

Dry Seasonal Conditions in Rural Victoria



Report: 89

4 June 2009



Sunraysia irrigators targeted more profitable blocks last summer leaving some lower performing plantations unwatered. (May 2009). Source: K. Murphy

Environmental Indicators

Weather

Rainfall

The majority of Victoria had a very dry May (Figure 1). However, a significant rainfall event in Western Victoria on May 25 - 26 provided good rainfall with better than average falls at Warracknabeal and Longerenong. Areas of Port Philip and Gippsland had the driest conditions over the last month and throughout autumn. Some reasonable falls in the first four days of June have also been centered on Central to Western Victoria.

Temperature

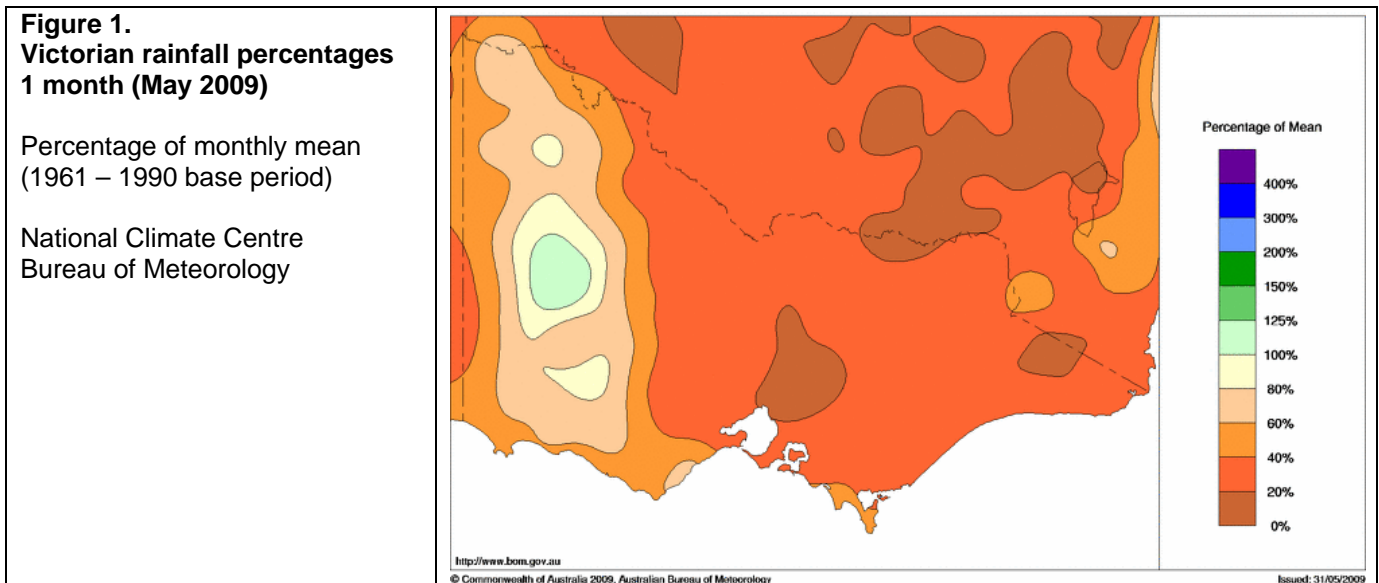
Average daytime temperatures have been between 0.5-1.0°C above normal, whilst overnight temperatures mostly averaged close to normal. However, at the end of the month Melbourne City had its warmest May night on record; a minimum of 18.0°C during the night of May 24/25.

Seasonal outlook

The Bureau of Meteorology rainfall outlook for Victoria is for average rainfall from June to August (May 26). The outlook is for greater than average maximum temperatures (60-65% probability) and for average minimum temperatures.

The El Niño-Southern Oscillation (ENSO) report (Jun 3) states that the odds of an El Niño are now thought to be above 50%, which is more than double the normal risk of an event. However, it is still possible that the recent trends may stall without El Niño thresholds being reached.

The Southern Oscillation Index for May declined to -5.



