



What happened to input costs? Colin Peace

Coles Dairy Farmers' Conference

March 2023



Jumbuk | AG

Outline

1. Dairy costs
2. Grain
3. Hay
4. Fertilizer
5. Outlook

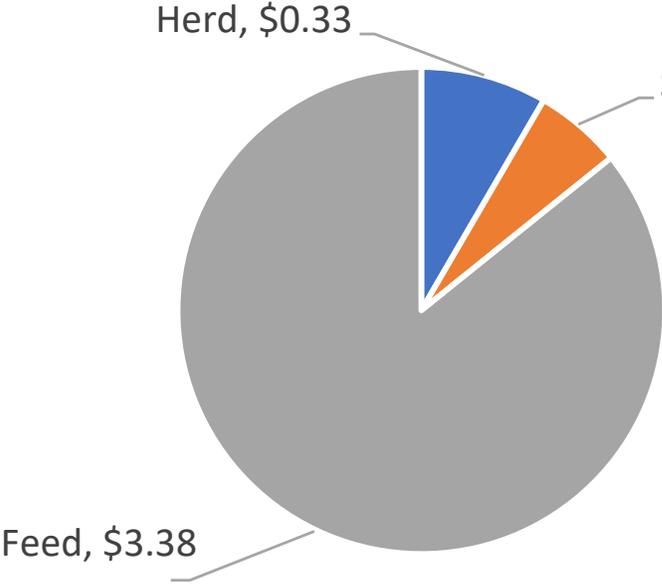


Dairy Costs

Feed is 86% of total

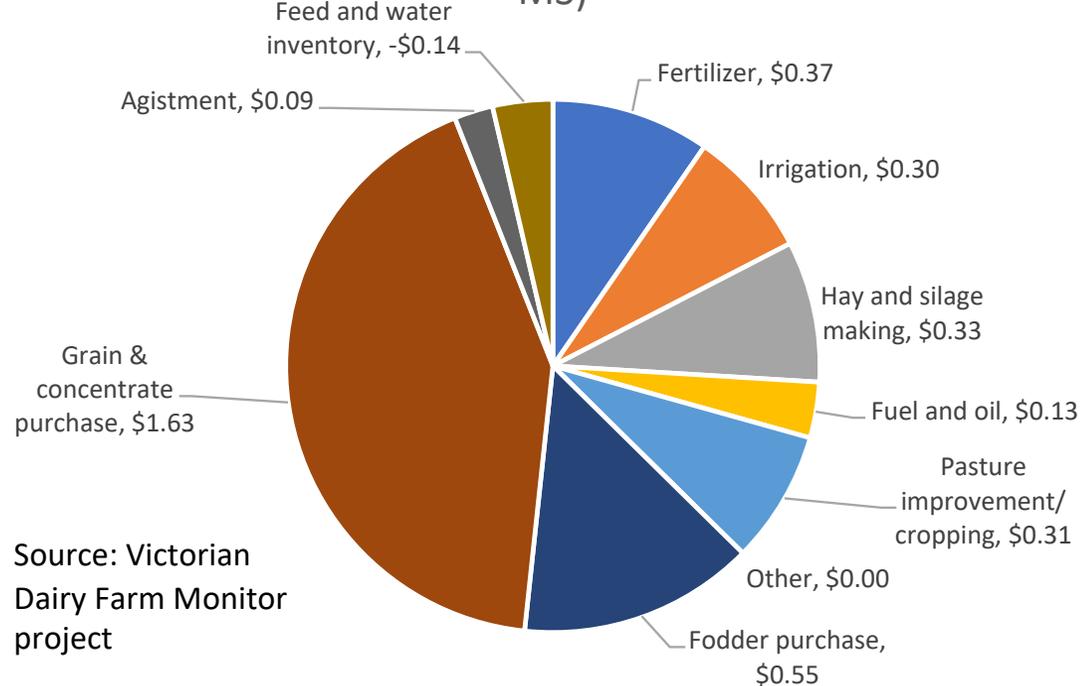
Of this 70% is grain and fodder purchases

Average variable costs for dairy farms in Victoria (\$/kg MS)



Source: Victorian Dairy Farm Monitor project

Northern Vic feed cost breakdown average (\$/kg MS)



