

# *Reaping Good Rewards*

*Australia Agribusiness Monthly*



*November 2021*

**RaboResearch**  
Food & Agribusiness



**Rabobank**

# Commodity Outlook

 <b>Commodities</b>	Despite strengthening of the AUD this past month, and the approach of Australia's second consecutive bumper winter crop harvest, our rural commodity price index rose again October.
 <b>Grains &amp; Oilseeds</b>	We expect local G&O prices to be resilient for the rest of 2021, with possible upside in Q1 2022.
 <b>Dairy</b>	A weakening global supply outlook will bring price support for commodities in the near-term.
 <b>Beef</b>	Positive seasonal conditions support young cattle prices, but export markets indicate headwinds for finished cattle prices.
 <b>Sheepmeat</b>	With a drop in lamb slaughter in October and strong global prices, we expect lamb prices will remain strong.
 <b>Cotton</b>	We expect a price step down ahead, but for ICE # 2 cotton to remain above USc 85/lb over the year ahead.
 <b>Wool</b>	The wool price outlook is still positive, but any upside is burdened by lockdown legacies.
 <b>Downstream Markets</b>	Consumer response to food inflation will be a local and global watching brief in months ahead.
 <b>Farm Inputs</b>	Rabobank expects fertiliser prices to remain at least at current levels in the run-up to sowing next year's winter crop in April. Of even bigger concern is supply, with challenges growing in the last month.
 <b>FX</b>	Despite strength this past month, we still see the AUD/USD edging lower on a one to three-month view, before recovering to USc 74 on a 12-month view.
 <b>Oil</b>	While we expect Brent Crude is nearing a short-term peak, the fundamentals of the global oil markets remain strong. We estimate Brent Crude will trade around USD 81/bbl into the second half of 2022.

# A Favourable Run-up to the End of 2021



Rabobank

## Rabobank Rural Commodity Price Index (AUD-based)



Despite strengthening of the Australian dollar this past month, and the approach of Australia's second consecutive bumper winter crop harvest, our rural commodity price index rose again in October. Small drops in the price of sheepmeat, wool, and sorghum were offset by increases for all other commodities in our index. This was led by another 12% MOM lift in canola prices, so that these are now 56% higher year-on-year.

Prices for our major commodities are expected to remain elevated for the rest of the year, including prices for wheat, barley, and canola. This will take our winter crop harvest, which we forecast at 52.87m tonnes (down just 5% YOY, and 25% above the five-year average), to a new record value of AUD 19.75bn (Rabobank forecast).

Source: Bloomberg, MLA, Rabobank 2021

Note: Index is comprised of local prices for wheat, barley, canola, sorghum, beef, lamb, dairy, wool, sugar and cotton, expressed in Australian currency and weighted according to their share of the value of production of Australian farmers (using the sum of the value of these products as the denominator).

# A 70% Chance of La Niña



Rabobank

**The Bureau of Meteorology (BOM) has increased its El Niño–Southern Oscillation (ENSO) Outlook from ‘La Niña Watch’ to ‘La Niña Alert’.**

According to the BOM, the chance of La Niña re-engaging has increased from 50% to 70% in the last month. Six of the seven International climate models surveyed by the BOM forecast Pacific Ocean surface temperatures to remain below La Niña thresholds during December, while five from seven expect the same during January. While BOM expects La Niña will be weak, it will increase the chance of above-average rainfall for northern and eastern Australia during summer.

## Wet outlook remains

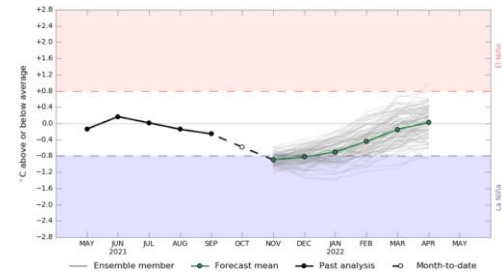
Nov–Jan 2021 rainfall outlook



Source: BOM 2021

## BOM expects the La Niña event will be weak

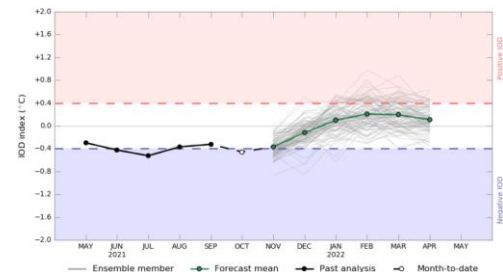
Monthly sea surface temperature anomalies for the central Pacific Ocean



Source: BOM 2021

## Negative IOD continues, heading for neutrality

Monthly sea surface temperature anomalies for the Indian Ocean



Source: BOM 2021

# Rain Kept Falling During October



Rabobank

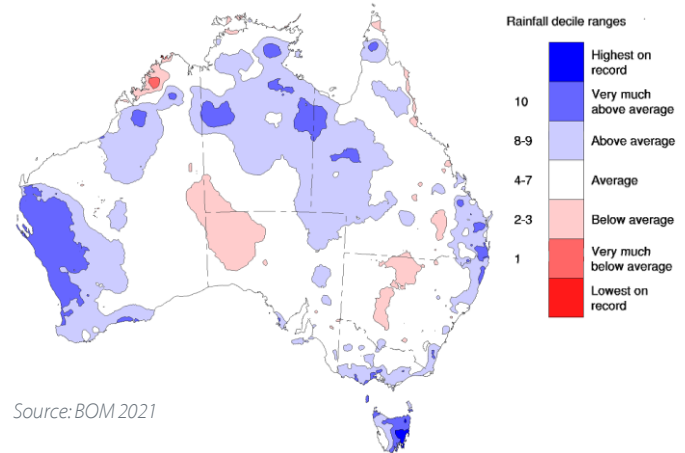
**Rain continued to fall throughout October. More than 95% of Australia's land mass recorded average or above average rainfall for the month.**

For southern regions, this rainfall is timely, as it continued to support grain fill and pasture growth during warmer spring days. However, in northern productive regions, such as the northern wheatbelt in WA and Northern NSW, the rainfall is a hindrance to harvesting the winter crop.

Rainfall was particularly strong on the west coast, with multiple cold fronts delivering above average rainfall. Geraldton recorded 44mm for the month – the wettest October since 2011.

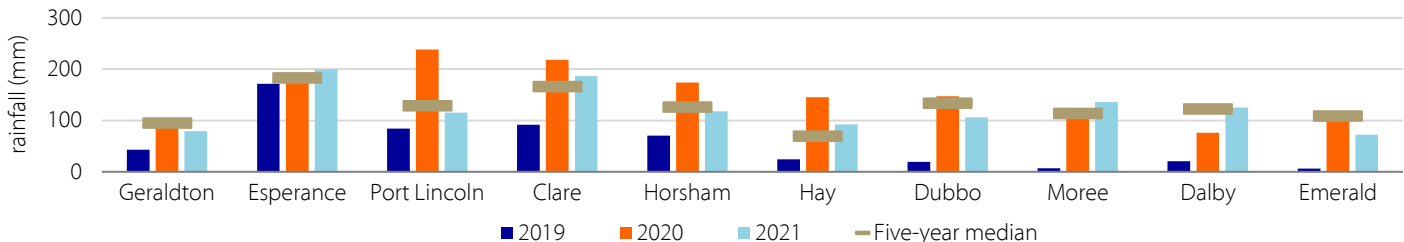
In South East Queensland rainfall was also above average, Dalby recorded 108mm.

## Rainfall Deciles, October 2021



Source: BOM 2021

## Aug-Oct rainfall



Source: BOM 2021

# Good Prices, Tonnes, and Times

**Global wheat and corn prices powered ahead this month.** CBOT wheat finished October up 7% MOM and CBOT corn up 6% MOM. Meanwhile CBOT soybeans declined, but just 2% MOM. Locally, prices were mixed, with wheat finishing mostly flat MOM, barley 6% higher and canola ended 4% lower MOM after posting strong values in early October.

