# Recession Fears Add Price Pressure

## *Australia Agribusiness Monthly*

**RaboResearch**
Food & Agribusiness

Rabobank

***August 2022***

# Commodity Outlook

Rabobank

| | |
|---|---|
| **Grains & Oilseeds** | We expect significant volatility in the coming weeks as the market digests the likelihood of a sustained deal for exporting grain out of the Black Sea. |
| **Dairy** | Oceania commodity prices continued to trend lower in July. Growing uneasiness around dairy demand in many economies is leading to subdued import demand. Australian dairy farmers still enjoy the comfort of locked-in record milk prices. |
| **Beef** | Falling cattle prices will squeeze grow-out margins. We expect cattle prices still have some room to fall, but the warmer spring months should support pasture growth and stabilise the market. |
| **Sheepmeat** | Lamb prices dropped earlier than expected despite ongoing strong consumer markets. Processor capacity may be influencing prices, which we expect to continue downwards but at a less aggressive rate. |
| **Cotton** | Enduring concerns about cotton consumption growth, plus at least the third-largest Brazilian crop on record coming to market in coming months means we continue to expect flat-to-declining global pricing in 2022/23. |
| **Wool** | Rising interest rates, inflation, and the slowing economy will weigh on wool prices in the coming months, limiting the price upside from the recovery in US woollen suit imports seen in the latest May figures. |
| **Downstream Markets** | Australian food inflation increased sequentially in the June quarter. Headline food inflation remains above decade highs. The latest retail trade data shows resilience in retail and foodservice sales for now. |
| **Farm Inputs** | A squeeze on China's export program as well as further squeezes on the EU's fertiliser supply chain means we expect the lull in global urea prices is over, and too soon to translate to local price relief. |
| **FX/Interest Rates** | The RBA raised interest rates 50 basis points to 1.85% and more will follow this year, driving the cash rate likely above 3%. The AUD will remain volatile. We expect a recovery to 0.74/USD on a 12-month horizon. |
| **Oil/Freight** | July was another volatile month for crude oil prices, as they balance tight supply and recession fears. Container shipping prices continue to fall slowly and are expected to normalise further over the next 12 months. |

# Wet Winter and Spring for North, Central, and East Australia

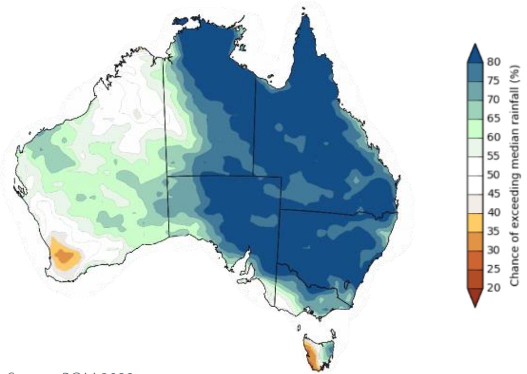
***The Bureau of Meteorology (BOM) expects a high chance of above-average rainfall for large parts of Australia this winter.***

BOM's outlook sees Northern, Central, and Eastern Australia with a greater than 60% chance of exceeding median rainfall this winter. However, for Western Australia and western Tasmania, average and below-average rainfall conditions are expected, respectively.

ENSO neutral conditions may end after this winter, with a 50% chance of La Niña returning later this year. However, the tropical Pacific remains La Niña-like, favouring above-average rainfall. The Indian Ocean Dipole (IOD) is forecast to move negative over the winter, increasing the chances of above-average winter-spring rainfall.