Source: Victorian Dairy Farm Monitor project

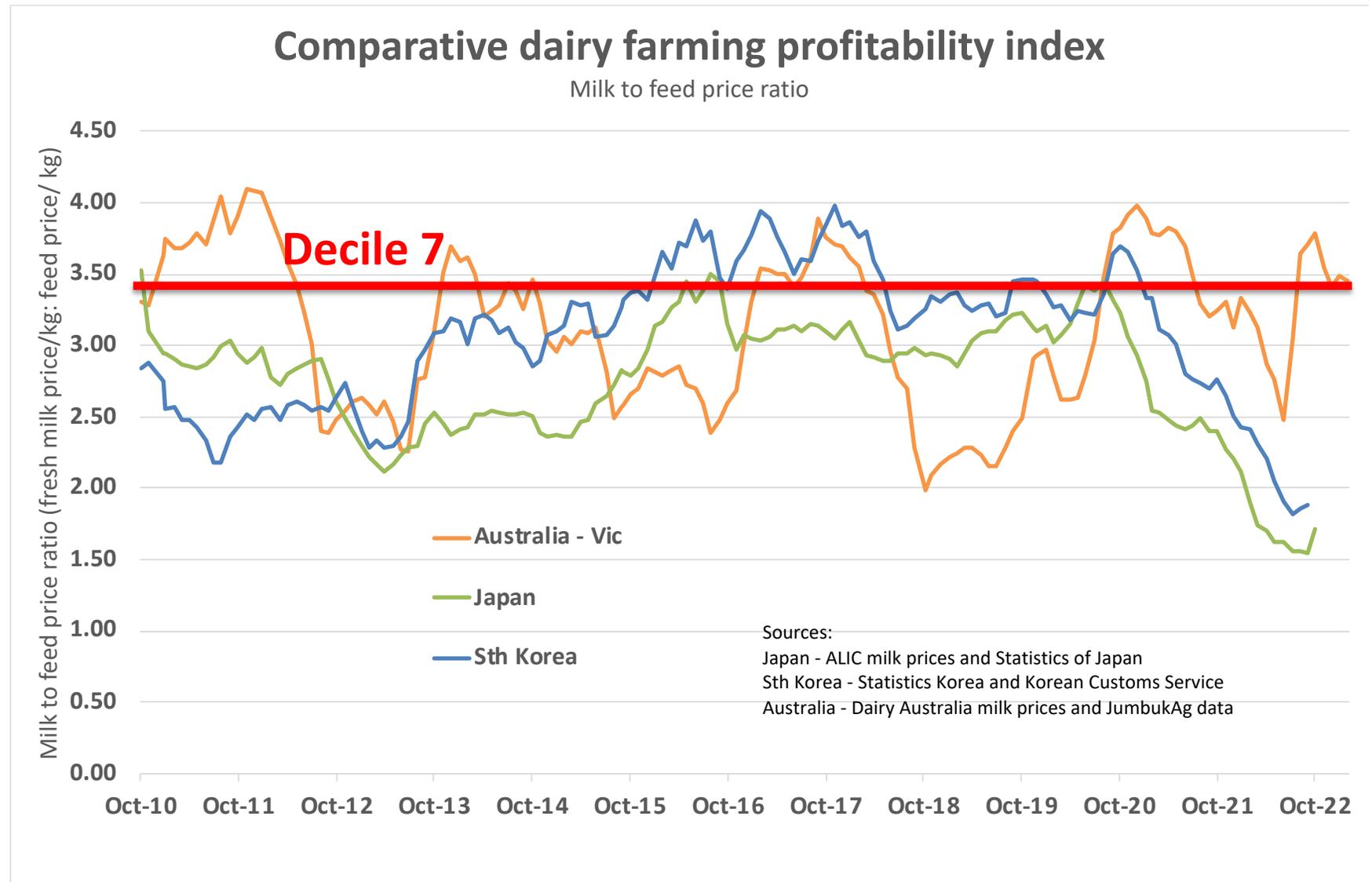
Dairy margins

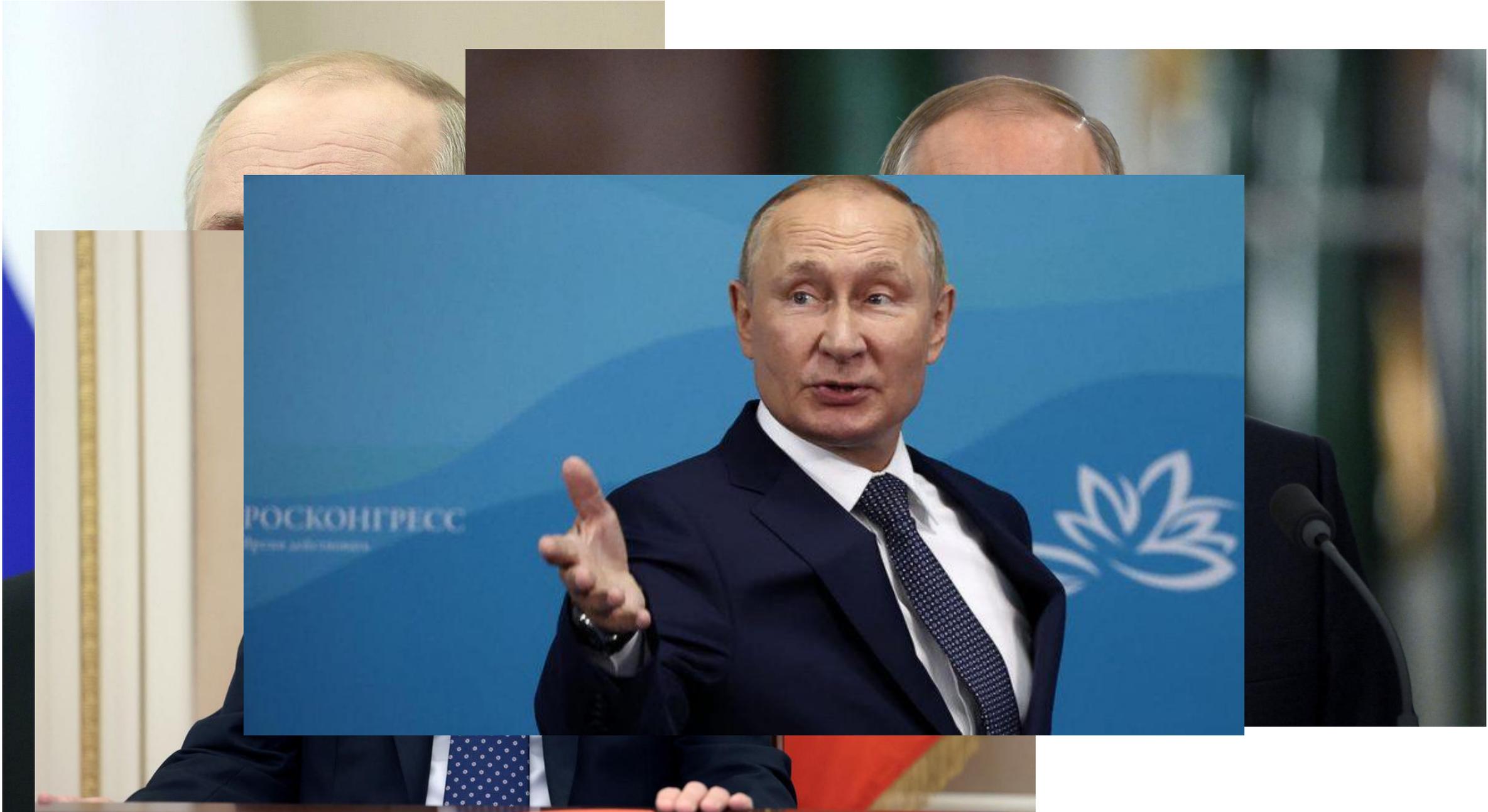
Feed model designed on a milking diet:

- Crude protein 16-17%
- M Energy 11-12 Mj/kg
- ND Fibre 32-35%

Feed portion is:

- Grain – wheat or corn
- Roughage – Hay
- Protein meal – Canola or soybean





Legend

UKRAINE

Russia's Interests in the Black Sea



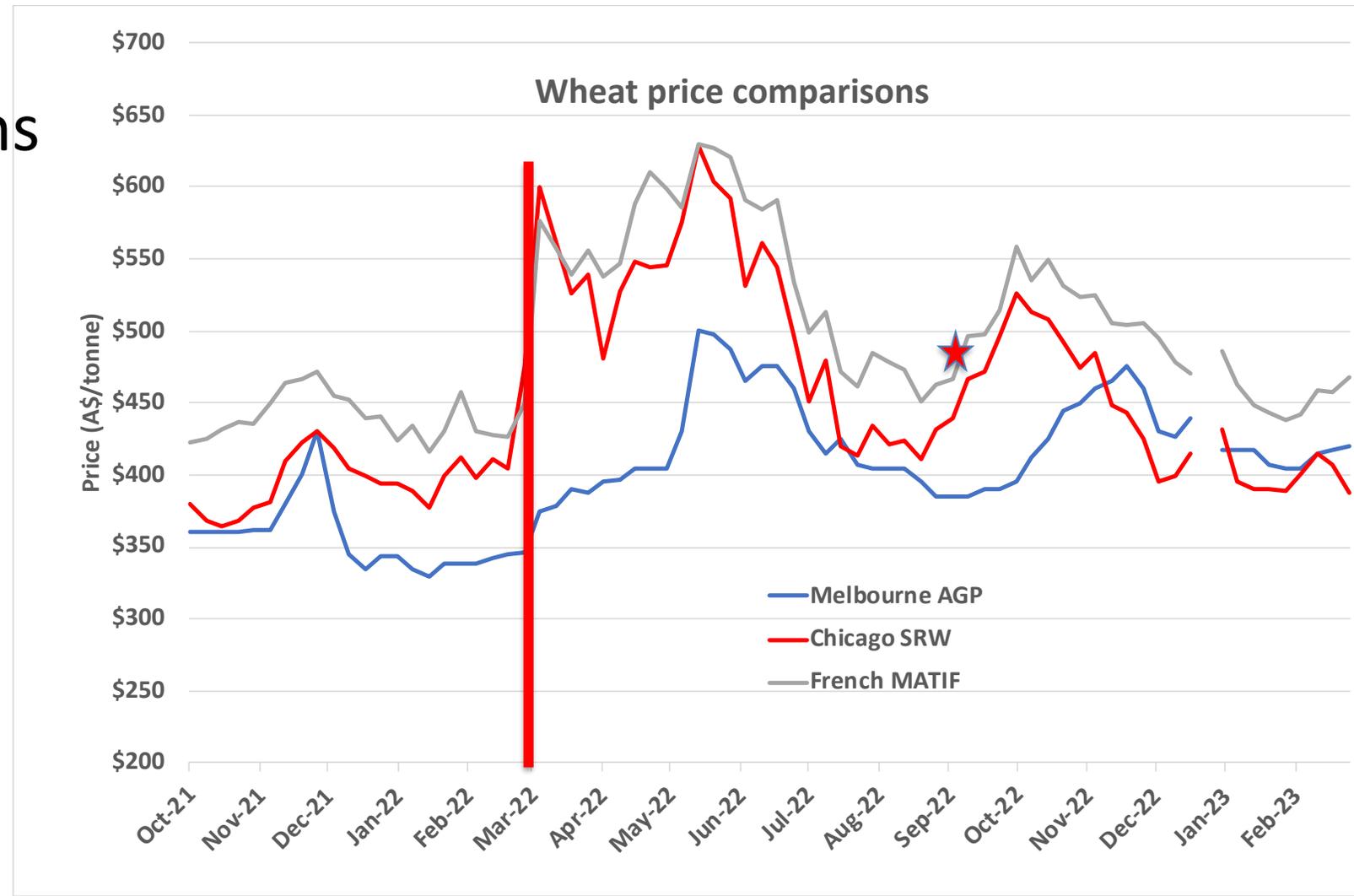
Significance of Black Sea suppliers

	Wheat	Total Grains*
Production	11%	20%
Exports	22%	32%

* Source: International Grains Council Excludes China

Aussie wheat price sheltered

- Lower impact
- Corridor negotiations
- Argentina corn and beans
- US southern Plains