**Rabobank's 12-month CBOT wheat price forecast has been increased to between USc 725-USc 750/bu following the October shock stocks report from the USDA - their global 2021/22 ending stocks forecast has been reduced 6m tonnes month-on-month.** Dwindling global stocks are expected to keep prices in the USc 700 range through 2022, and expectations of relatively good southern hemisphere harvests should help keep prices from rising much more. The threat of the re-emergence of La Niña, which could lead to drought over US central plains and to firmer prices, will however keep markets nervous until at least February 2022 and present possible upside.

**Rabobank's 12-month CBOT corn forecast has been left mostly unchanged to trade between USc 540-USc 550/bu.** While trading mostly flat in early and mid October, corn prices took off by month end due to soggy weather slowing the final stretch of US harvest, in addition to positive demand signals from the US biofuel sector. Stock levels below 2013-2020 average, combined with the potential re-emergence of La Niña, suggest that corn scarcity will be with us for some time yet.

**Locally, Rabobank forecasts track wheat APW1 prices to average between AUD 330-AUD 360/tonnes over the next 12 months,** supported by ongoing strong export demand and the AUD remaining below USc 75. On the canola front we see prices being supported moving into Q1 2022, followed by a decline as we move into mid-year, when we will likely start to see improved canola production prospects for the northern hemisphere.



## Dennis Voznesenski

Agricultural Analyst, Grains & Oilseeds, and Wool

[Dennis.voznenski@rabobank.com](mailto:Dennis.voznenski@rabobank.com)  
Twitter: Voz\_Dennis

## What to Watch

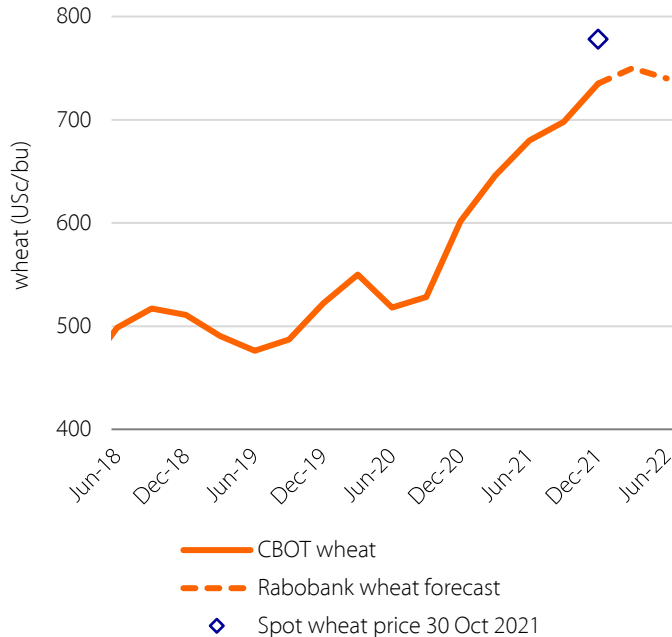
- **Rabobank 2021/22 Winter Crop Forecast** – Rabobank forecasts Australian winter crop production to be down 5% on last season, but remain 25% above the five-year average. Of note is the record nearly 5.2m tonnes of canola production expected nationally, in addition to the record total winter crop harvest expected in Western Australia.
- **Rabobank Harvest Hits list 2021** – For the six Mondays starting November 1, Rabobank will release six new podcasts in which we interview grains specialists from the EU, the US, Australia, Asia and Argentina and discuss sustainability developments in the grains industry.

# Grains & Oilseeds

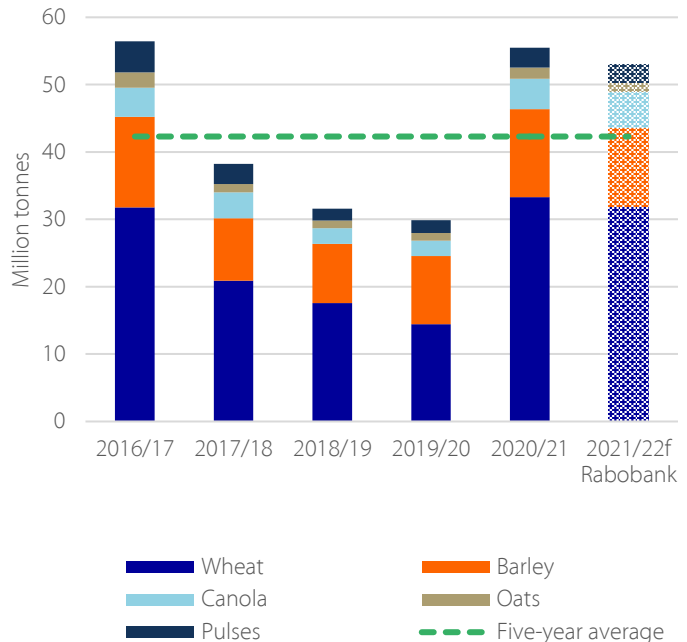
# Australia Expected to Produce Another Large Winter Crop as Global Wheat Prices Stay High



**Global wheat prices power ahead on lower than initially expected global stock levels**



**Australian winter crop production down 5% on last year, but 25% above the five-year average**



Source: USDA, Rabobank 2021

Source: Rabobank Crop Forecast Report, released 19 October 2021

# First Price Movements for the Season

**Supply pressures are continuing to provide support to dairy commodity prices.** During October, milk powder prices were the best performing products. Further upside in commodity markets cannot be ruled out, as a slow start to the Oceania season (particularly New Zealand) coupled with sluggish production in the northern hemisphere, has buyers on high alert.

**The latest New Zealand milk production showed collections were down by -4.3% YOY on a tonnage basis (or -4% YOY on a kgMS basis).** October will be the peak month and while there is a likelihood of an extended peak compared to last year, the season will be hampered by the slow start and full-year production now likely to be negative YOY.

**The slow start to Australia's season has continued.** National milk production was down 2.9% over the first three months of the season. This means season-to-date production is down 3.3%. October is the peak month and will likely be weak as unfavourable conditions that have hampered growth so far linger. Production has fallen in all states and regions except for New South Wales.

**The first step-ups in milk prices for the season is welcome news for suppliers.** Saputo Dairy Australia has increased its weighted average milk price to southern suppliers to AUD 7.05/kgMS. Their next review takes place in January. Fonterra followed suit lifting their weighted average price to AUD 7.10/kgMS



**Michael Harvey**

Senior Analyst  
Dairy

+61 3 9940 8407  
[michael.harvey@rabobank.com](mailto:michael.harvey@rabobank.com)

## Dairy

### What to Watch

- **Southeast Asia demand.** China has been doing lots of the heavy lifting in global dairy markets in terms of import volume purchases. This has been a key demand factor providing price support. Southeast Asian economies are slowly emerging from a severe wave of the Delta variant. Pipelines need refilling and food markets are recovering. However, sluggish economic settings and rising cost of living provide a weak backdrop

