drought breaking rains have started

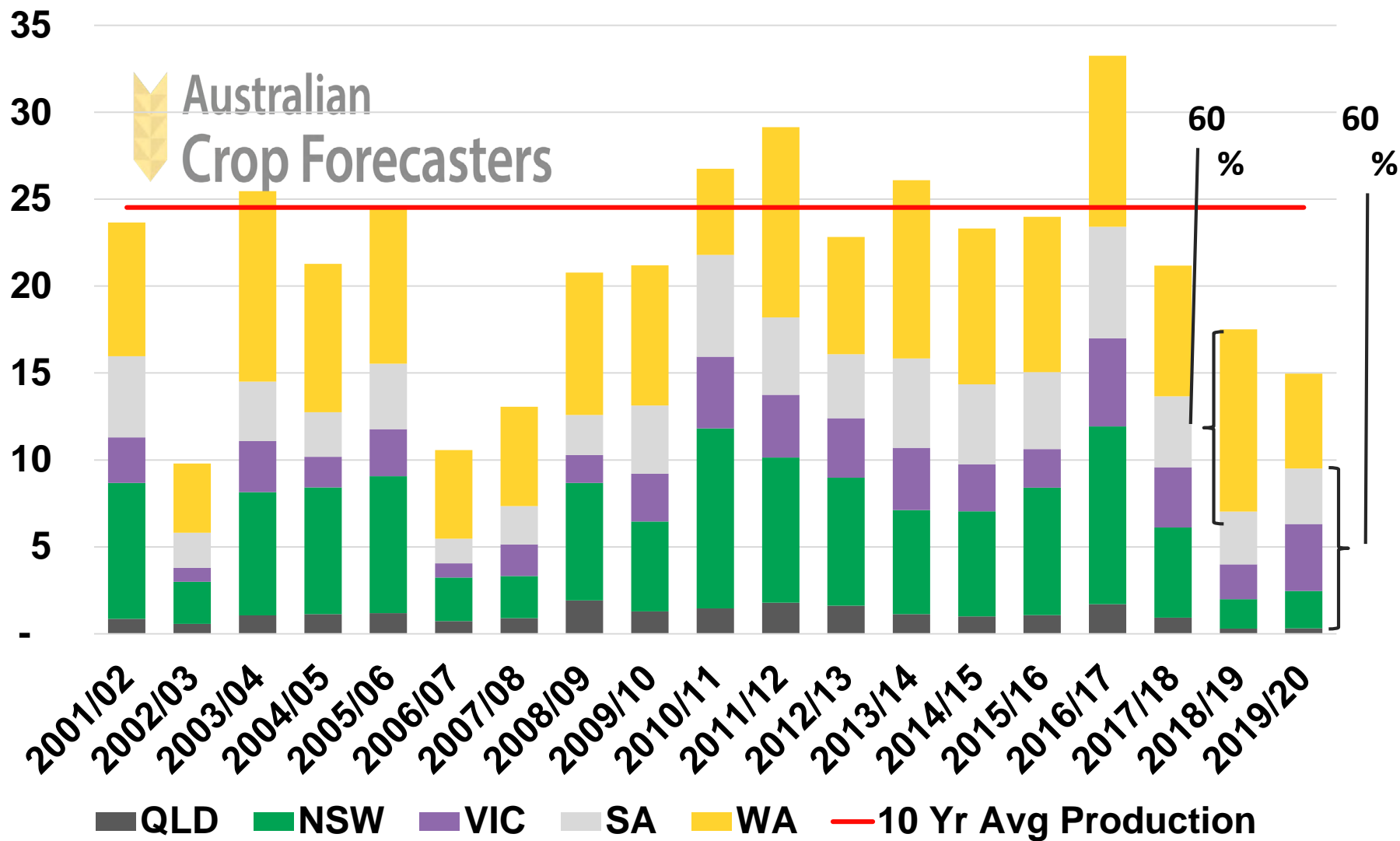


Outline

1. Grain price formation
2. Projected grain markets
3. Hay demand forecasts
4. Potential price impacts
5. Grain & hay buying