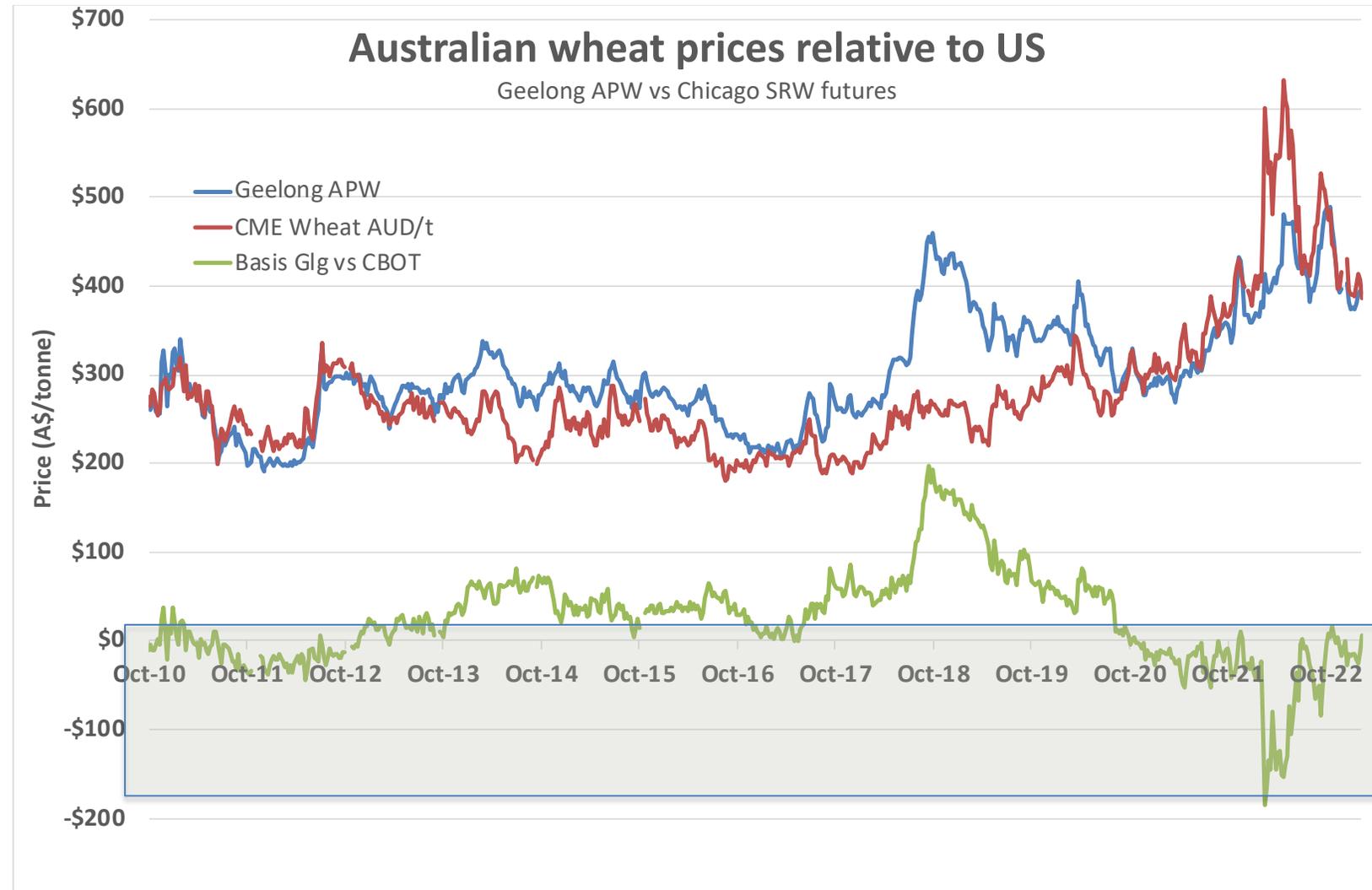


Aussie wheat is cheap compared to US

Price patterns similar in all states

Quality of 2022 crop

- WA lots of ASW
- Eastern state low but better than expected



Hay – the best

Cereal hay	East coast	WA
NDF	56	53
ME	9	10
WSC	18	32
CP	5	7



Hay – the worst

NDF 72