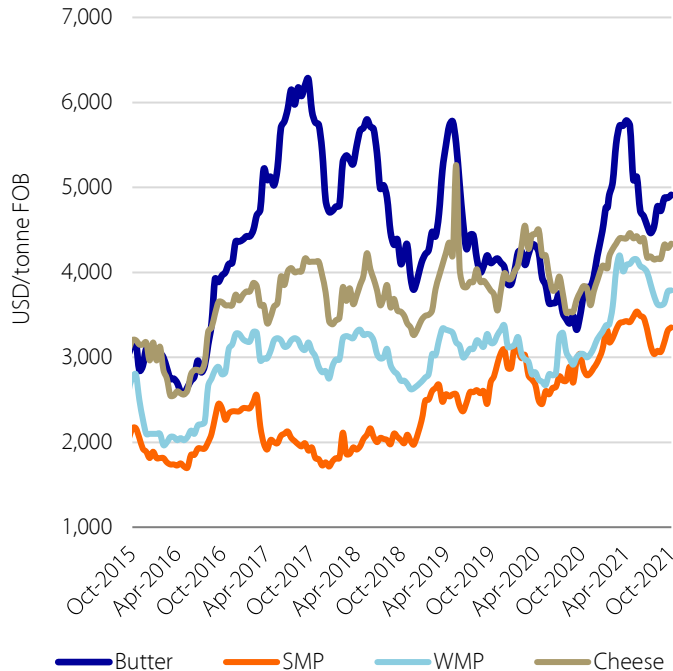


# A Worsening Supply Outlook Firms Pricing



Rabobank

## Global dairy prices, 2015-2021

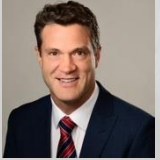
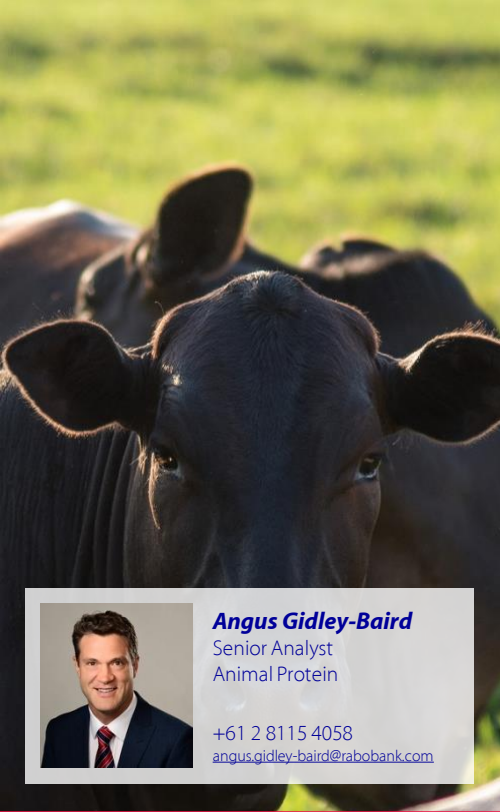


## Production growth key exporting regions

	Latest month	Last three months
<b>EU</b>	-0.5% (Sept 21)	-0.2%
<b>US</b>	0.2% (Sept 21)	0.9%
<b>Australia</b>	-2.9% (Sept 21)	-3.3%
<b>NZ</b>	-3.5% season-to-date (September)	

Source: USDA, Rabobank 2021

Source: Rabobank 2021



**Angus Gidley-Baird**

Senior Analyst  
Animal Protein

+61 2 8115 4058  
[angus.gidley-baird@rabobank.com](mailto:angus.gidley-baird@rabobank.com)

# Headwinds for Finished Cattle Prices

Most cattle prices continued the general trend upwards through September and into October – albeit some at slightly lower rates of growth. The EYCI, which continues to reflect strong producer buying activity, rose 3% over the month to AUD 10.73/kg cwt on 28 October. **With rainfall across parts of Queensland and NSW in late September and early October and favourable forecasts, producer demand is expected to remain strong, supporting young cattle prices. However, a stronger Australian dollar and softer global prices are expected to create headwinds for finished cattle prices.**

East coast weekly slaughter numbers continue to be the lowest we have experienced in the last ten years. Slaughter numbers for the four weeks to the end of October were down 24% on the five-year average for the corresponding period. **Female slaughter in NSW, while 11% below last year, remained a relatively high proportion of the overall cattle slaughter, suggesting rebuilding activities remain sluggish.** In October, females accounted for an average of 46% of total NSW slaughter, while in Queensland the female proportion was 31%.

September beef export volumes (79,843mt swt) were up on September 2020, making it the first time since January 2020 that Australia has seen a YOY increase in volumes for comparable months. However, this was more a reflection of the lower export volumes in September 2020 than higher volumes this year. September volumes were still 8% down on the five-year average. Volumes to all major markets were up YOY, except to the US where they fell by 4%. Live export numbers dropped 34% YOY for the month of September to the lowest volume since March 2017.

## What to Watch

- **Price pressure coming back up the line** – For the majority of 2021 Australia has been fortunate that global beef prices have been rising. This is now changing. After rising 30% between January and August, US imported lean trimmings (currently AUD 8.13/kg), have only increased 2% since the start of August. Likewise, Japanese, Korean and Chinese prices have been flat or weaker in recent months. These flat or declining prices (plus a rising Australian dollar) will squeeze margins and create resistance to further Australian cattle price rises.

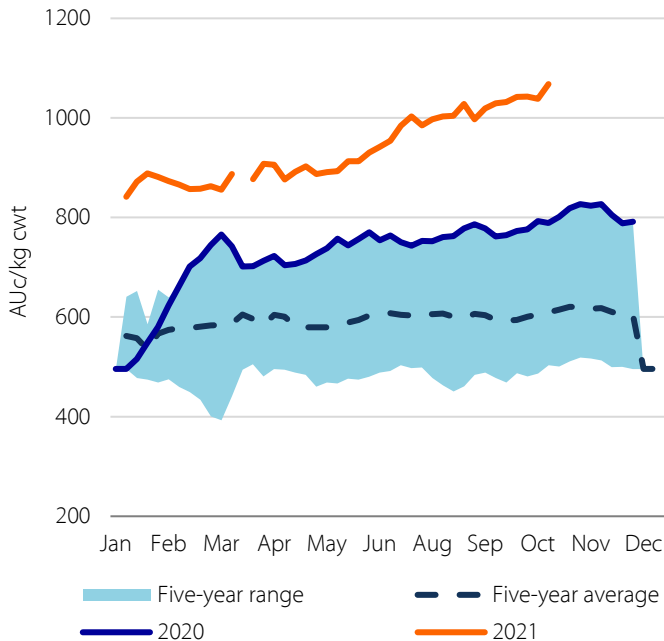
# Beef

# EYCI Keeps Going up but Export Markets Signal Resistance to Further Rises



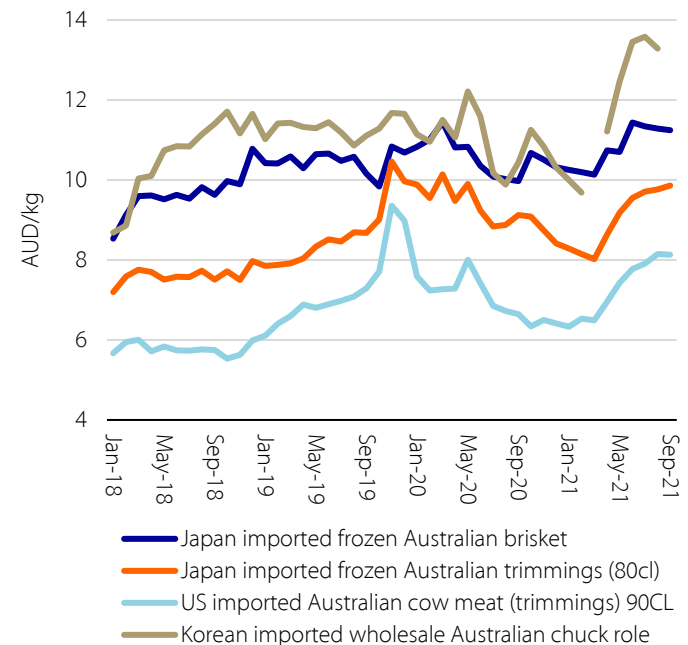
Rabobank

## AUD 8, AUD 9, AUD 10... is AUD 11 on the cards?



Source: MLA, Rabobank 2021

## After increasing for most of 2021, beef import prices have flattened out



Source: MLA, ALIC, Rabobank 2021

# Prices Set to Remain Strong

After a slight dip – 4% to 7% across lamb classes – from early October to mid October, national lamb prices stabilised again towards the end of the month. The ESTLI dropped 6% from the end of September to mid-October before lifting slightly to AUc 900/kg cwt on 21 October. OTH prices have followed a slow trend down since mid-September. ***With ongoing limited supplies of lambs and strong global prices we expect prices will remain strong over the coming month.***