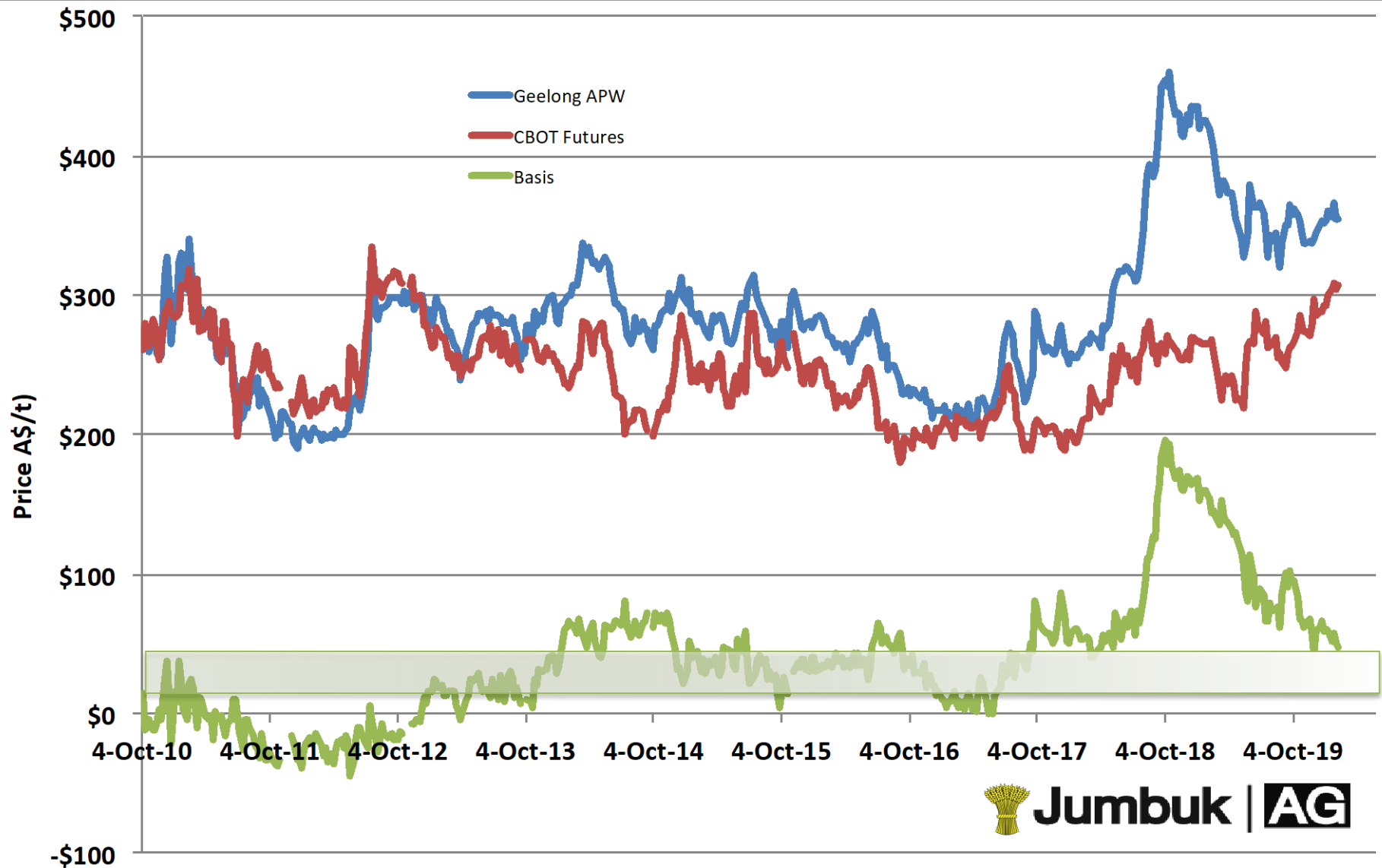


Australian Wheat Production (Mmt)