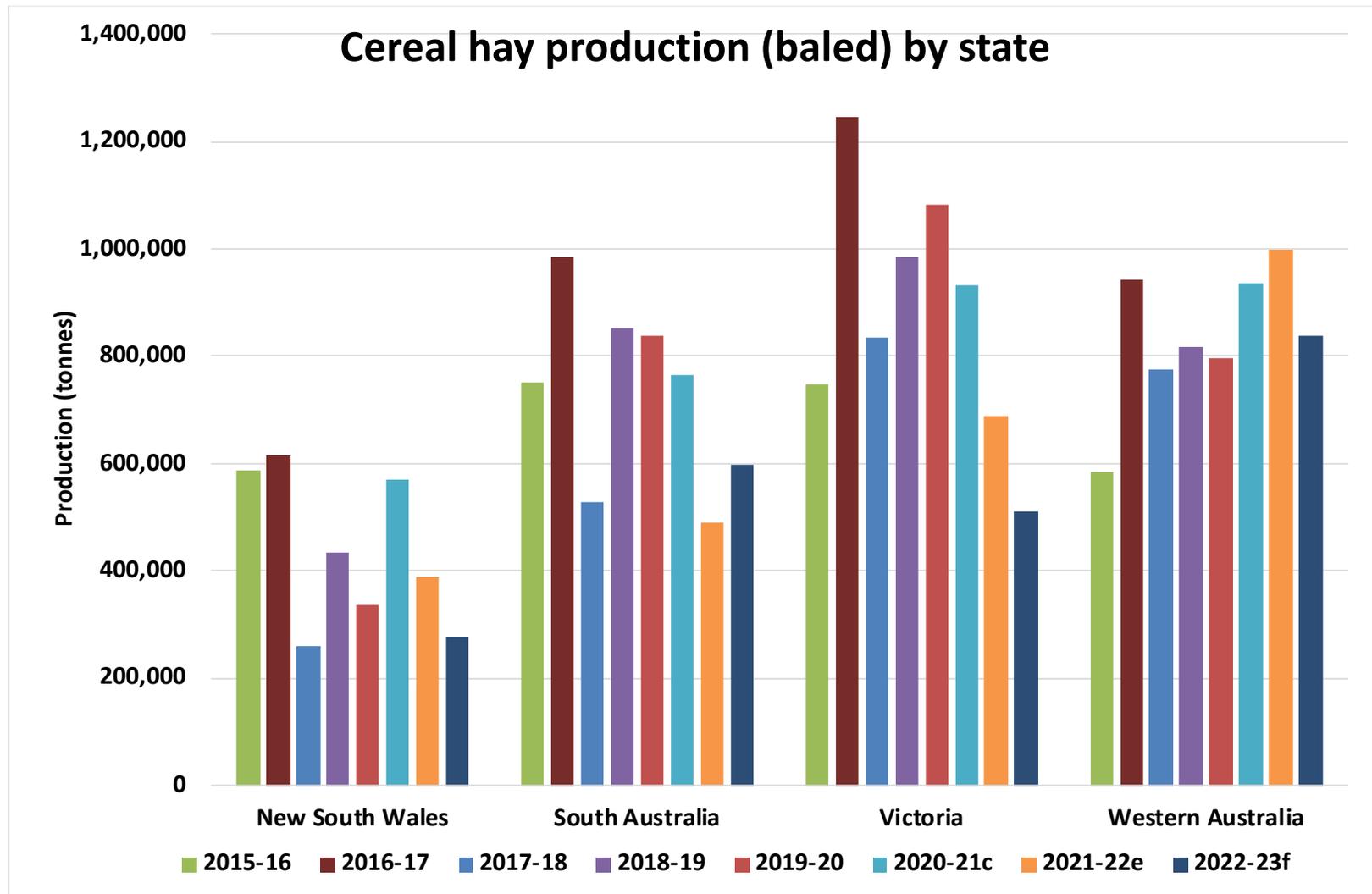
ME 6

WSC 7

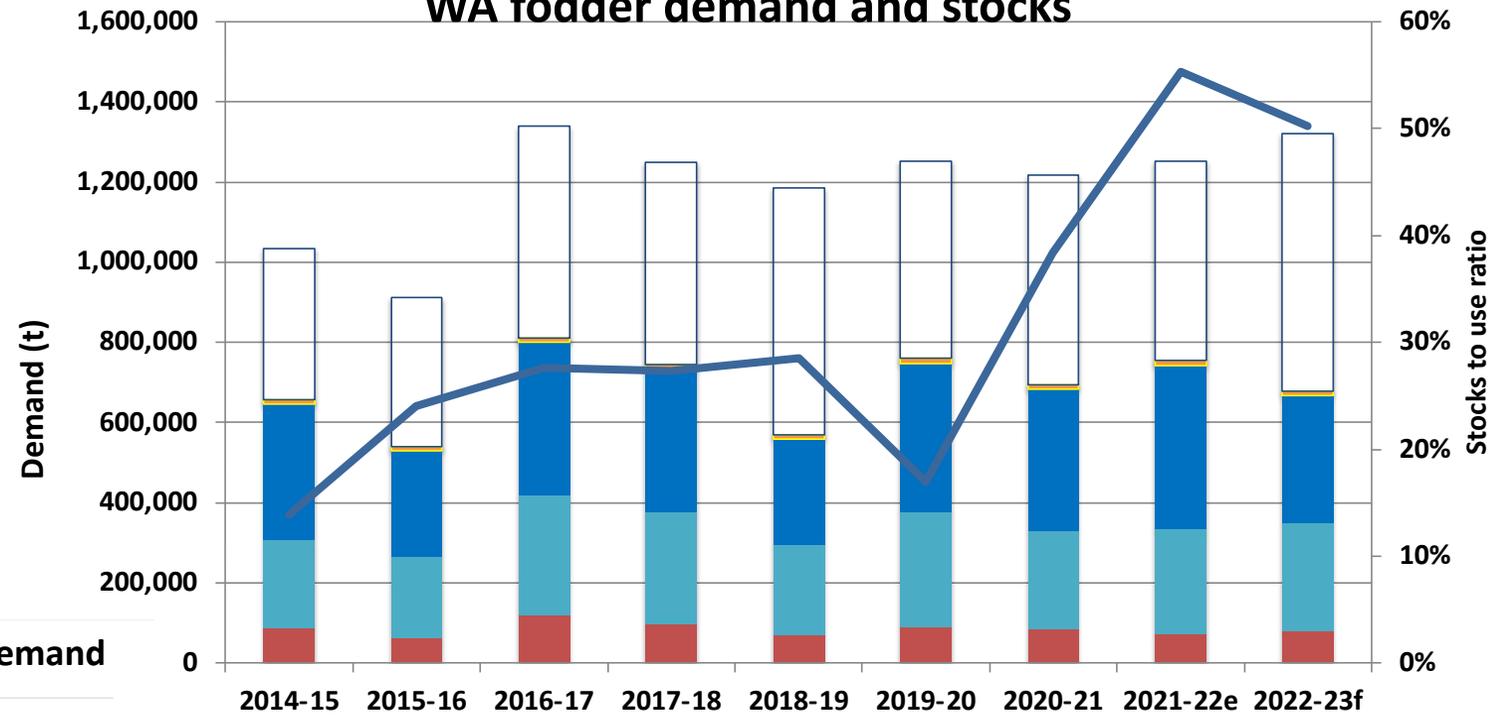
CP 7



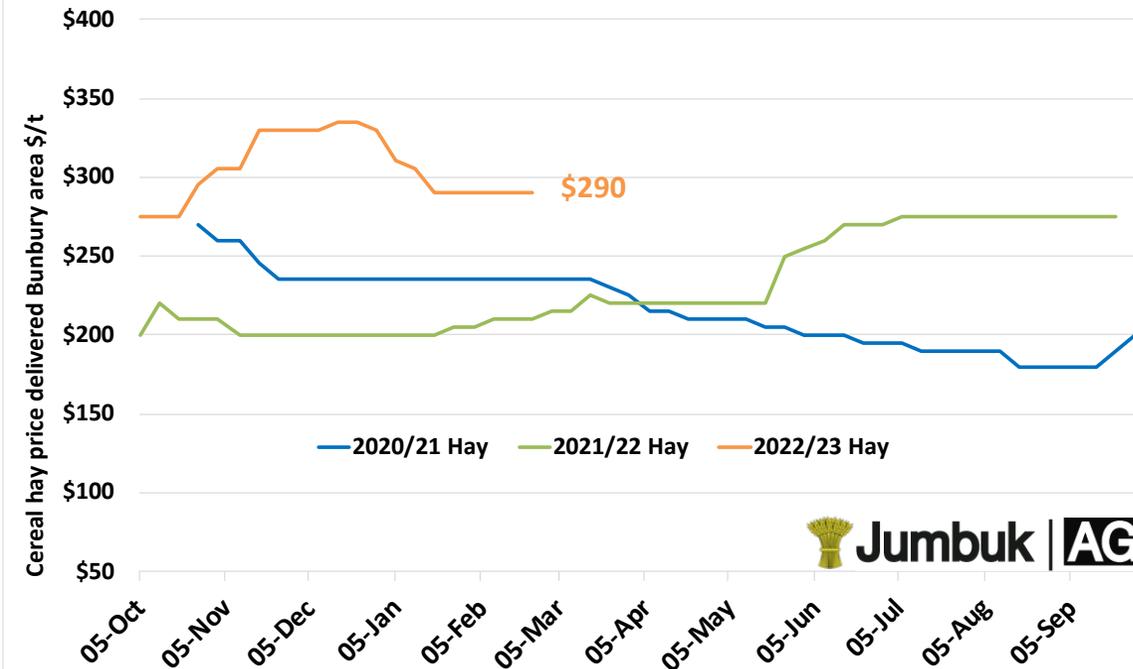
How much decent tradeable hay is there?



WA fodder demand and stocks



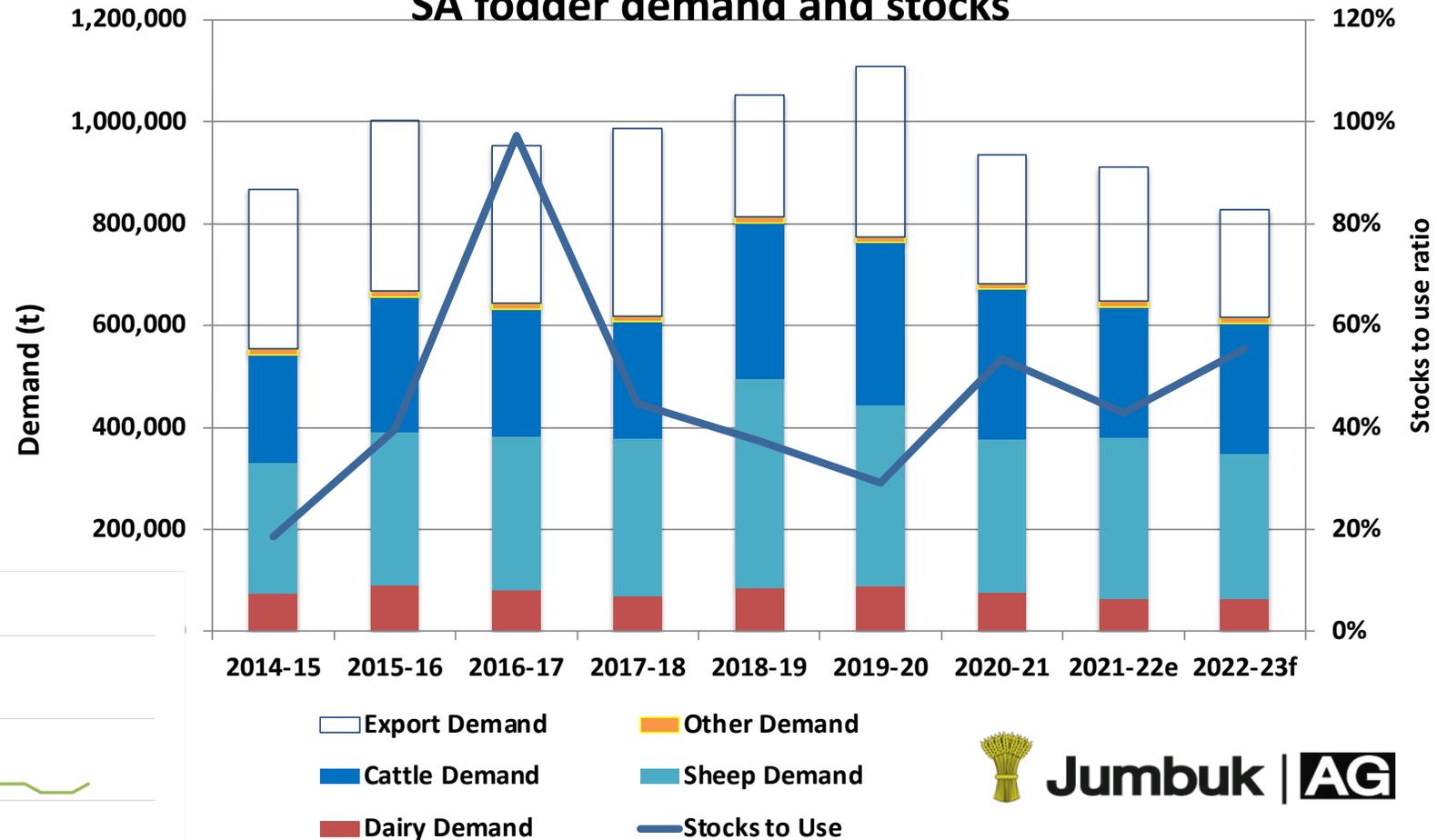
Some local pasture hay has dampened oaten hay demand