## Rainfall expectations

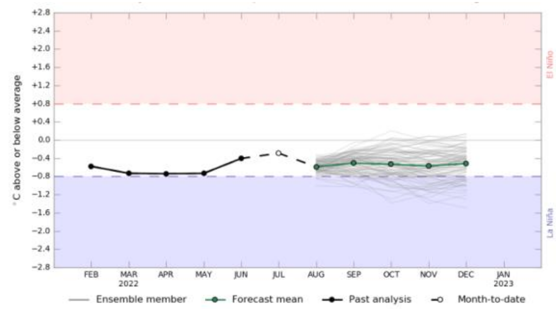
*August-October 2022 rainfall outlook*




Source: BOM 2022

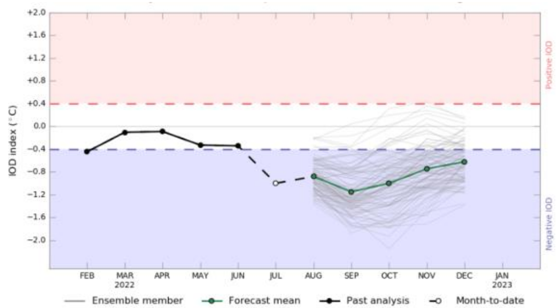
## Neutral, but La Niña watch to remain

*Monthly sea surface temperature anomalies for the central Pacific Ocean*




## Negative IOD emerging

*Monthly sea surface temperature anomalies for the Indian Ocean*



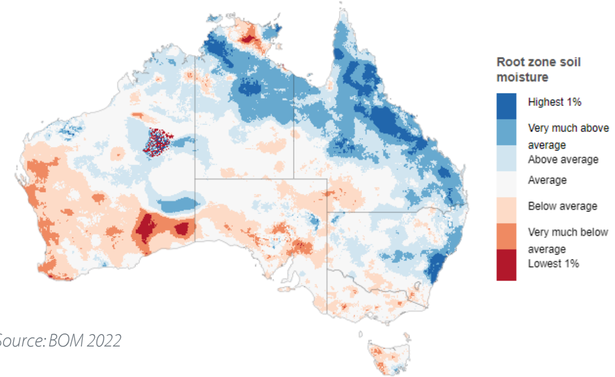
# Average Rainfall in July, With Large Variability Across the Country

***Eastern Australia and the Top End received above-average rainfall in July.***

For tropical north Australia, rainfall exceeded dry season averages for another month, with rainfall in Queensland and the Northern Territory exceeding the July monthly average by 146% and 45%, respectively. For much of the Top End and east coast, soil moisture is very much above average, increasing risks of flooding in the coming months.

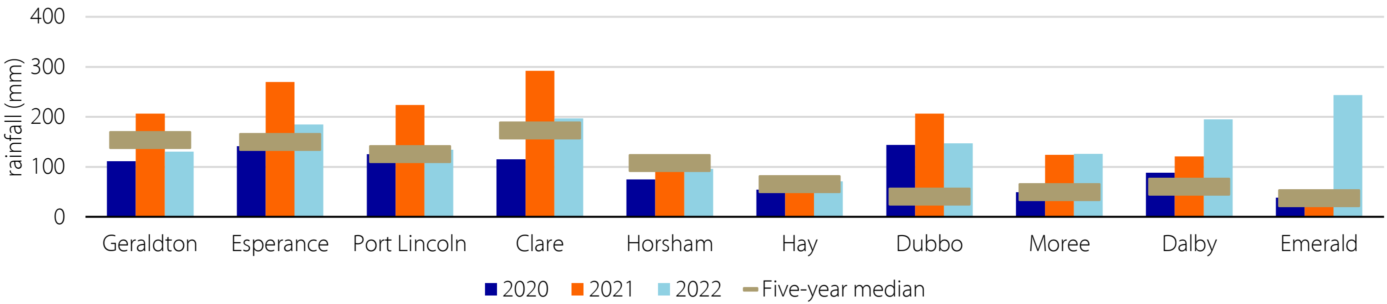
For the south and Western Australia, conditions in July where drier on average. Tasmania recorded its third-lowest July rainfall, and South Australia its fifth-lowest July on record.

***Relative soil moisture, July 2022***




*Source: BOM 2022*

***May-July rainfall***




*Source: BOM 2022*


***Dennis Voznesenski***
Agricultural Analyst, Grains & Oilseeds, and Wool

dennis.voznesenski@rabobank.com
Twitter: @Voz_Dennis

***Cheryl Kalisch Gordon***
Senior Commodities Analyst

cheryl.kalischgordon@rabobank.com
Twitter: @kalischgordon


# Grains & Oilseeds

## Deal or No Deal: Show Me the Grain

***July was marked by significant volatility in CBOT prices as a deal was signed for the export of Ukrainian grain from Black Sea ports... only for Russia to then bomb the Port of Odessa within 24 hours, followed by a ship leaving safely in early August.*** Over the course of the month, CBOT Wheat, Corn and Soybeans declined 12%, 20% and 2% MOM, respectively.