The slight rise in lamb slaughter numbers in mid-September was a false indication of the spring lamb flush as numbers in October dropped to the lowest levels in over ten years. Victorian numbers dropped early in the month (Victorian processor, Australian Lamb Company temporarily shut due to Covid cases in mid-October), before recovering, but they still remain 22% down on the five-year average for the four weeks of October. NSW numbers dropped dramatically late in the month. Lamb yardings in Victoria and NSW also fell in mid-October. ***Favourable seasons and high prices may be encouraging producers to hold lambs longer, or restocking efforts have increased, but such low numbers at this time of the year are unusual.***

Lamb export volumes (21,835mt swt) for September were the same as in 2020. Export volumes to China and the US were up 25% and 10% respectively YOY, while volumes to the Middle East were down 36% YOY. Export volumes have been declining since their peak in June. Preliminary volumes for October (19,000mt swt up to 28 October) show that this trend is continuing. Normally volumes would be increasing from July onwards.

## What to Watch

- ***NSW lamb numbers*** – After performing strongly for much of the year, NSW lamb slaughter numbers have dropped dramatically. At times through the year, NSW lamb slaughter exceeded the highest volumes in the last ten years, but in the last week of October numbers dropped to 68,000 head, the lowest since April 2019 (excluding summer period slow downs). We expect lamb numbers to be higher this year and if producers are holding lambs for extra weight, this increased volume in lambs could still hit the market in the coming months.



**Angus Gidley-Baird**

Senior Analyst  
Animal Protein

+61 2 8115 4058  
[angus.gidley-baird@rabobank.com](mailto:angus.gidley-baird@rabobank.com)

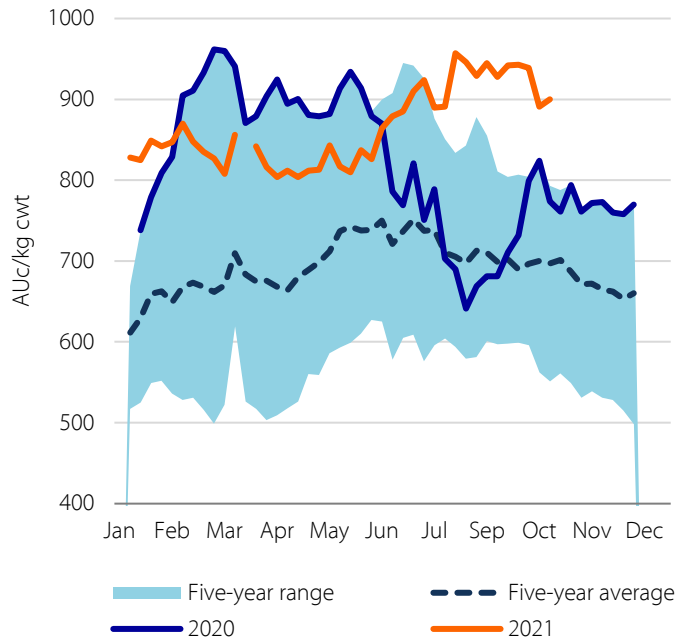
# Sheepmeat

# Where Have the Lambs Gone? Low Numbers Continue to Support Prices

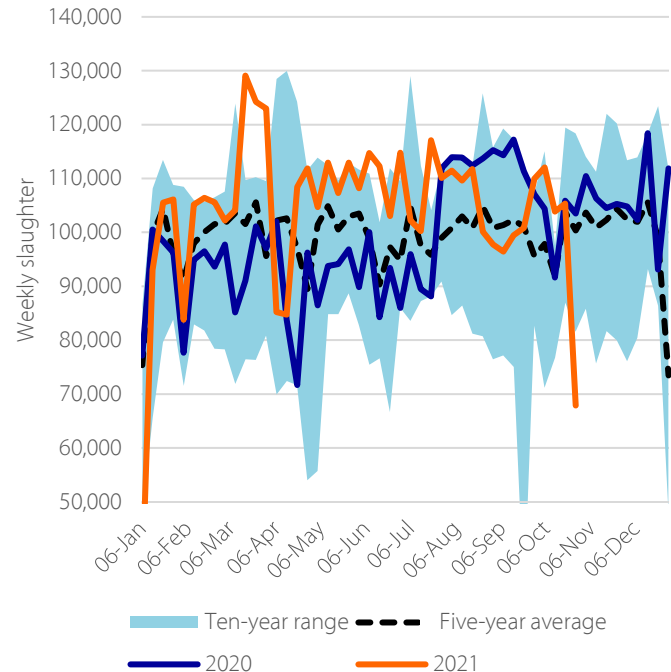


Rabobank

**Although dipping in early October, the ESTLI remains in record territory**



**NSW lamb slaughter suddenly drops**



# Southern Supply Set to Swell in 2022

**The cotton price rally was slowed by a volatile month in October, but that still saw nearby ICE #2 cotton gain 8.5% MOM, and forward months to June 2022 remain above USc 100/lb. Harvest pressure from northern hemisphere crops should begin to weigh on prices this quarter.**

The US cotton crop remains in very good condition – good to excellent crop ratings are still above 60%, and despite the harvest being about a week delayed, favourable temperatures and a relatively good weather forecast for the month ahead support good yields and harvest progress. Favourable prices should keep abandonment low, and production at 17.9m bales (versus USDA's 18m bales), up 22% YOY.

Higher energy costs and clothing production costs, together with high cotton prices, are now starting to play on demand forecasts. A substantial deficit in global cotton in 2021/22 is still on the cards, but we now see the deficit closer to 3m bales, than to USDA's 3.2m bales.

**Australian cotton planting is now well advanced and our expectation remains for a 4.6m to 4.8m bale crop** (though some see this as high as 5m bales), for 2021/22. Cooler conditions in some areas have curtailed establishment or prompted substantial replanting, but the production outlook remains favourable. Recently favourable weather in Brazil is also supportive of an expansion in plantings starting in December. Supply in the southern hemisphere could be up as much as 25% YOY, which will weigh on average prices in 2022. Notwithstanding northern hemisphere pressure this quarter and expectations of a southern hemisphere swell in 2022, **we forecast ICE #2 prices to step down after this quarter, but remain above USc 85/lb out to Q3 2022.** This is owing to the firm deficit on the cards, high input costs, a still favourable demand outlook and continuing La Niña concerns.



**Cheryl Kalisch Gordon**  
Senior Commodities Analyst

+61 2 6363 5900  
[cheryl.kalischgordon@rabobank.com](mailto:cheryl.kalischgordon@rabobank.com)

## Cotton

### What to Watch

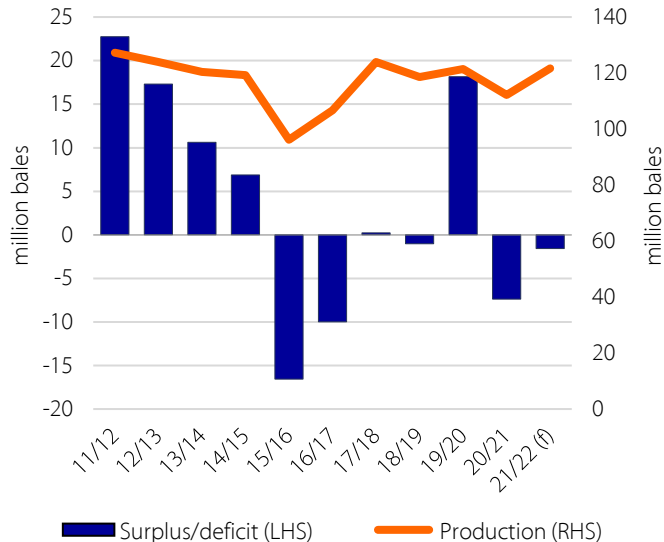
- **Input costs** – Australian cotton margins will not be immune to the high costs of agri-chemicals and fertiliser this season. Fundamentals support the high costs remaining in play throughout the 2021/22 Australian cotton season and growers will need to be prepared for long lead times on orders.