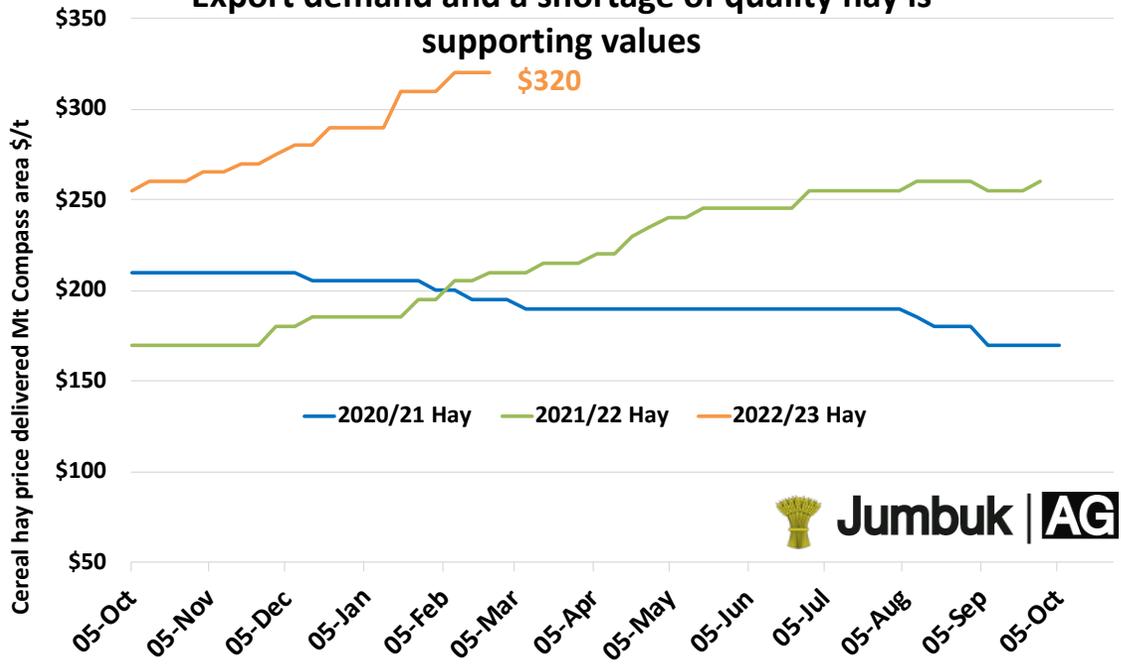
- Export Demand
- Cattle Demand
- Dairy Demand
- Other Demand
- Sheep Demand
- Stocks to Use