***Rabobank continues to expect above-average global prices, forecasting CBOT wheat to trade between USc 835bu to USc 880/bu over the next 12 months.*** Temporary calm windows of opportunity will result in vessels leaving Ukrainian ports, which will likely cause price weakness. However, we expect that as long as Russia continues its invasion of Ukraine, a sustained flow of grain is unlikely and the cost of exporting via this corridor will remain high, both of which will keep prices elevated for the rest of 2022.

Insights from Rabobank's rural network shows that combined NSW wheat, barley, and canola area is now 4% below that estimated in mid-May. The biggest reduction comes in the Central West region, where a 17% total decline in area including a large drop for canola, is now expected due to excessive rain and waterlogging. Planted area has also been impacted in QLD and is expected to be 8% below our May forecast. Area in VIC, SA, and WA remains largely unchanged from our May forecast, with a higher-than-expected proportion of the crop being canola, still expected. We now expect an AU winter crop area of 23.54m hectares, down 0.35% YOY and no longer the record area on the cards in May.

Coming into harvest we expect to face a trifecta of negative factors for local prices: a large crop in most regions, significant volumes of grain still on-farm on the east coast, and port zones still congested from last year's carryover. This trifecta will likely cause prices to enter the 'harvest pressure stage' earlier than normal, as farmers seek to empty grain bins ahead of the new crop.

KWI APW2 FIS 2021/22 crop traded down 5% MOM to AUD 395/tonne as of July 29. ***Rabobank forecasts KWI APW FIS to trade between AUD 370/tonne to AUD 420/tonne on average over the next 12 months.***

### *What to Watch*

- ***The BOM seasonal outlook brings bad and good news*** – BOM's late July seasonal outlook shows a very high chance of exceeding median rainfall between August and November on the east coast. This may mean good news for crops during their growth stages, but likely also means we can expect significant quality issues at harvest. Regarding temperature, BOM is forecasting a high chance of exceeding median minimum temperatures, meaning that we expect to see fewer frosts this year across the country, excluding the Kwinana area in WA, which has a small chance of exceeding the median minimum temperature.

# Prices Whipsaw on Ukraine News; Rainfall During Harvest on the Cards

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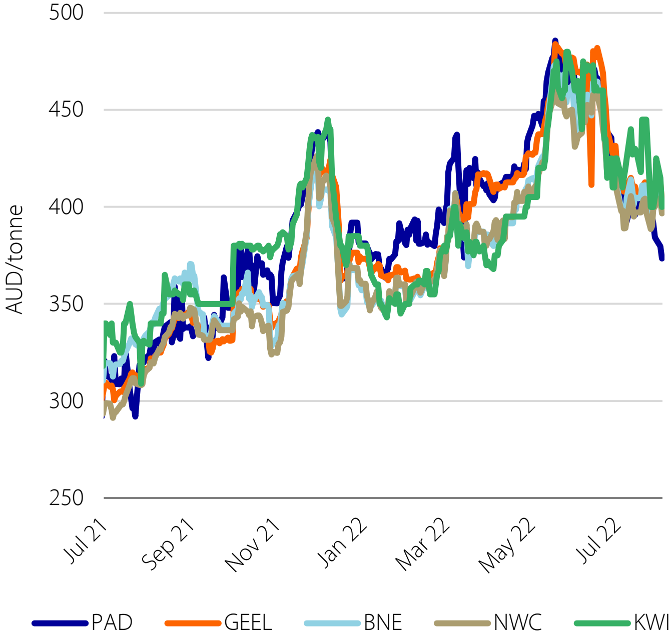
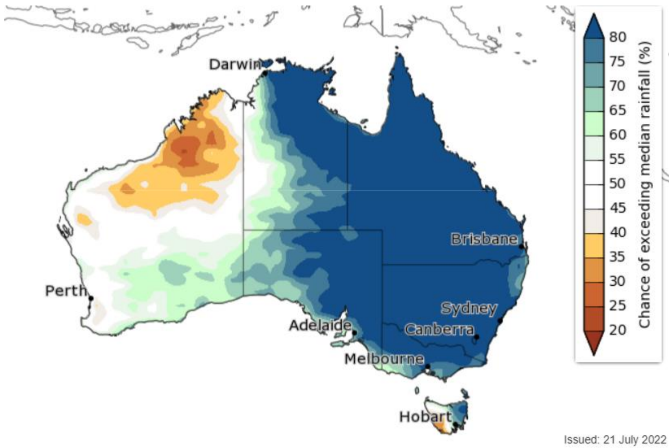
***Local wheat prices* down 5% MOM in July across port zones on average; global prices down 10% MOM***