Source: ACF

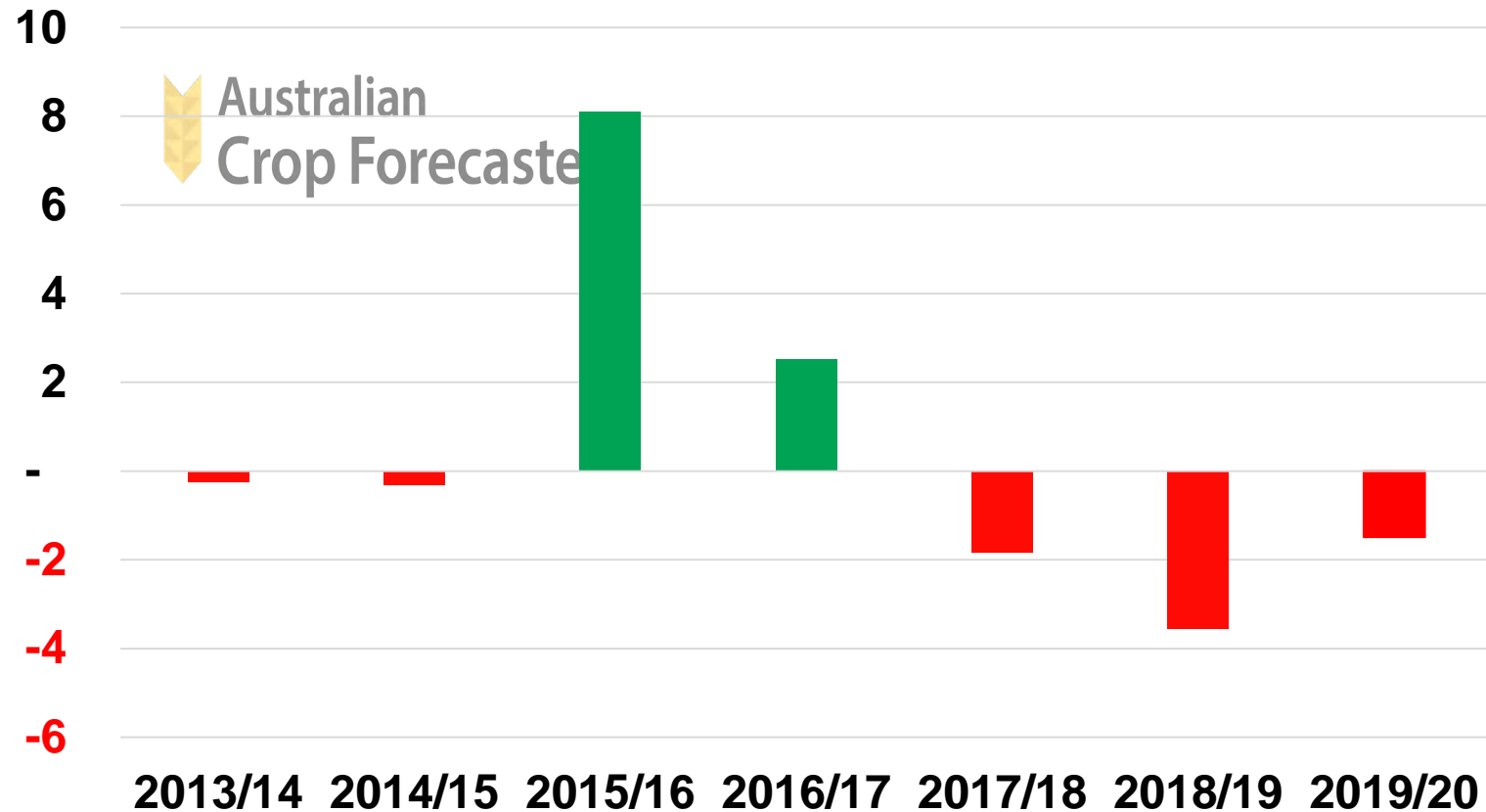
Drought impacts receding



2019/20 Trade Flows

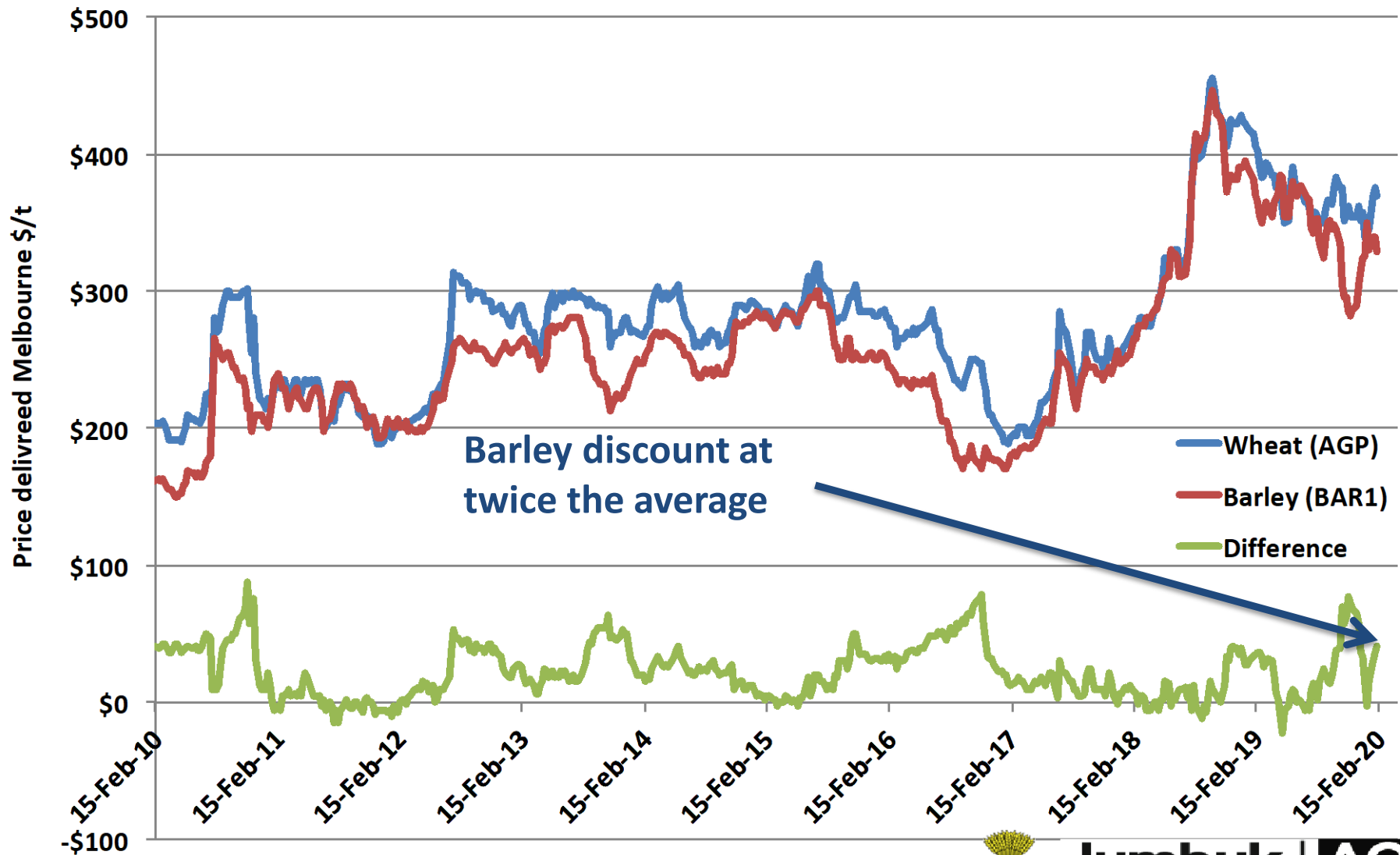


QLD/NSW/VIC/SA Feed Grain Surplus/Deficit (Mmt)