Water storages

Goulburn-Murray Water (G-MW)

G-MW has confirmed that irrigation allocations in the 2009-10 season will depend completely on winter and spring inflows to storages (May 15). The resources available for allocation and system operations are at record low levels across much of northern Victoria. The remaining reserves are mostly carryover allocations held by irrigators and urban water corporations.

Continued dry conditions will prevent any allocations being made when the season opens on 15 August 2009. If dry conditions continue the forecast for the Murray and Goulburn systems is 19% by 15 February 2010 with other systems remaining on zero. The average outlook is 81% for Murray and 94% for Goulburn by February 15 2009.

Grampians Wimmera Mallee Water (GWMWater)

GWMWater is preparing a business case for the permanent closure of the Wimmera Irrigation Area (May 8). The last 100% allocation was in 1999-2000 and there have only been 3 allocations above zero since. The last allocation of 5% in 2004-05 was forgone.

Storage	Change in last month	Capacity 1/06/09	Storage	Change in last month	Capacity 1/06/09
Goulburn Basin	0%	12%	Thomson/ LaTrobe Basin	-2%	25%
Broken Basin	0%	1%	Werribee Basin	0%	6%
Campaspe Basin	0%	7%	Glenelg/ Wimmera Basin	0%	4%
Loddon Basin	0%	18%	Maribyrnong	0%	3%
Upper Murray Basin	0%	15%	Barwon Storage	-1%	24%
Ovens Basin	3%	41%			

Source: http://www.fishvictoria.com/pnews/water_levels.php

Water Market Reform

On 7 May 2009 the State Government announced it will legislate to remove the 10% limit on the volume of Victorian water entitlements that can be owned without being associated with land. This will enable water to be

purchased from willing sellers as part of the Federal Government's buyback scheme to return water to the Murray River.

The Non-Water Users limit is separate from the 4% cap on the permanent trade of water entitlements out of any district, which is being reviewed through the COAG process. The 4% cap was introduced to help communities adjust over time to the social and economic impacts of irrigation water leaving their districts. There are no limits on the temporary trade of seasonal allocations of water.

Social Indicators

DPI Drought Hotline

The DPI / DSE Customer Service Centre received 113 drought related contacts for May 2009 compared to 148 last month. Enquiries were from the North West (50), South West (20), North East (17), Port Phillip (18) and Gippsland (8). The major queries are listed below.

FAQ's used to answer customer enquiries	Total
On-Farm Productivity Improvement Grants	63
Drought Apprenticeship Retention Bonus	12
Exceptional Circumstances	10
Municipal Rates Subsidy	6
Other queries made up the remainder of the calls	

Drought financial assistance

Rural Finance have approved 12,926 applications for the **Exceptional Circumstances Interest Rate Subsidy** for primary producers with a 77% approval rate. The total value of the subsidies approved is \$391 million with an average of \$30,147.

The Federal Government has extended EC assistance unchanged for a further 12 months into the 2009-10 financial year. This includes extension of the \$5,500 Professional Advice and Planning Grants and the exit package of up to \$150,000.

The Productivity Commission found most farmers are capable of managing the risk of drought (*Inquiry into Drought Support, May 12*).

Victorian Government drought support

As at 31 May 2009, the State Government has provided \$10.6 million in **Municipal Rate Subsidies** to drought-affected farmers throughout Victoria. Councils have been paid \$371,000 to administer the delivery of this subsidy.

As at 31 May 2009, \$1.06 million in **Drought Apprenticeship Retention Bonuses** (DARB III - 1st payment) have been paid to Victorian businesses to support 1415 apprentices in the 2008-09 financial year.

To date, Rural Finance have paid out \$1.4 million in **On-Farm Productivity Improvement Grants** (2008-09) to 750 applicants on behalf of the State Government.

Community report

Dairy Australia survey

Dairy farmers are less positive about the future of the industry in 2009 (66% positive compared to 78% in 2008). The National Dairy Farmer Survey (Jun 3) results show that Victoria had the lowest proportion of positive farmers in Australia at just 51% which is mainly due to continuing dry conditions and milk price cuts. There has been a 7-9% increase in farm debt in areas such as Northern Victoria.