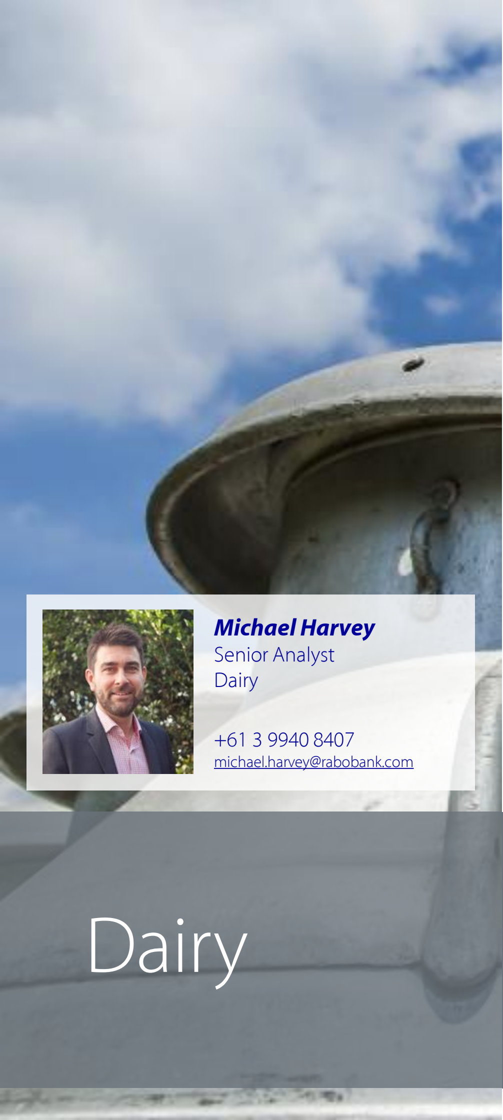



**Note: All track price except for KWI, which is FIS.*
*Source: Bloomberg, Rabobank 2022*

***Sept-Nov 2022 BOM rainfall outlook: Excess east coast rainfall on the cards during harvest***




*Source: BOM 2022*



# Dairy


***Michael Harvey***
Senior Analyst
Dairy

+61 3 9940 8407
michael.harvey@rabobank.com


# Commodity Market Weakness Lingers

***The Oceania dairy commodity complex was weaker in July.*** It was a mixed bag. Cheese prices posted the smallest declines while milk powder and butter prices fell close to 10%. The market fundamentals remain tight. Nonetheless, there are clearer signs of milk supply recovery. In contrast, there is growing concern surrounding dairy demand and this is leading to subdued import demand.

***Global milk supply remains a mixed bag.*** Oceania closed out the 2021/22 seasons with very heavy falls in milk production. Australian milk production was down 8.8% in May and trails the previous season by 3.5% with one month of data remaining. But new seasons are formally underway and better production volumes are expected. New Zealand milk production was marginally higher in June (noting that this is a low-volume month). US milk production marked a milestone with June in positive territory for the first time in more than one year. Poor weather and high costs are still plaguing EU milk volumes. Volumes in May – the peak month of the year – were down 1.4%.

***The situation in the China dairy market remains a must-watch.*** Local milk production is still expanding, inventories are elevated, and the consumer market is facing several headwinds. While many consumers are emerging from a long lockdown, there is an ongoing risk of further disruption. Consumer confidence is waning as the economy loses steam. Rabobank remains cautious about Chinese import demand in 2022 and weakness in trade volumes has emerged.