Source: ACF

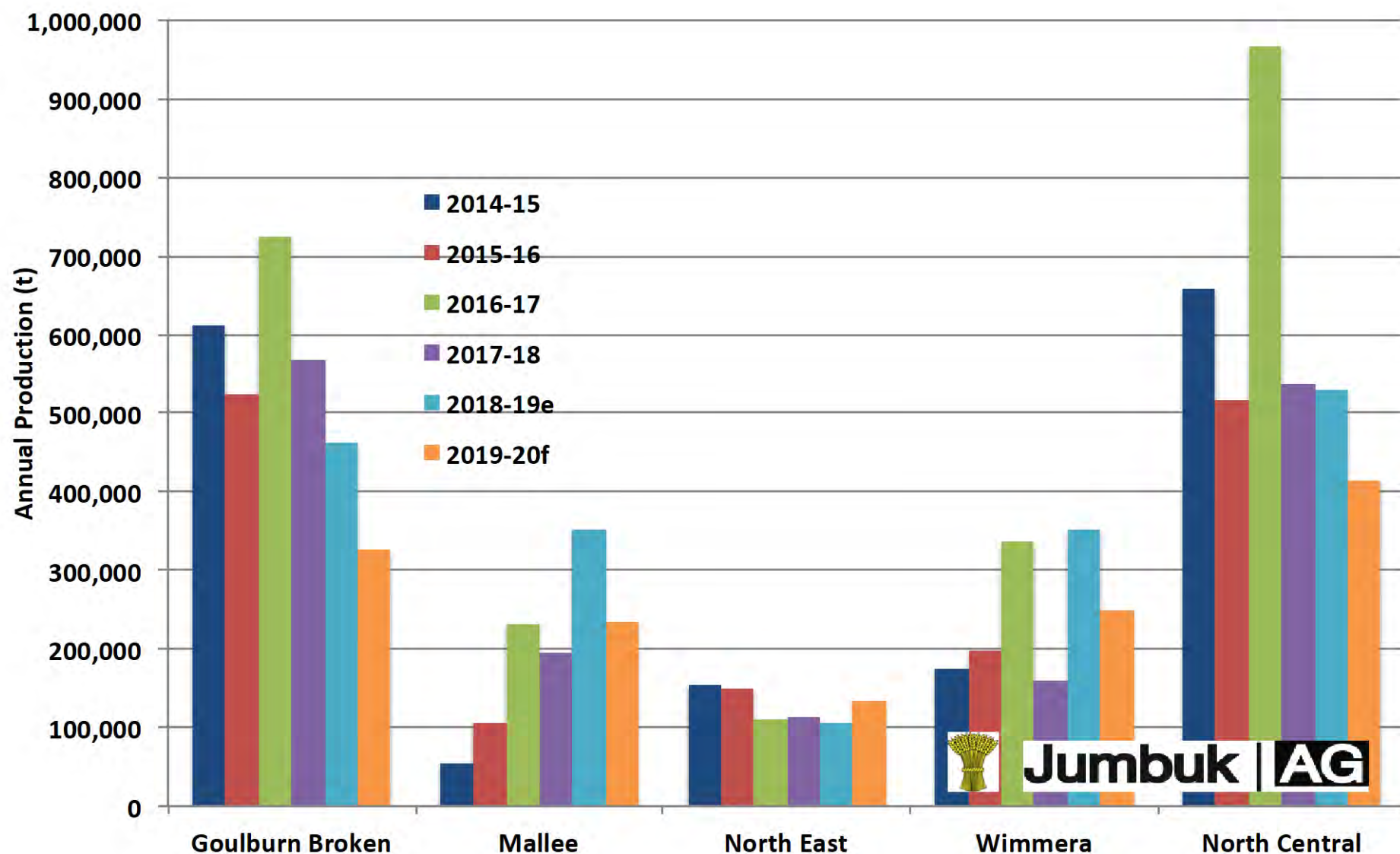
Victorian wheat and barley prices





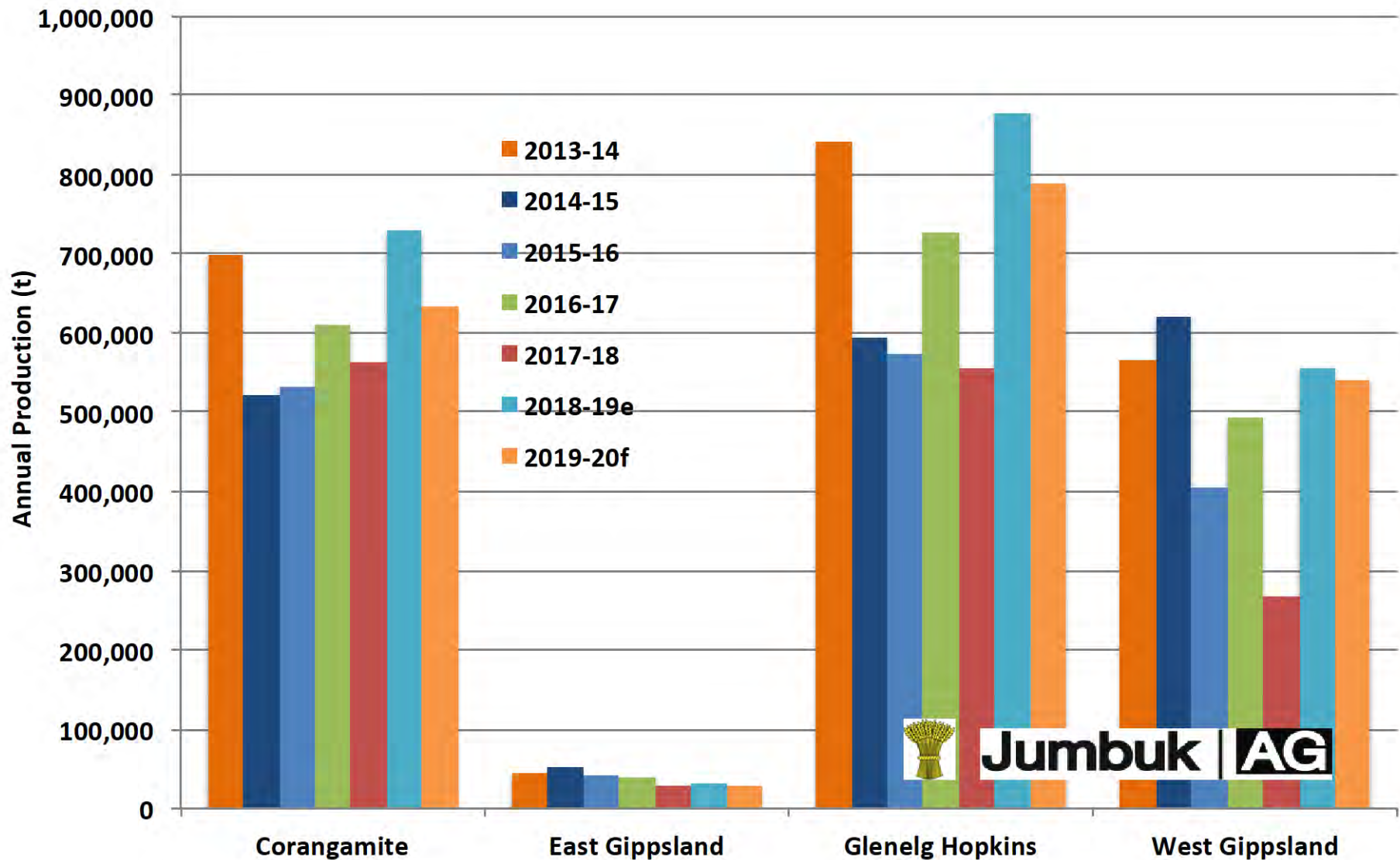
Bullish	Bearish
More Vic grain moves north	Larger east coast production
Drought demand limits stocks	Grazier demand reducing
Surprise wheat sales to China	Lack of barley sales to China
Growers holding grain longer	Financial year selling possible
Wheat stocks reducing	Barley stocks increasing