# Price Step Down Ahead, but Staying Favourable



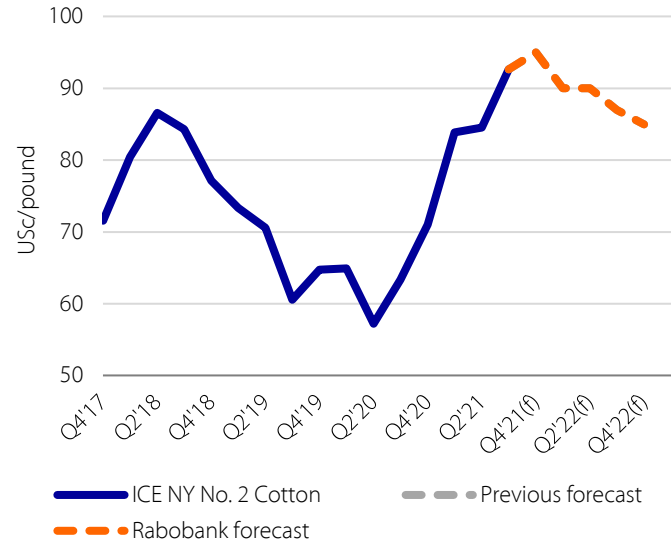
Rabobank

## A now steadier demand outlook sets up a smaller 2021/22 global cotton deficit



Source: USDA, Rabobank 2021

## But our forecast remains for ICE #2 cotton above USc 85/lb to Q3 2022



Source: Bloomberg, Rabobank Forecast 26 October, 2021

**Despite keeping our ICE #2 price forecast unchanged this month, we have adjusted our AUD values lower due to an increase in our AUD forecast. We now expect Australian cotton spot ex basis to move below AUD 590/bale in Q3 2022, though a growth in basis should keep spot values near to AUD 600.**

# China Lockdowns Weigh on Prices

**Rabobank's outlook for the Eastern Market Indicator (EMI) remains positive, however, recurring Covid-19 outbreaks and resulting government enforced lockdowns, particularly in China, will keep upside restrained.** The EMI moved higher mid-October but ended unchanged MOM at AUc 1333/kg. Finer microns rose 1% to 4% MOM, while coarse microns declined 6% to 7%. Rabobank's EMI forecast remains unchanged at between AUc 1350-AUc 1500/kg over the next 12 months.

September retail apparel sales showed improvement in the recovery of consumer spending in most major markets. US retail apparel sales rebounded in September, exceeding 2019 levels by almost 18%, after a slow in recovery through August. China retail apparel sales recovered from 7% down on 2019 levels in August to be back on par in September. However, due to the recent reinstatement of lockdown measures, we expect to see a contraction in sales for October. In the UK, retail apparel sales have similarly recovered to on-par with 2019 levels, but a recent surge in Covid-19 cases in the UK is likely to slow consumer activity in the coming months. Woollen suit imports into the US declined 5% MOM in August data and were 46% behind pre-pandemic August 2019 levels. Japan saw a 45% rise MOM, but remained 64% below pre-pandemic levels, while French woollen suit imports hit the highest level in a year and were only 20% below pre-pandemic levels.

August 2021 Australian wool export volumes (26.25m kg) were up a substantial 119% compared to August 2020, but down 26% from July 2021. Trade concentration with China has decreased from 86.7% in July to 84% in August, with an increasing share of wool heading to India and Italy. Exports to Italy rose from 0.6m kg in July to a large 1.3m kg in August. National wool tested data for July shows the wool volume tested down 3% MOM and up 11% YOY. The higher costs of freight continue to create challenges for buyers in foreign markets, and the issue is expected to remain into 2022.

## What to Watch

- **China's lockdown** – In late October, Lanzhou became the 11<sup>th</sup> Chinese province placed in lockdown following a Covid-19 outbreak. As the northern hemisphere moves into winter, there remains a chance that increased Covid cases will lead to further lockdowns. Such lockdowns can have an impact on consumer spending and consumer confidence, potentially affecting the purchase of woollen garments.

### Dennis Voznesenski

Agricultural Analyst, Wool  
and Grains & Oilseeds

[Dennis.voznesenski@rabobank.com](mailto:Dennis.voznesenski@rabobank.com)  
Twitter: Voz\_Dennis

# Wool

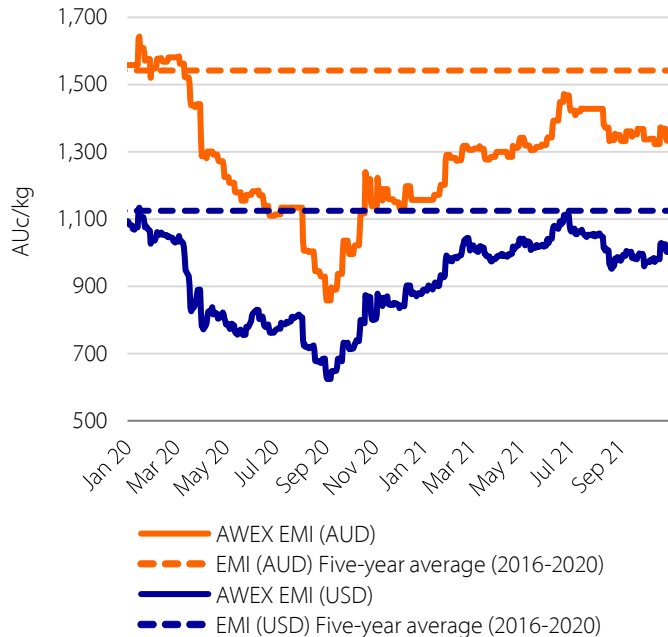


# Improved Retail Apparel Sales for September, but EMI Ends October Unchanged

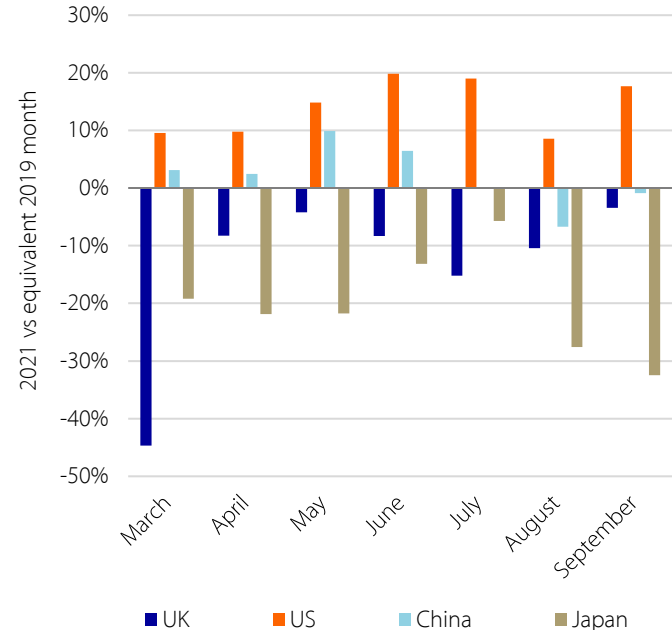


Rabobank

## EMI finishes October unchanged following a mid-month increase



## Most major apparel markets see an improvement moving in September



# Inflation Rampant in Supply Chains

## ***Food and beverage companies are facing a period of cost inflation in their businesses.***

Margin pressure stems from the rising cost of raw materials, packaging and distribution, among others. To mitigate against this, companies will use several levers. However, many Fast-Moving Consumer Good (FMCG) companies are needing to act on pricing with retail prices for consumables rising in many regions. ***Australian food CPI, for example, was 1.3% higher in the September quarter compared to the same quarter in 2020.*** This is despite deflation in the fruit and vegetable category, as it cycles past the elevated pricing following last season's unfavourable growing season.