Economic Indicators

Production figures and forecasts

Mallee CMA: Sunraysia Irrigation

Sunraysia growers are responding to the drought by continuing to reduce the area of crops watered (*2008-09 Drought Impact: Irrigation Status for the Sunraysia Pumped Irrigation Districts report, Mallee CMA, May 2009*).

Growers are adapting to drought by reducing lower performing plantings and delivering available water to smaller crop areas to produce higher yields, with the rate of water applied to these retained crop areas now returning closer to pre-drought averages.

In the 2008-09 season, 26% of crops were not irrigated (up 6% on the 2007-08 season). The application rate was only 9% less than the pre-drought average in 2008-09, compared to 23% less in 2007-08. This would suggest that irrigators attempted to keep many of their crops alive with minimal watering in 2007-08, but more targeted application of available water occurred in the 2008-09 season. Irrigation allocations were 43% in 2007-08 and had only reached 35% by 31 March 2009.

ABARE: Irrigation in the Murray Darling Basin

Trade of temporary water helped some irrigators to avoid substantial financial losses in 2006-07 (*Irrigation in the Murray-Darling Basin: Farms trading temporary water in 2006-07, ABARE, May 19*). Dairy farmers were prominent buyers in 2006-07, while case studies indicate that perennial horticulture were the most common buyers in 2007-08.

Australian Oilseeds Federation

Dry conditions in early May and lack of subsoil moisture will mean reduced canola planting in Victoria (*Crop Report, May*). Estimates are down 50% in the Mallee and 30% in the Wimmera on last year's figures.

Australian Bureau of Statistics

Australian crop production increased in 2007-08 in comparison to the previous year, but generally remains among the lowest levels in five years mainly due to lack of water for irrigated crops such as rice and cotton (*Agricultural Commodities, Australia 2007-08, May 22*). In Victoria, wheat production was up 127% and barley up 196%. Livestock numbers are in decline with sheep and lamb numbers across Australia at historic lows (now at 76.9 million head, the lowest since 1920). In Victoria, milk cattle numbers declined by 5%.

Commodity prices and movements

Lamb and sheep prices are excellent as numbers are at historic lows. Cattle prices had declined over recent weeks but have seen variable improvement with the recent rain depending on location.

AWB Ltd grain pool prices have remained steady this month with APW at \$332. Increased demand for hay has not yet seen an increase in prices although many purchasers are looking to take lesser quality hay to keep costs down.

Commodity prices	This Week	Last Week	Last Month	Last Year
Wheat APW pool ¹	300	306	306	398.03
Malting barley ¹	260	240	228	n/a
Yearling steers (C3 180-220 kg) ²	342	345	327	330
Old pasture hay (Bairnsdale \$/t) ²	130	130	130	130
Temporary water (Greater Goulburn \$/ML) ³	400.00	355.00	320.75	500.00

Grains are Portland cash price (except for APW pool)

Stock prices are ¢/kg cwt

Sources: ¹ Weekly Times

² Stock and Land

³ www.watermove.com.au

Regional Reports

Mallee

The 10-20 mm rain over the last week has fallen slowly over four days. Early sown barley is already at early tillering and crops are looking healthy. About 85-90% of Mallee crops have been sown. Sheep are now grazing fodder crops. The citrus harvest is expected to yield well. Farmers are in good spirits with the rain.

Wimmera

Rain of 25-75 mm has boosted confidence. 75% of cereals are sown. Rain will delay completion of sowing but may mean more pulses are sown. Pasture growth is good and fodder reserves are adequate. Water is still a problem for those not connected to the Wimmera Mallee Pipeline.

North Central

Emerged pastures dormant until rains of 8-16 mm on May 26 and 27 restarted pasture and crop growth. Producers are favouring low risk crops such as wheat, oats and barley and are minimising input costs. Paddock feed is still short and most sheep are still on full drought rations. Dams on flat areas have had limited runoff.