Lower northern Vic production

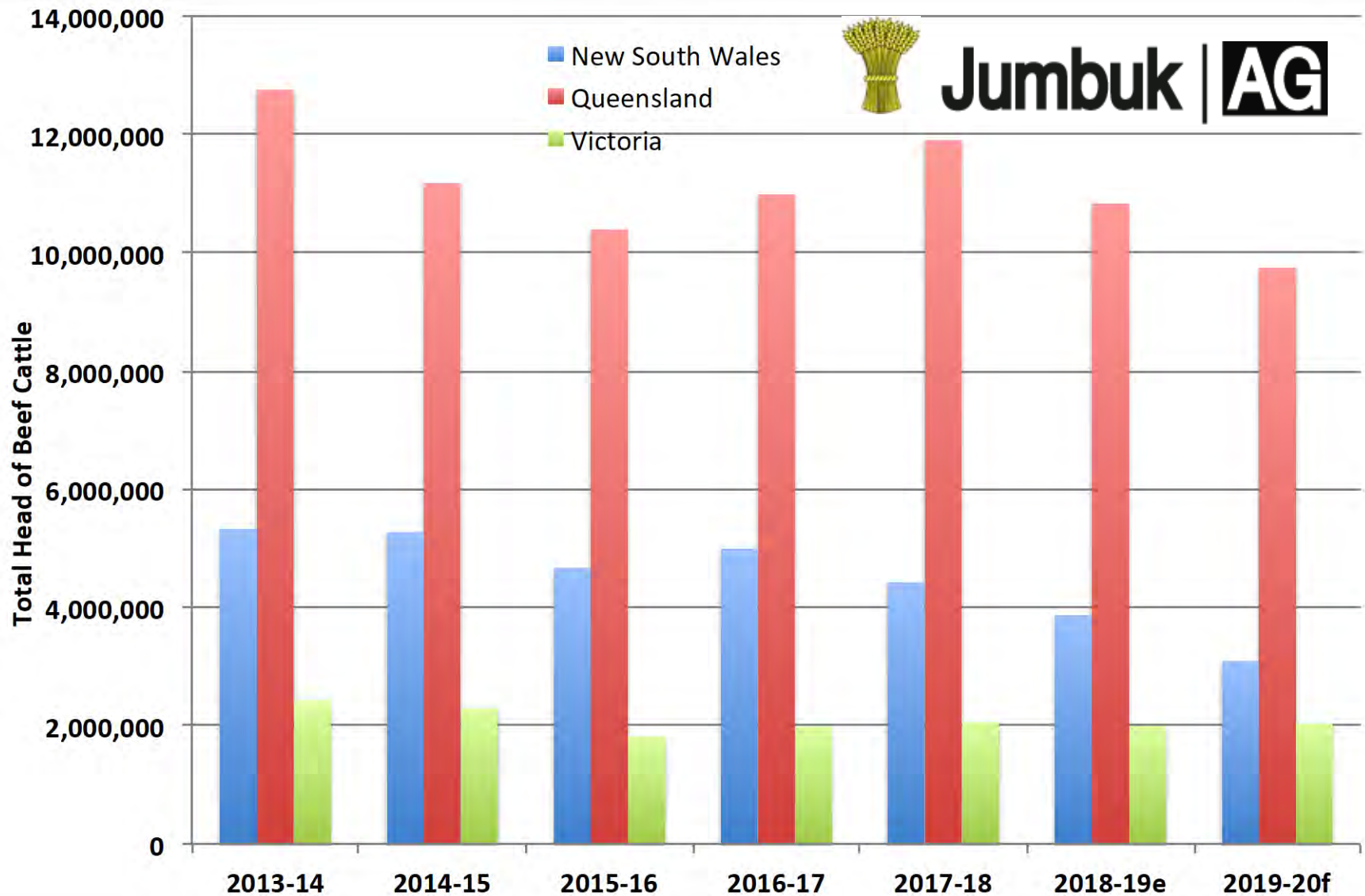


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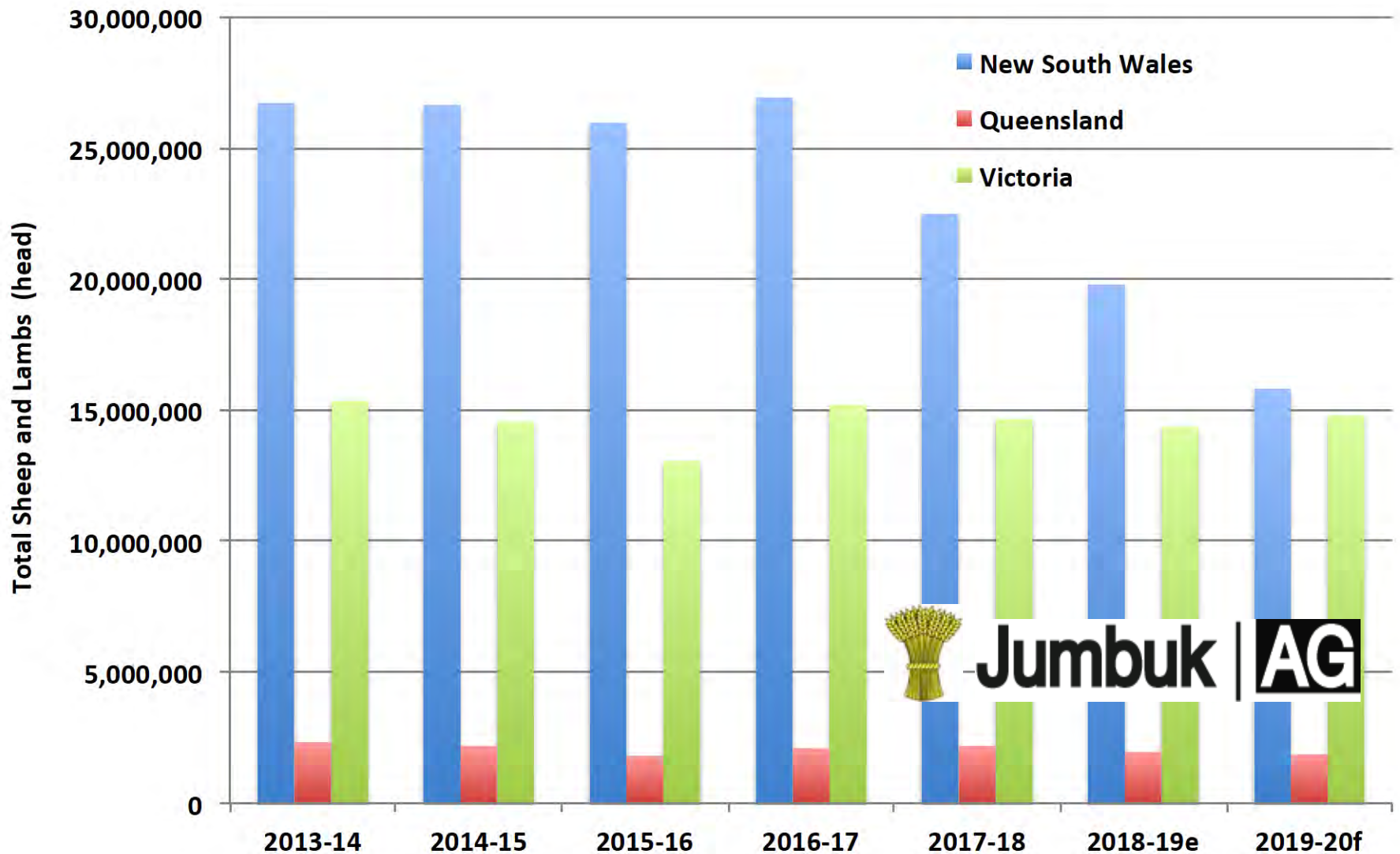
Great southern production (mainly)