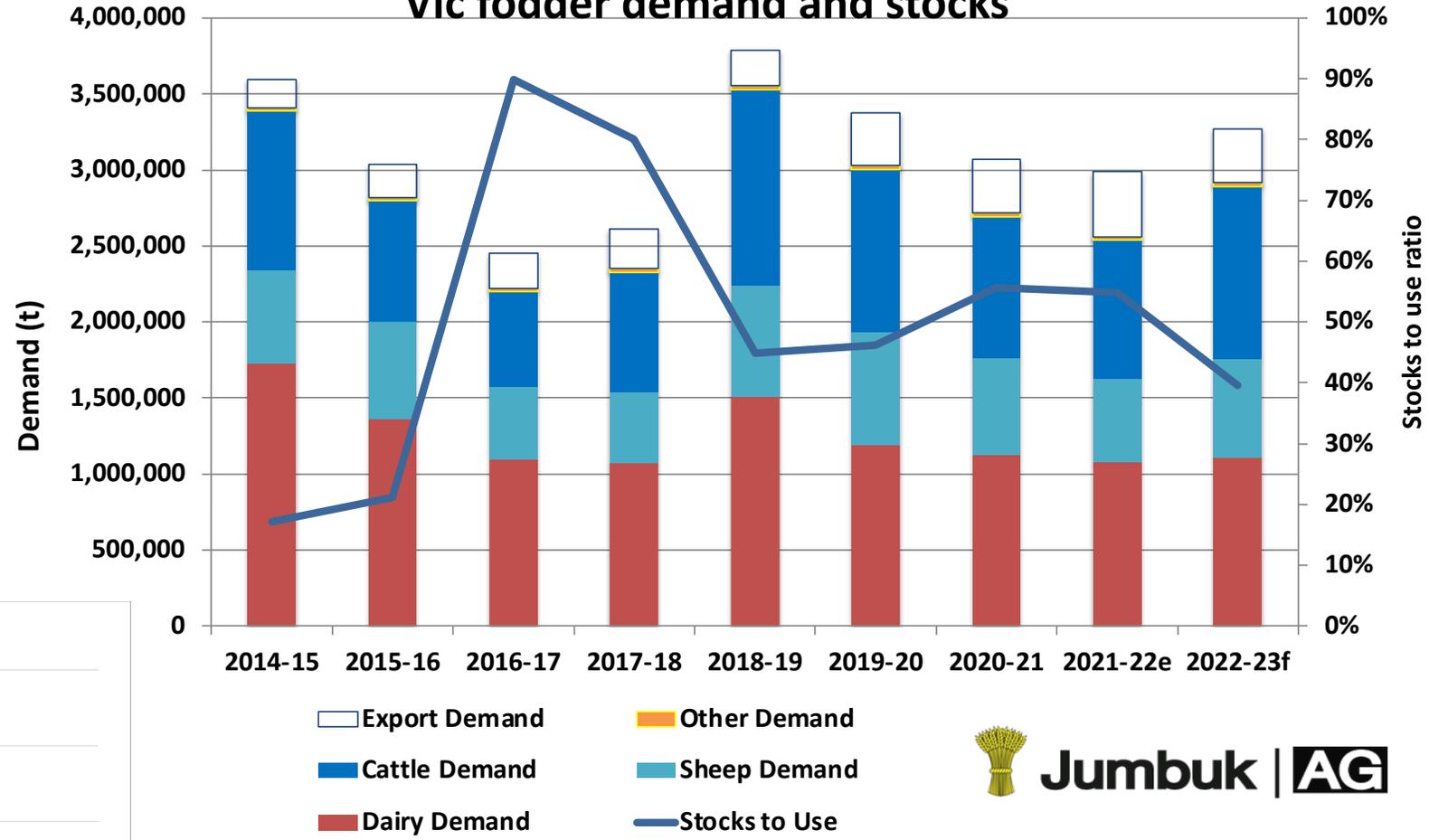
SA fodder demand and stocks



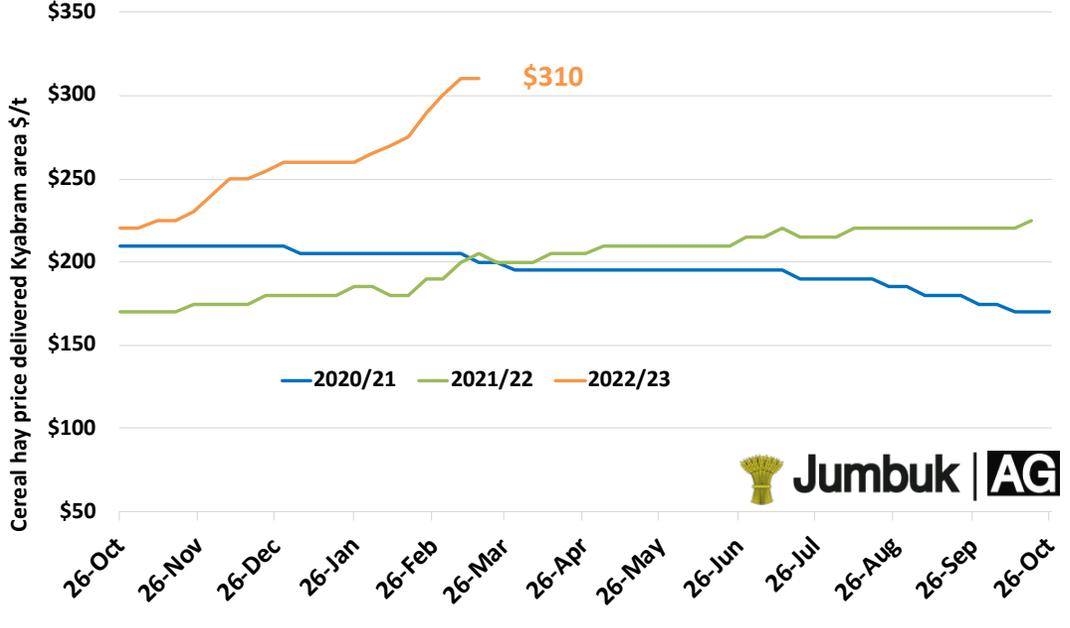
Export demand and a shortage of quality hay is supporting values