## *What to Watch*

- ***Farmgate margins*** – Farmgate milk prices across Australia are locked in at record levels. This is a positive story for dairy businesses despite some global uncertainties. The footings are in place to see a stabilisation in milk production losses in the 2022/23 season, despite the lingering challenges around labour availability and cost headwinds.

# Commodity Prices Still Trending Lower

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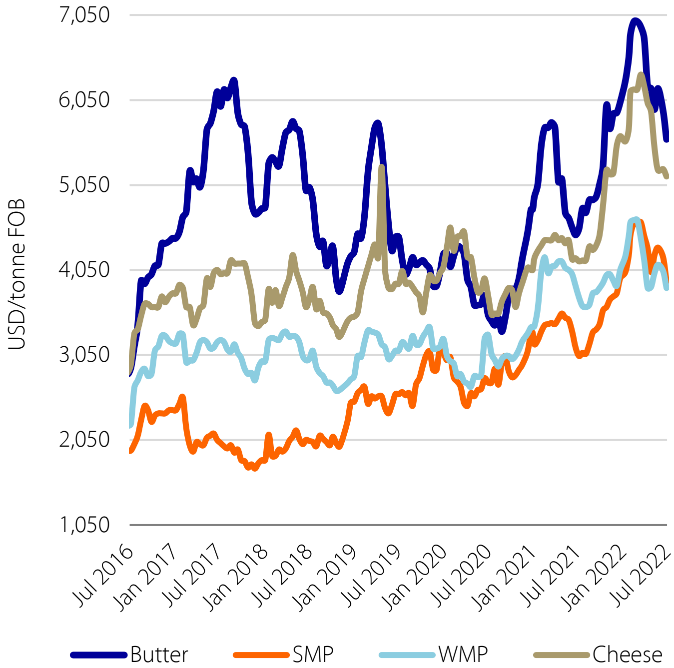
### *Global dairy prices, Jul 2016-Jul 2022*

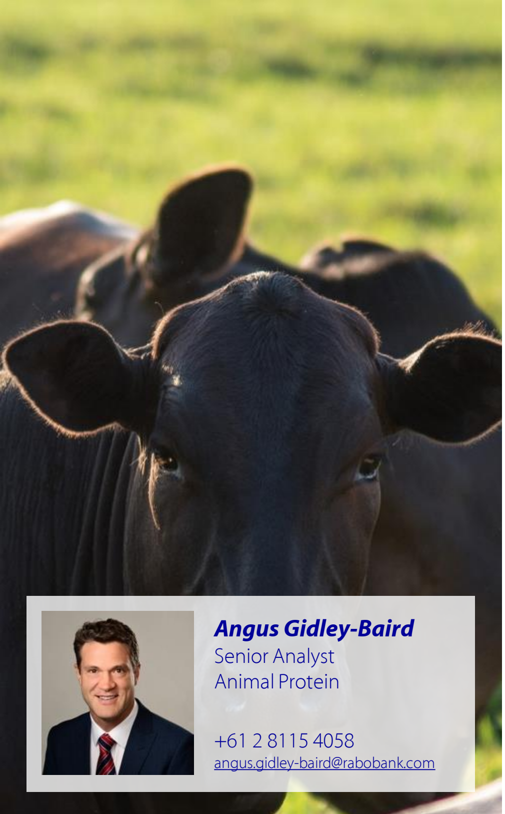



*Source: USDA, Rabobank 2022*

### *Production growth key exporting regions*

| | ***Latest month*** | ***Last three months*** |
|---|---|---|
| ***EU*** | -1.4% (May 22) | -0.6% |
| ***US*** | 0.2% (June 22) | -0.5% |
| ***Australia*** | -8.8% (May 22) | -6.6% |
| ***NZ*** | 1.1% for June in the 2022/23 season. | |