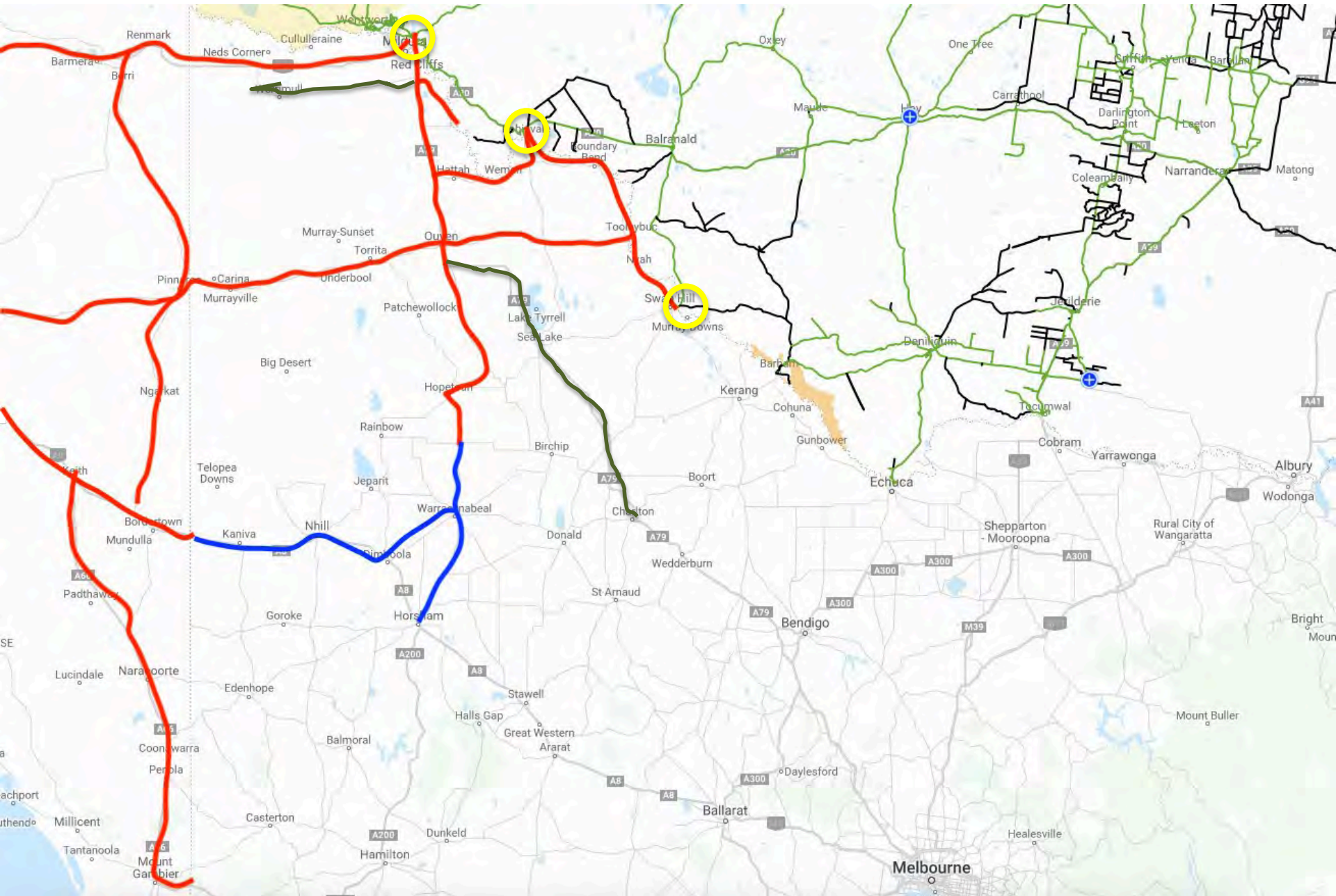
Anticipated Beef Culling



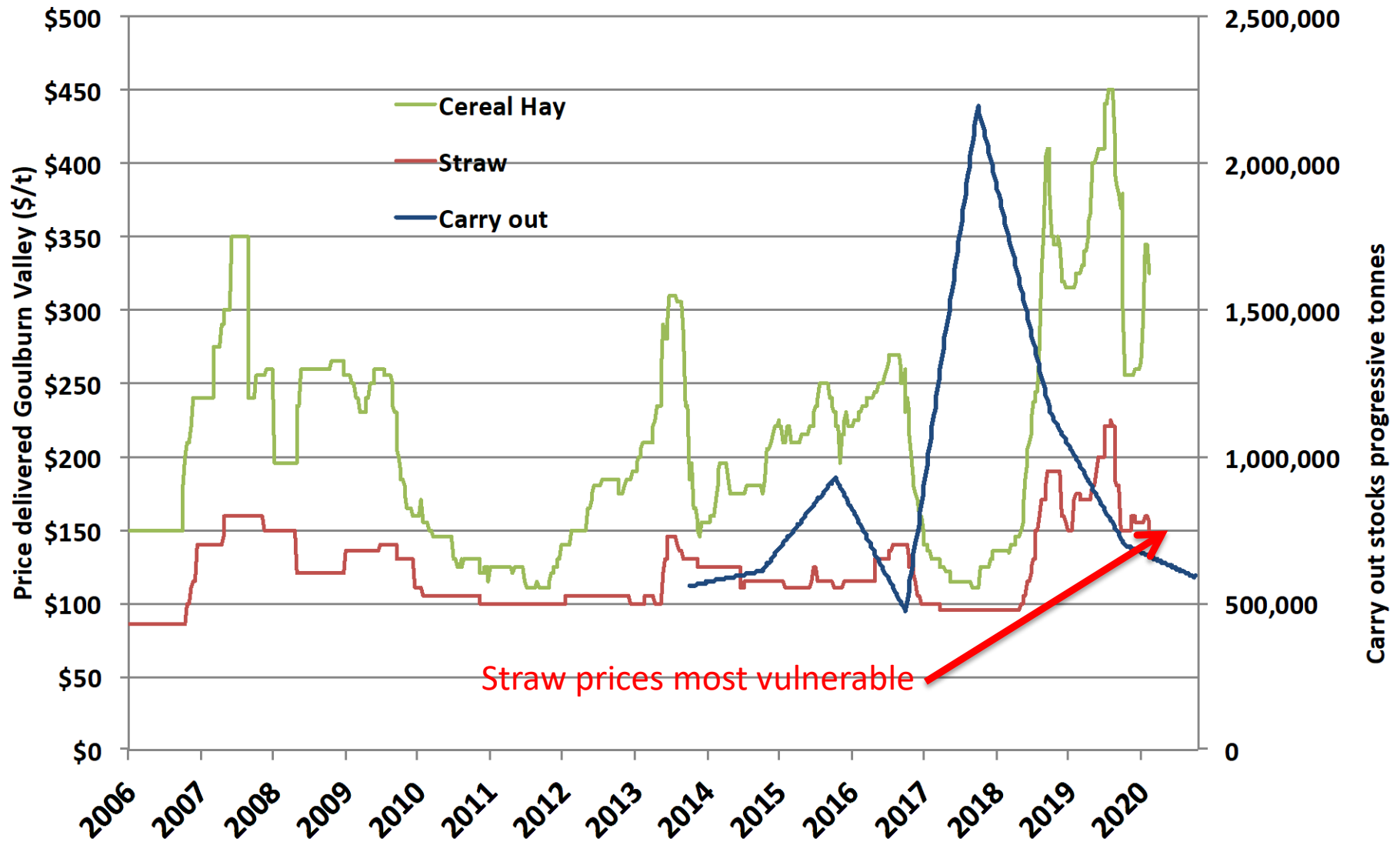
Sheep Flock Decline



Road Train Routes to NSW



Hay stocks tight but little cereal



Impact of quality on feed cost

Hopetoun

\$390/t ex farm

Shedded

640 kg bales

Protein 20%

Energy 12 ME

NDF 32%

Dimboola

\$330/t ex farm

Paddock Stacked

580 kg bales

Protein 12%

Energy 6 ME

NDF 48%

Lake Bolac

\$220/t ex farm

Paddock Stacked

580 kg bales

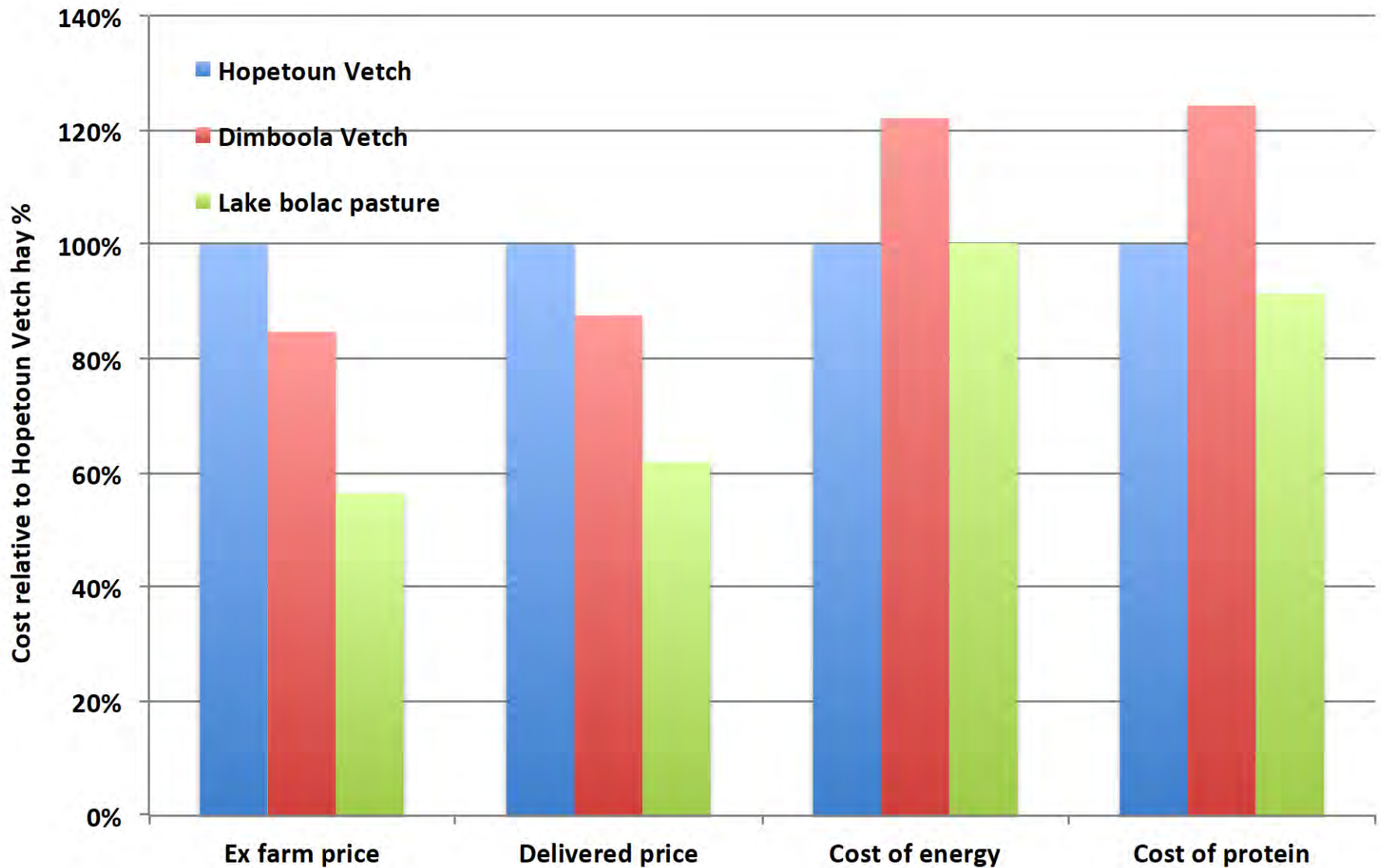
Protein 15%

Energy 6 ME

NDF 48%



Sourcing hay





Bullish	Bearish
Drain of cereal hay	Demand stopped for now