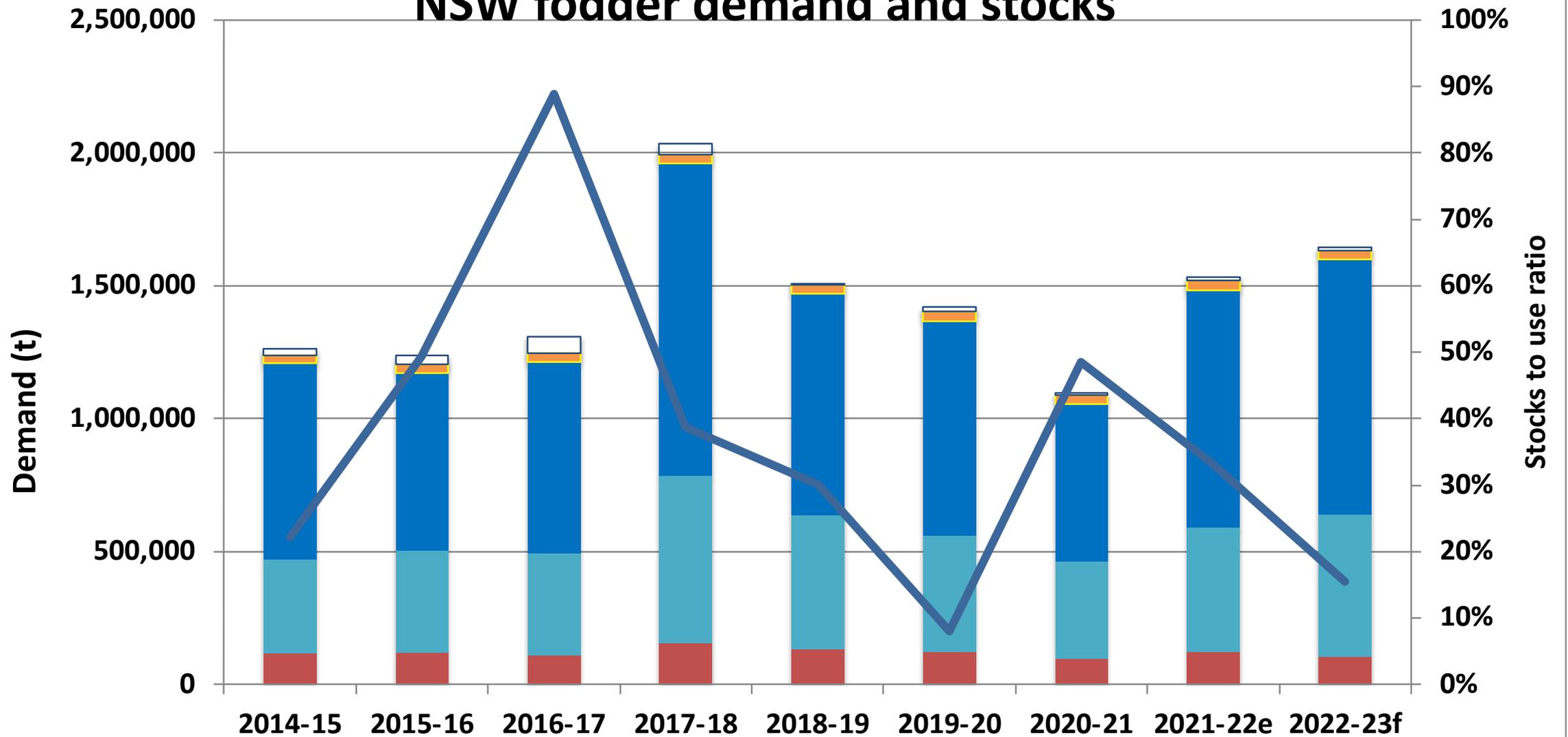
Vic fodder demand and stocks



Prices rise along side the scarcity of quality hay



NSW fodder demand and stocks

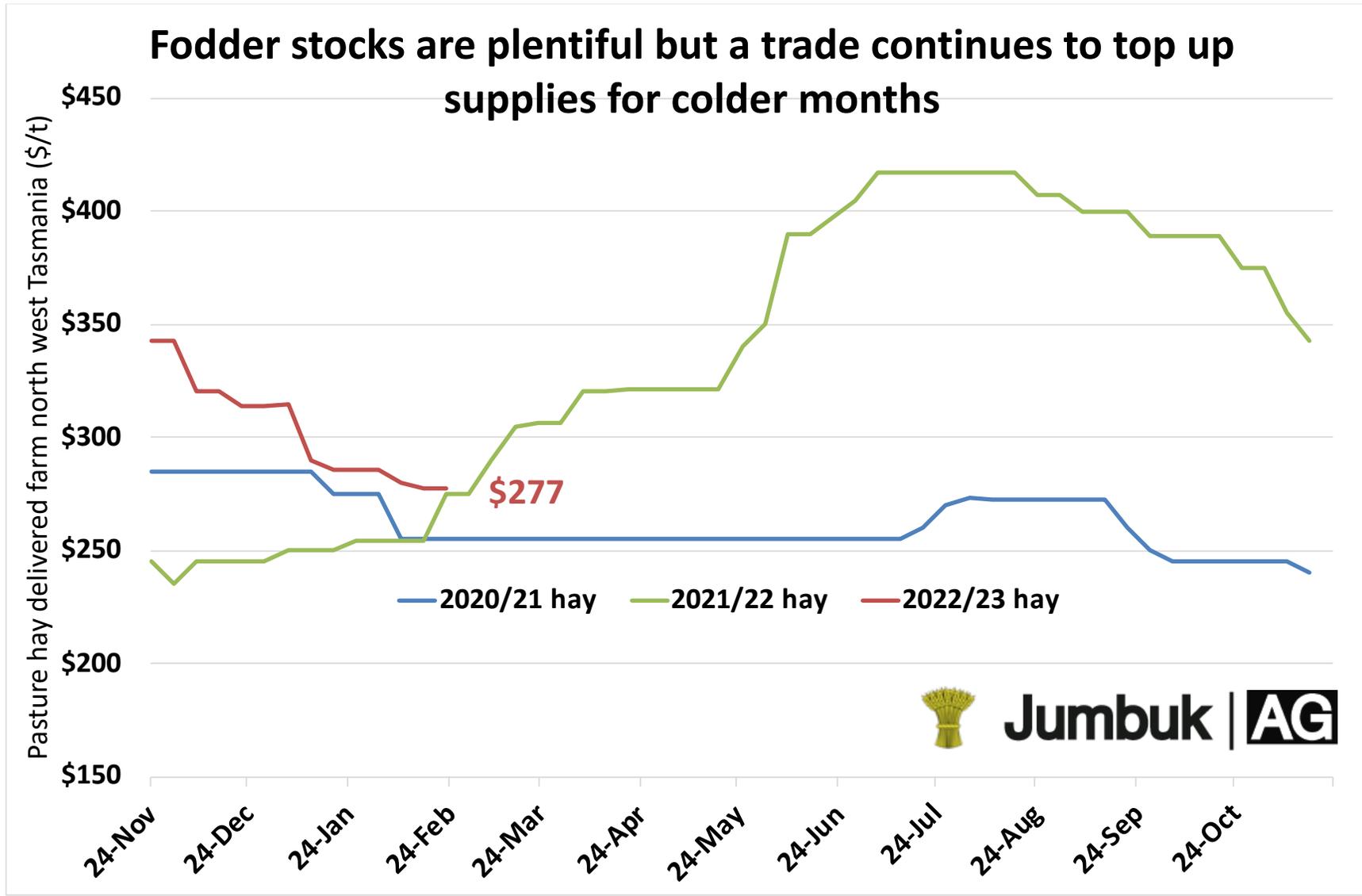


- Export Demand
- Other Demand
- Cattle Demand
- Sheep Demand
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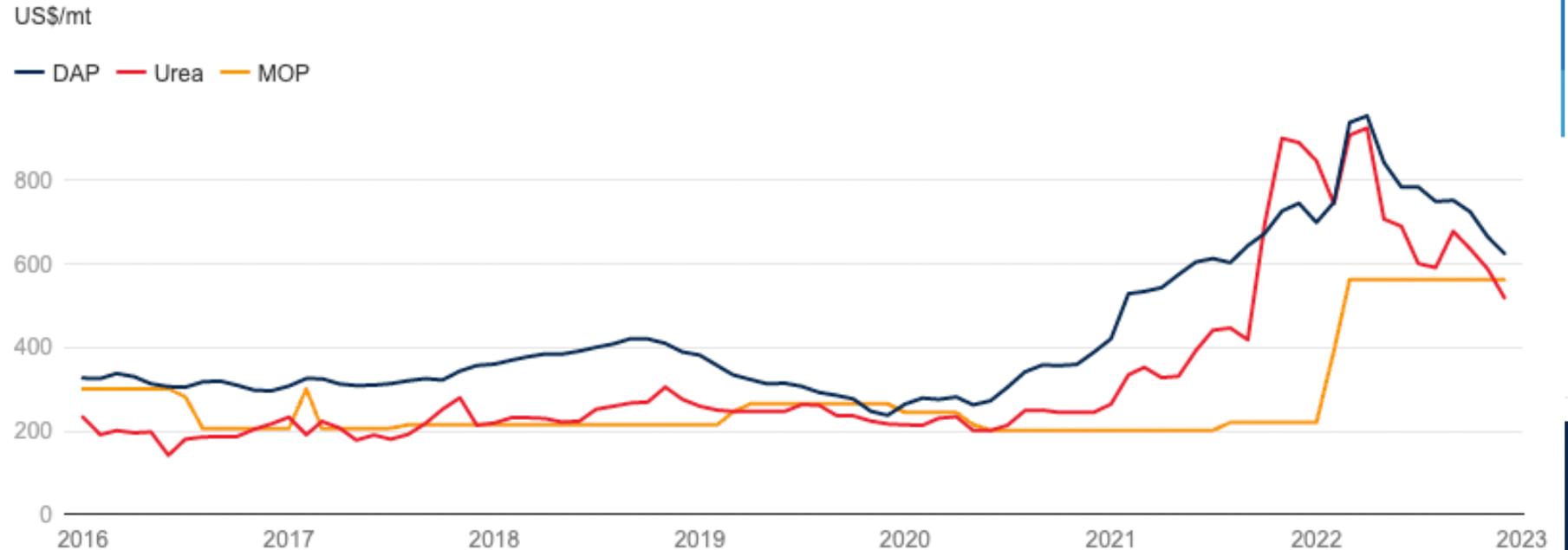
Tasmanian fodder market



Fertilizer

- High analysis fertilizer is energy intensive
- Production of 1 ton of urea takes the same energy as 584 litres of diesel

Fertilizer prices



Note: DAP = diammonium phosphate. MOP = muriate of potash. mt = metric ton. Last observation is December 2022.

Source: Bloomberg; World Bank. • [Embed this chart](#) • [Download image](#)

Note: Oil = cost and freight, FOB = free on board. Last observation is November 2022.
Source: Bloomberg; World Bank.

Fertilizer

In 2021 Russia supplied the EU with:

- 20% of its oil and
- 40% of its gas*

*Source International Energy Agency

Urea sourced from:

- Black sea
- US Gulf
- Arabian Gulf



Recent trade

- Indian tender 2 m tonnes of urea @US\$320 FOB
- Supplies tight in Q1 2023 but free up in Q2

Outlook



Outlook summary

Grain

- EU futures same
- US futures -\$58/t
- New crop \$10/t > current crop



Hay

- Stocks good but
- Talk of El Nino
- NSW short?
- Export steady
- US straw
- Area up 2023



Fertilizer

- mild winter
- more gas
- EU self sufficient
- less panic
- surplus supply
- \$650 - \$750 ex works Q2&3 2023