*Source: Rabobank 2022*



# Negative Year-on-year Growth

Cattle prices continued their decline through July with many now below year-ago prices – the first time that has occurred in over three years. While we forecast that prices would decline, they have been dropping a little faster than we expected, possibly due to the ongoing limited processing capacity putting the brakes on buying activity. Younger cattle and breeding stock are experiencing larger declines (between 10% and 18% over the month) as producers back out of the market. Heavy cattle have seen a smaller decline (down just 1% over the month), reflecting the ongoing limited supply and possible prioritisation of finished cattle through abattoirs. ***We expect prices to continue to contract through August, but the warmer spring months and pasture growth should see some stability return to the market.***

Slaughter numbers are slowly creeping up. East coast weekly slaughter for the four weeks up to 23 July were just 1% below the same period last year. But they remain 25% below the five-year average. ***Although ongoing constraints remain in the processing sector, July volumes are 14% higher than May volumes, showing there is gradual improvement.***

June beef exports (79,553 tonnes swt) were up 8% YOY, continuing the rise seen in May. However, data up to 28 July suggests July export volumes will be down about 12% YOY with big drops to the US and Japan. US imported lean trimmings prices (USD 2.60/lb) continue to fall, down 4% MOM and 14% since the high in March.

June live feeder/slaughter export volumes were down 57% at 33,801 head. Ongoing high cattle prices and exotic disease pressures in destination countries are constraining demand.

***Angus Gidley-Baird***
Senior Analyst
Animal Protein

+61 2 8115 4058
angus.gidley-baird@rabobank.com

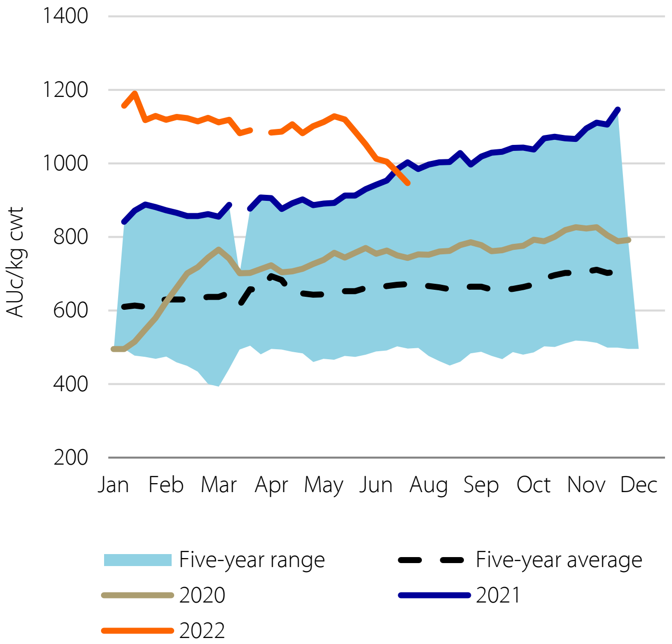
# Beef

## *What to Watch*

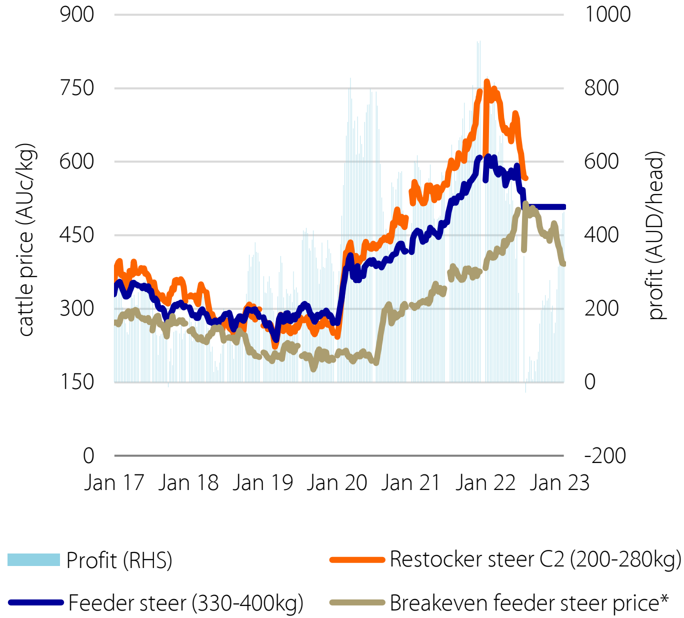
- ***Declining markets squeeze growing margins*** – With cattle prices falling, it pays to know your cost of production and market specs. The fall in feeder cattle prices will tighten grow-out margins for backgrounders. The national feeder price has fallen 16% in the last 180 days, which would make any profit on restockers purchased in January very slim. At current restocker prices, we estimate that feeder prices can fall no more than 15% over the next six months without compromising profits.