Drought demand limits stocks	Grazier demand reducing
Tradable stocks need to last	Straw is plentiful
Northern Vic demand is up	Plentiful stocks in the south
Affordability from graziers high	Rapid pasture growth up north

Cost of energy

	Kyabram price	DM%	Cost /DM	Energy	Energy cost cents/MJ	Compared to wheat
Wheat grain	\$380	0.9	\$422	12	3.52	100%
Barley grain	\$315	0.9	\$350	11	3.18	90%
Feed maize	\$490	0.85	\$576	13	4.43	126%
Wheaten hay	\$320	0.85	\$376	10	3.76	107%
Canola Hay	\$290	0.85	\$341	9.5	3.59	102%
Lucerne Hay	\$680	0.85	\$800	9.5	8.42	239%

Cost of protein

	Kyabram price	DM %	Protein (%)	Energy ME	\$/Protein %	Canola meal comparison
Field Peas	\$540	0.9	23	13	\$21.13	167%
Lupins	\$685	0.9	32	13.7	\$19.27	152%
Faba Beans	\$720	0.9	23	12.5	\$28.17	223%
Lentils	\$650	0.9	23	12	\$25.43	201%
Desi CP	\$640	0.9	23	12.4	\$25.04	198%
Canola Meal	\$520	0.9	37	12.2	\$12.65	100%
Lucerne hay	\$680	0.85	20	11	\$28.90	228%
Vetch	\$425	0.85	18	10	\$20.07	159%
Canola hay	\$290	0.85	14	8.5	\$17.61	139%

Conclusions

- Low grain and hay stocks increases supply shocks and the risk of deferred buying
- Buy/sell according to risk profile
- Falling trend for grain prices
- Hay lower but weather dependent
- Consider non-traditional feeds