## ***Food markets in Australia and New Zealand continue to be distorted by the lockdowns in NSW, Victoria and Greater Auckland.***

In September, Australian retail food sales were 3% higher versus last year. Turnover in the foodservice channel was 1% higher. When anchored to 2019, food retail sales were 15% higher while foodservice sales were still 14% lower.

## ***In New Zealand, Woolworths reported sales growth of 9% in their stores for the September quarter versus the same period last year.***

***Supply chain challenges and costs are lingering.*** Woolworths reported that since the outbreak of the Delta variant in Australia and New Zealand, they have had 22,000 team members in isolation, and 1,500 exposure sites across their network. Lockdowns continue to support the e-Commerce boom with Woolworths and Coles both boasting healthy gains in online sales for the most recent quarter.



**Michael Harvey**

Senior Analyst

+61 3 9940 8407

[michael.harvey@rabobank.com](mailto:michael.harvey@rabobank.com)

## Downstream Markets

### ***What to Watch***

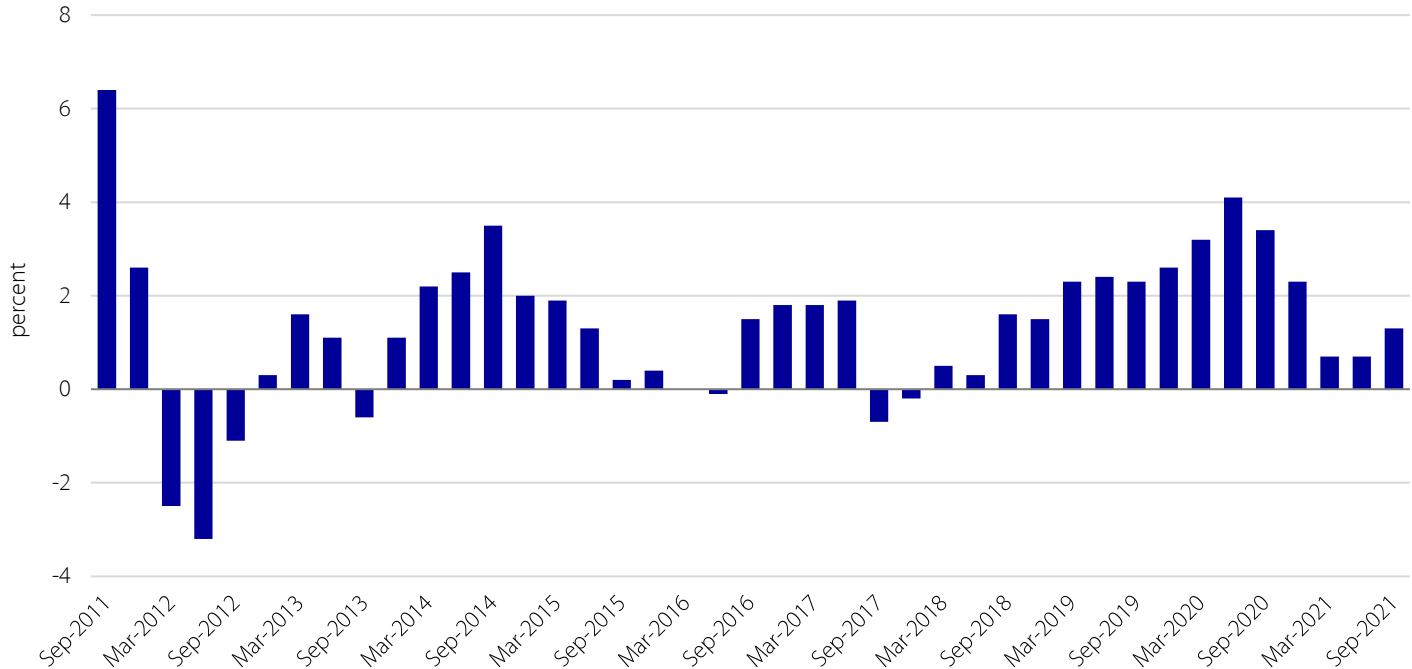
- ***China's bumpy foodservice recovery.*** Performance of the Chinese foodservice channel was negatively impacted in August and September due to a Delta outbreak and subsequent strict public health measures, as foreshadowed by large Quick Service Restaurant operators. A new outbreak in a number of provinces is again leading to reduced consumer spending and subdued travel. The foodservice channel in China is well below the pre-Covid levels with a bumpy recovery continuing.

# Local Food Inflation Picking Up Again



Rabobank

## Australian Food and Non-alcoholic Beverage CPI, YOY change



# Bad to Worse, to Even Worse

***Rabobank expects prices of fertiliser will remain at least at today's prices in the run-up to next winter. Of even bigger concern is supply, with challenges growing in the last month.***

It's due to these supply concerns that we think it is prudent that farmers assess their ordering options for next year's supplies, if they haven't done so already.

Export restrictions on fertiliser in China are our primary concern when it comes to supply of both phosphate and nitrogen. Some Chinese provinces have now blocked exports of all fertiliser, including the phosphate-heavy producing province, Hubei. In 2020, China was responsible for 30% of traded phosphate globally.

For nitrogen, soaring natural gas prices in Europe have inflated urea prices. Gas inventories in the EU are now at the lowest level in almost a decade, consequently we estimate that 12% of European nitrogen fertiliser production is offline. In some good news, Vladimir Putin very recently announced intensions to pump more gas into the EU, which is likely to take some slight pressure off prices.

While supply issues are ongoing, we expect demand will continue to act as a floor for high fertiliser prices, even if supply issues ease somewhat. We expect high global prices of wheat, corn and soybean will continue until into the second half of 2022.

On the agrochemical front, according to Chinese market commentator BAIINFO, Chinese glyphosate suppliers are still not taking new orders, and have not been doing so for the last month.



**Wesley Lefroy**  
Senior Agricultural Analyst

+61 2 8115 2008  
[wesley.lefroy@rabobank.com](mailto:wesley.lefroy@rabobank.com)

## Farm Inputs

### ***What to Watch***

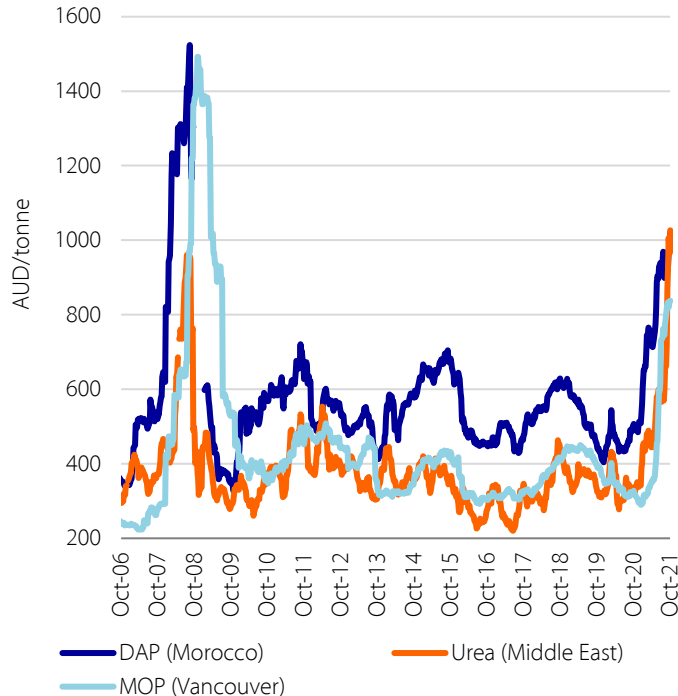
- ***Could urea prices fall?*** – While not our base case (or most likely) outlook, it is important to examine what may bring about a fall in urea prices ahead of next autumn. First, further increases of Russian gas into Europe and/or a mild northern winter would support lower prices. Similarly, China returning to the export market earlier than expected (June 2022) may also prompt prices lower, as would commodity prices moving lower than we expect.
- You can listen to our latest nitrogen podcast [here](#).