# Cattle Prices Dropping Below Year-ago Levels and Grow-out Margins Tighten

***EYCI experiences first year-on-year decline in over three years***




***Cattle margins tighten with declining prices***




**Note: Breakeven price based on purchased data price*
*Source: MLA, ALIC, RBA, Rabobank 2022*

# Prices To Fall Further, But Not Much

In contrast to last year, lamb prices turned south in July. This time last year prices were rising to record levels. This diverging path means the ESTLI on 21 July (AUD 7.26/kg) was 20% lower than in the same period last year. But a declining price is not unusual. Although July is a little earlier than we have seen historically, prices do usually dip in August or September. In 2021, for example, the ESTLI dropped from AUD 9.34/kg in early June to AUD 6.41kg in late August – but that was a Covid-19-influenced market. ***This year we believe it is more a supply-influenced market. Therefore, it should follow a more normal trend of prices easing until the end of the year, although modelling suggests there should not be too much more downside.***

Despite lamb prices falling, east coast weekly slaughter numbers also fell through the month of July, reaching a low of 291,349 in mid-July, the lowest volume since April. Lower numbers were recorded across VIC, SA, and NSW, although NSW saw an increase in the last week of July. Given the favourable seasons and expected increase in lamb availability, we suspect that Covid has had an impact on processing capacity in July, as case numbers peaked again.

Lamb exports for the month of June (24,086 tonnes swt) were down 8% YOY and volumes through 28 July indicate we will see another month of year-on-year decline. While lower exports are largely supply driven, we have seen volumes to China drop significantly for much of 2022. Volumes to the US also appear to be suffering a second month of year-on-year decline, which may be an indication that the US market is losing some heat as tougher economic conditions start to have an impact.

***Angus Gidley-Baird***
Senior Analyst
Animal Protein

+61 2 8115 4058
angus.gidley-baird@rabobank.com

## *What to Watch*

- ***China's demand for lamb*** – Chinese lamb imports are down 30% for the first six months of 2022, compared to Australia's overall lamb export volumes which are up 2%. On the other hand, mutton exports are up 11% for the same period. Covid lockdowns in China have severely impacted foodservice, particularly in major cities, and we believe this has had an impact on lamb volumes, whereas mutton has been less exposed. With lockdowns being lifted in June (although some are being reinstated) we wait to see if foodservice and lamb volumes pick up.