Northern Irrigation

Early sown crops are well established though they were showing signs of stress before the rain at the end of May. Some areas are yet to sow. Most dairy farmers have their stock on pasture at least once per day at the moment, but need rain to sustain pasture growth. Dairy cattle are still being sold out of the area.

North East

Around 85% of crops are sown with 70% emerged. The establishment of re-sown pastures has been limited by lack of soil moisture. Handfeeding continues in most areas. There are very low levels of groundcover. Water supplies are still very low in many areas.

East Gippsland

Dry conditions led to a relatively abrupt end to summer cropping. Pasture availability is very poor with irrigation areas the exception. Pasture growth will be limited now that the cold weather has set in. Most farmers have substantially de-stocked and are supplementary feeding.

West and South Gippsland

Conditions have been drier than normal through May. Mild weather has been beneficial for growth with no serious frosts. Fodder crops are up and growing, particularly cereal crops. Pasture growth varies from good to poor particularly around the Yarram area.

Port Phillip

There has not been a lot of rain. Farmers in the west are favouring crops that can handle drier conditions such as barley. Irrigators in the Yarra Valley are having to irrigate trees 4-5 weeks longer due to warm conditions. Pastures have greened up, but are still very light. Stocking rates have declined.

South West

Hamilton had average rain for May. Most crops (cereals and canola) were sown just in time for the rain with about 80% of crop paddocks sown. Potato yields are down 20% due to the February heat wave. Since the rain there has been good pasture growth, although in parts farmers are either still feeding sheep to allow the pastures to get away or have only just stopped. There has still not been much runoff into farm dams.

DPI response

Drought related activities held this month

Mallee

- 6 - 7 May - Sustainable Farm Families workshop at Mildura. 9 attended.
- 20 May - Water information session at Mildura including speakers from GM Water, LM Water & WM Irrigation. 100 attended.
- 25-26 May - Mildura Horticultural Field Days. Water and climate the theme for the DPI tent. Smaller crowds than usual but steady flow of people through the tent.

Wimmera

- Two x One-on-One farm business management sessions.
- 9 May - Northern Grampians Shire drought meeting.

North Central

- 1 May - Drought situation and government programs to assist rural communities seminar for accountants and the finance industry. 53 attended.

Northern Irrigation

- 25 May - 2 Jun - Grazing cereal workshops at Rochester (24 attended), Calivil (18), Finley (27), Nathalia (30), Kerang (17), Invergordon (23) and Merrigum (24).
- 25 - 26 May - Sustainable Farm Families workshop at Katamatite.
- 28 - 29 May - Sustainable Farm Families workshop at Shepparton.

North East

- 27 - 28 May - Sustainable Farm Families workshop at Mansfield.

Gippsland

- 19 - 20 May - Sustainable Farm Families workshop at Buchan / Orbost. 9 attended.
- 25 - 26 May - Sustainable Farm Families workshop at Leongatha.

Port Phillip

- 21 - 22 May - Sustainable Farm Families workshop at Lilydale.

Success stories

Horticulture

The water information session held in Mildura on May 20 was very successful. Speakers from Goulburn Murray Water, Lower Murray Water and Western Murray Irrigation presented up to date storage and in-flow information and the outlook for the 2009-10 season. Carry over water rules and availability were also explained.

Over the past two years a series of these water information sessions have been held in Mildura initiated by the Sunraysia Horticultural Extension Group; a collaboration between Victoria and NSW. Water policy has been explained at previous sessions. There is much interest and good attendance by growers, the media, local Councils and service providers, including the financial sector.

Dairy

Due to the low irrigation allocations and the dry seasons many dairy farmers in the north of Victoria have been sowing more and more cereal crops for fodder. This is due to the fact that they are more drought tolerant and perform better under dry conditions compared to traditional options such as ryegrass. However, they require more careful grazing management than ryegrass. It had been identified that many dairy farmers are unsure about how to best manage the grazing of cereals. In response to this the Dairy Extension Committee decided to run nine farm walks across the NIR focused on grazing cereals. The farm walks main topics have been;

- growth stages of cereal plants,
- how growth stages affect the plant in terms of grazing,
- what impact grazing has on total yields,
- can cereals be grazed in adverse conditions,
- local farmer experiences.