# AUD-adjusted Urea Prices Have Now Surpassed 2008 Levels

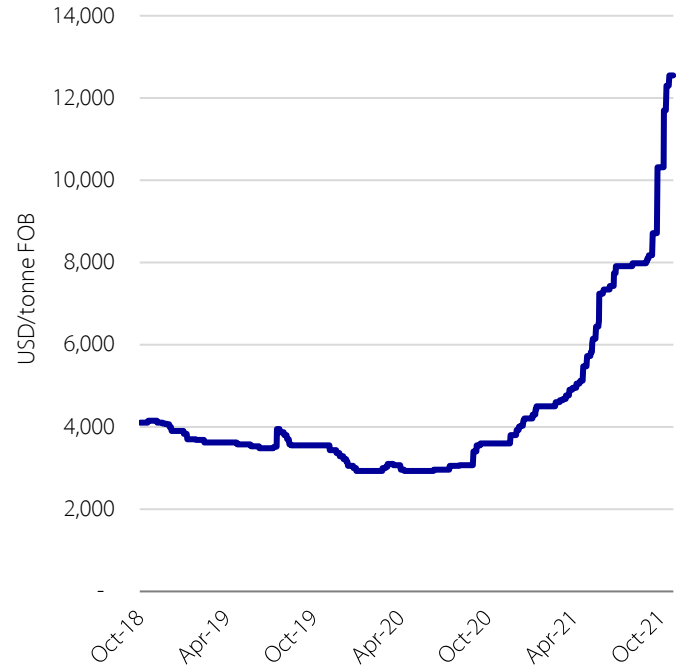


Rabobank

## AUD-adjusted global fertiliser prices



## Glyphosate price, ex. China



Source: CRU, Rabobank 2021

Source: BAIINFO, Rabobank 2021



# Market's Lost Faith Confirmed

***The Australian dollar strengthened almost 5% in October, to end the month above US\$ 75. Gains reflect optimism for Australia's economic outlook on the back of removal of Covid restrictions, strong resource prices, and the market losing faith in the RBA's guidance that the cash rate would not be raised until 2024...which was underscored on Tuesday by a sharp change in RBA forward guidance.***

Strong vaccination rates and widespread removal of restrictions in NSW and Victoria have lifted optimism for the Australian retail and services sectors. Optimism has been further underscored by the announcement of timelines for reopening to international travel and borders being reopened. This has coincided with strength in global energy and resource prices and lifted demand for Australian dollars.

But inflation data released at the end of October confirmed a reason to rethink the direction of RBA policy and, ultimately, the tone of the RBA statement on Tuesday.

Q3 2021 CPI came in at 3% YOY, which is partly due to the low base of 2020 but mostly due to supply chain disruptions and high energy prices. However, excluding such one-off price impacts, the so-called 'trimmed mean' inflation came in at 2.1% (within the RBA's target range for the first time since 2015 and vs. expectations of 1.8%).

The RBA held the cash rate target at 0.1% on Tuesday, but due to the lift in 'trimmed mean' inflation and the RBA's Tuesday announcement to discontinue its target for the April 2024 bond, markets are now expecting the RBA to hike rates as early as mid-2022.

***In line with this change – but noting it's behind other central banks – we expect the AUD/USD to edge lower on a one- to three-month view before moving to US\$ 74 on a 12-month view.***

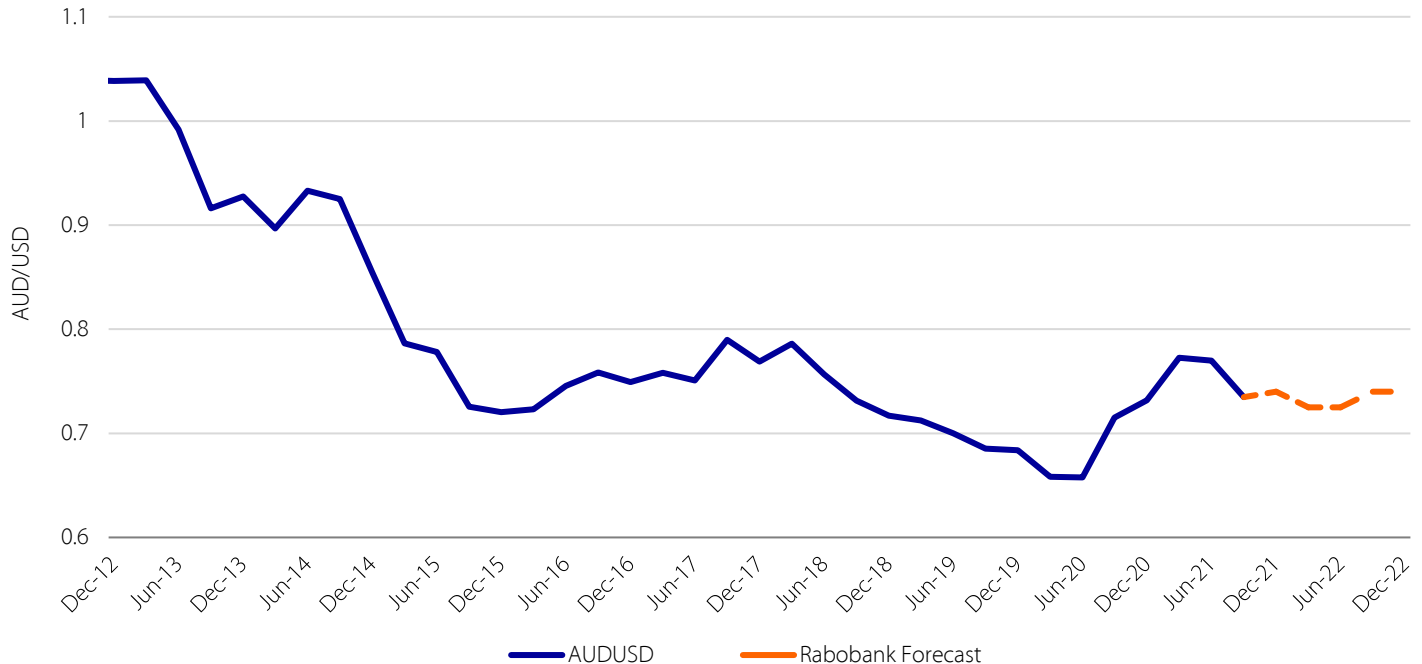
## ***What to Watch***

- ***Wages*** – Australia's latest wage price data (for Q3) will be released on November 18. The RBA continues to stress that for inflation to be sustained at now higher levels, wage growth will need to be higher. A November release showing material wage growth will be what the RBA is looking for to revise its inflation outlook higher and lock in further moves to manage an orderly economic recovery.