The days have been well attended with an average of 23 participants at each farm walk. There has been many positive comments received from the days with comments such as *"This day has come along at just the right time. I was considering grazing cereals but wasn't sure if I should. I can now confidently go home and allow the cows to graze them"* and *"It has been great to come along and learn all about the growth stages of cereals and how that affects the grazing of them. Prior to today I had no idea about the growth stages and use to just put the cows in whenever it suited. Now I know when to put the cows in and when I shouldn't"*.

Local workshops planned

Mallee

- 11 Jun - Swan Hill Rural City Council drought team meeting.
- 16 - 29 Jul - Sunraysia Table Grape Growers study tour to Israel to see the latest in drip irrigation technology and technological adaptations. 13 growers plus a consultant, irrigation company representative and DPI staff will be participating.
- 1 - 2 Jul - Sustainable Farm Families workshop at Birchip.

Wimmera

- 16 Jun - Seasonal conditions update at Warracknabeal.

Northern Irrigation

- 4 Jun - Grazing cereal workshop at Tongala.
- 5 Jun - Grazing cereal workshop at Leitchville.

Gippsland

- 9 Jun - NRAC tour of Latrobe City and Macalister Irrigation District EC areas.
- 12 Jun - More Beef From Pastures at Ensay.
- 23 - 24 Jun - Sustainable Farm Families workshop at Yarram.
- Jul - Drought forum for accountants and financial planners.

South West

- 10 - 11 Jun - Sustainable Farm Families workshop at Camperdown.
- 15 - 17 Jun - 'Making the most of it' workshops run by the WestVic Dairy Extension Committee. To provide information and support to dairy farmers managing milk price uncertainty and poor seasons. Mt Gambier, Mepunga, Colac, Princetown.

Media and Communication

Media releases

7 May 2009 - Government outlines further water market reforms. (Victorian Minister for Water) The Brumby Government will legislate to remove the 10 per cent limit on the volume of Victorian water entitlements that can be owned without being associated with land.

12 May 2009 - Drought support continues for farming families (Federal Minister for Agriculture, Fisheries and Forestry) The Rudd Government has allocated \$715.3 million in the 2009-10 Budget to continue support for drought-affected farmers, farm families, small businesses and rural communities.

Media headlines

Farming and agriculture

- **Probe into dairy pain** Weekly Times 03/06 - Is it viable to continue dairy farming in northern Victoria, the Riverina and South Australia?

Water

- **Victoria to lift 10% limit on water ownership** Sunraysia Daily 09/05 - Victoria yesterday caved in to pressure from the Federal Government and the Murray-Darling Basin states to lift its controversial 10 per cent cap on water ownership by non-landholders.
- **Drought: growers adapting** Sunraysia Daily 22/05 - Sunraysia irrigators have responded to continuing drought and water shortages by practising triage, using more water to sustain a smaller area of productive crop, and allowing unprofitable plantings to die off.
- **Melbourne water storage at an all-time low** Herald Sun 23/05 - Water may need to be diverted from the Yarra and Thomson rivers to prop up Melbourne's dams, which are at record lows.
- **Farmers rush to sell water rights** Australian 02/06 - The federal-state compromise on water trading has had immediate effect, as farmers in Victoria are already negotiating with the commonwealth to sell more than 80 billion litres of water.

Drought

- **Torrential rain but the drought rolls on** Australian Financial Review 23/05 - The drought may be easing in Queensland and may be over in Western Australia, but farmers in central NSW, Victoria and South Australia are still looking to the heavens for the rains to come.

Drought financial assistance

- **Drought aid condemned** The Age 13/05 - Exceptional Circumstances assistance to drought-affected farmers should be abandoned as soon as possible as it is unfair, unnecessary and encourages poor farming practices, the Productivity Commission has said.
- **Aid stays for big dry** Herald Sun 13/05 - Plans to overhaul drought relief for struggling farmers and rural communities have been abandoned.

Compiled & edited by Katherine Hollaway, and proofed by Drought Operations & Response Managers.