# Less AUD Downside Now, but Remaining Favourably Low for Exports



**Australian currency against the US dollar, December 2012 - December 2022f**





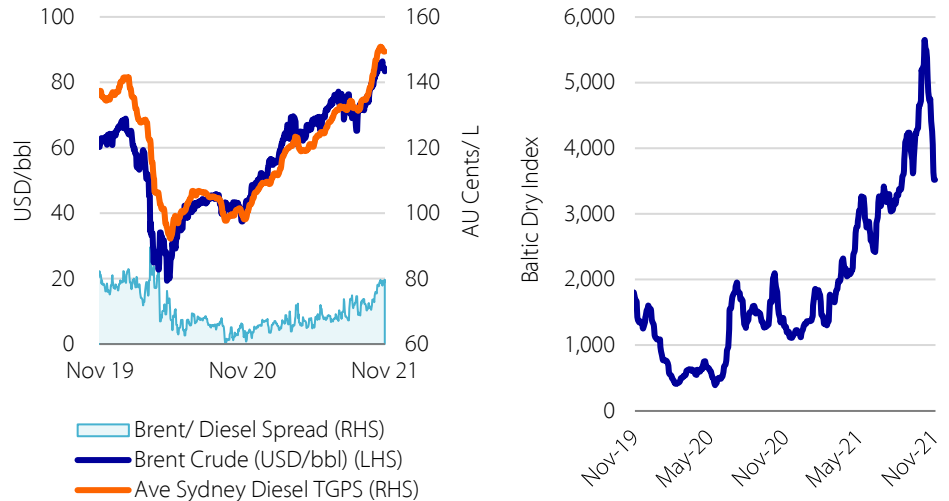
# Oil at a Short-Term Peak

**While we expect Brent Crude is nearing a short-term peak, the fundamentals of the global oil market remain strong. We estimate Brent Crude will trade around USD 81/bbl into the second half of 2022.**

The Brent Crude price reached its highest level since 2018 during October, primarily driven by rising demand as economies return from the pandemic to tight supplies. While OPEC+ is continuing to raise its production target on a monthly basis, Saudi Arabia's energy minister recently announced OPEC+ was reluctant to increase production while the threat from Covid remained.

Global ocean freight declined significantly during October, due to a downturn in demand.

**Brent Crude Oil & Average Sydney Diesel, Baltic Dry Index, Nov 2019-Nov 2021**



Source: AIP, Bloomberg, Rabobank 2021

Source: Bloomberg, Rabobank 2021

Oil &  
Freight



# Agri Price Dashboard

	1/11/2021	Unit	MOM	Current	Last month	Last year
<b>Grains &amp; oilseeds</b>						
CBOT wheat		USc/bushel	▲	773	726	599
CBOT soybean		USc/bushel	▼	1,236	1,256	1,057
CBOT corn		USc/bushel	▲	568	537	399
Australian ASX EC Wheat		AUD/tonne	▼	333	339	319
Non-GM Canola Newcastle		AUD/tonne track	▼	889	954	590
Feed Barley F1 Geelong		AUD/tonne track	▲	276	260	237
<b>Beef markets</b>						
Eastern Young Cattle Indicator		AUc/kg cwt	▲	1,073	1,042	819
Feeder Steer		AUc/kg lwt	▲	559	537	423
North Island Bull 300kg		NZc/kg cwt	▲	650	625	535
South Island Bull 300kg		NZc/kg cwt	▲	615	590	510
<b>Sheepmeat markets</b>						
Eastern States Trade Lamb Indicator		AUc/kg cwt	▼	900	943	794
North Island Lamb 17.5kg YX		NZc/kg cwt	▲	965	945	710
South Island Lamb 17.5kg YX		NZc/kg cwt	▲	940	935	690
<b>Venison markets</b>						
North Island Stag		NZc/kg cwt	▲	690	655	620
South Island Stag		NZc/kg cwt	▲	700	675	630
<b>Dairy Markets</b>						
Butter		USD/tonne FOB	▲	4,913	4,875	3,725
Skim Milk Powder		USD/tonne FOB	▲	3,350	3,175	2,863
Whole Milk Powder		USD/tonne FOB	▲	3,788	3,638	3,038
Cheddar		USD/tonne FOB	▲	4,338	4,325	3,838

# Agri Price Dashboard

	1/11/2021	Unit	MOM	Current	Last month	Last year
<b>Cotton markets</b>						
Cotlook A Index		USc/lb	▲	123.1	112.2	77
ICE No.2 NY Futures (nearby contract)		USc/lb	▲	114.9	107.8	69
<b>Sugar markets</b>						
ICE Sugar No.11		USc/lb	▼	193	198	14.36
ICE Sugar No.11 (AUD)		AUD/tonne	▼	565	620	407
<b>Wool markets</b>						
Australian Eastern Market Indicator		AUc/kg	▼	1,333	1,337	1,138
<b>Fertiliser</b>						
Urea		USD/tonne FOB	▲	850	485	267
DAP		USD/tonne FOB	▲	740	660	361
<b>Other</b>						
Baltic Dry Index		1000=1985	▼	3,519	5,167	1,283
Brent Crude Oil		USD/bbl	▲	84	79	37
<b>Economics/currency</b>						
AUD		vs. USD	▲	0.752	0.723	0.703
NZD		vs. USD	▲	0.717	0.690	0.662
RBA Official Cash Rate		%	•	0.10	0.10	0.25
NZRB Official Cash Rate		%	▲	0.50	0.25	0.25

# Want to Keep up to Date With the Latest Food & Agribusiness Insights?

Make our insights your advantage – Stay ahead of developments in your industry by subscribing to our podcast channel on your favourite podcast app.

Our podcasts are a fast and easy way to engage with our latest research findings and industry developments, right on your phone.

Most Apple devices have the Podcasts app pre-installed – if not, you can find it in the **App Store**. On Android devices, [Stitcher](#) and [TuneIn Radio](#) are popular podcast apps.



## Here's how to access our podcasts:

- Simply **search** for "Rabobank" in your podcast app
- **Click** on our food & agribusiness podcast channel
- Hit **subscribe!**

# RaboResearch Food & Agribusiness Australia and New Zealand



**Rabobank**

***Cheryl Kalisch Gordon***

Interim General Manager  
Senior Commodities Analyst  
+61 2 6363 5900  
[Cheryl.KalischGordon@rabobank.com](mailto:Cheryl.KalischGordon@rabobank.com)

***Angus Gidley-Baird***

Senior Animal Protein Analyst  
+ 61 2 8115 4058  
[Angus.Gidley-Baird@rabobank.com](mailto:Angus.Gidley-Baird@rabobank.com)

***Michael Harvey***

Senior Dairy & Consumer Food Analyst  
+61 3 9940 8407  
[Michael.Harvey@rabobank.com](mailto:Michael.Harvey@rabobank.com)

***Wes Lefroy***

Senior Agriculture Analyst  
+61 2 8115 2008  
[Wesley.Lefroy@rabobank.com](mailto:Wesley.Lefroy@rabobank.com)

***Emma Higgins***

Senior Agriculture Analyst  
+64 3 961 2908  
[Emma.Higgins@rabobank.com](mailto:Emma.Higgins@rabobank.com)

***Genevieve Steven***

Agriculture Analyst  
+64 3 961 2939  
[Genevieve.Steven@rabobank.com](mailto:Genevieve.Steven@rabobank.com)

***Dennis Voznesenski***

Agriculture Analyst  
+61 2 8115 3920  
[Dennis.Voznesenski@rabobank.com](mailto:Dennis.Voznesenski@rabobank.com)

***Catherine Keo***

Business Coordinator  
+61 2 8115 4154  
[Catherine.Keo@rabobank.com](mailto:Catherine.Keo@rabobank.com)

***Rabobank Australia***

Nearest branch call 1800 025 484  
<https://www.rabobank.com.au>

This document is issued by a Rabobank Group member. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. This document is for information purposes only and is not, and should not be construed as, an offer or a commitment by any Rabobank Group member to enter into a transaction. This information is not professional advice and has not been prepared to be used as the basis for, and should not be used as the basis for, any financial or strategic decisions. This information is general in nature only and does not take into account an individual's personal circumstances. All opinions expressed in this document are subject to change without notice. No Rabobank Group member accepts any liability whatsoever for any direct, indirect, consequential or other loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of a Rabobank Group member. By accepting this document you agree to be bound by the foregoing restrictions. All copyright is reserved © 2021