# Sheepmeat

# Lamb Prices Dropping Earlier Than Normal as Export Volumes to China Remain Low

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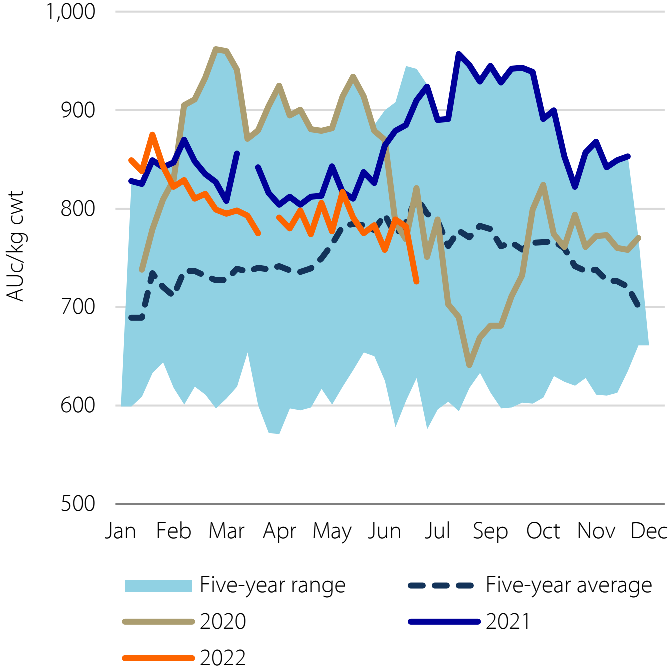
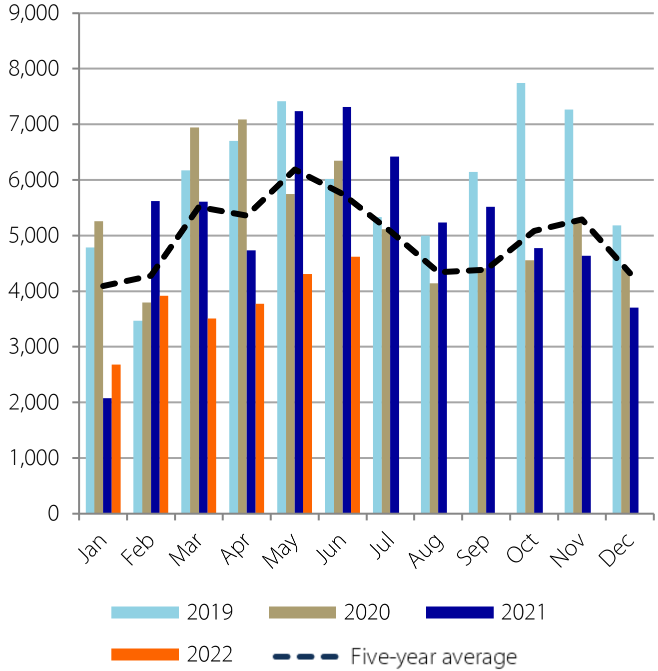
***ESTLI dropped earlier than usual***




***Lamb exports to China down 30% YTD***




*Source: MLA, DAWE, Rabobank 2022*

# Brazilian Bales Are Another Bear

***After June's substantial step down, global cotton prices traded down another 2.5% during July, to consolidate in a range not seen for 12 months.*** The downside in production forecasts for the US crop remains in play, but there is no change in our concerns about the global economy and, hence, cotton demand. Plus, at least the third-largest Brazilian crop on record will come to market in the coming months, meaning ***we continue to expect flat-to-declining global pricing over the year ahead.***

Favourable price and margin prospects prompted Brazilian famers to plant a 17% YOY increase in cotton hectares earlier this year– just 4% below the 2019/20 record planting. Even though Brazilian cotton regions have been dry since April, an earlier planting window this year has limited the dry conditions' impact on yields. ***Current expectations are for a 12.3m bale Brazilian cotton crop, a 14% YOY increase and the third-largest crop on record.*** Harvest progress is ahead of last year's in the major cotton region of Mato Grosso and there are reports that Brazil might even push towards its second-largest cotton volume on record.

***The USDA continues to have the upcoming US cotton harvest forecast at 15.5m bales.*** Rabobank isn't alone in thinking this is optimistic given the most recent crop condition report – only 34% of the crop is rated as good or excellent, lower than in the last four years, and 30% is rated as being in poor or very poor condition. Regionally, the Delta cotton crop looks reasonable, but the Texas crop is already a disaster despite some rain falling there this past week. The market has likely already priced expected production downside in. Still, that doesn't mean that when they do downgrade the estimate to below 15.5m bales we won't see at least some temporary upside to ICE #2 in the coming months.

***Local prices followed global ones down another 7% during July, with a return to positive basis staving off further losses.*** The return of positive basis with falling global prices is not surprising however, given the logistical challenges in moving cotton to market this year, we expect basis to remain subdued in the coming months. ***We currently see local cotton trading in its five-year average range by mid-2023.***


***Cheryl Kalisch Gordon***
Senior Commodities Analyst

cheryl.kalischgordon@rabobank.com
Twitter: @kalischgordon


# Cotton

## *What to Watch*

- ***Global growth*** – Last week the International Monetary Fund updated its growth forecasts. It now expects the world economy to grow 3.2% in 2022 and slow to 2.9% in 2023 – a downgrade of 0.4 and 0.7 percentage points, respectively, from its April update. Global cotton consumption growth correlates with global growth, so we can expect lower cotton consumption growth in the year or so ahead.

# AU Basis Is Back, but So Is a Brazilian Bounce

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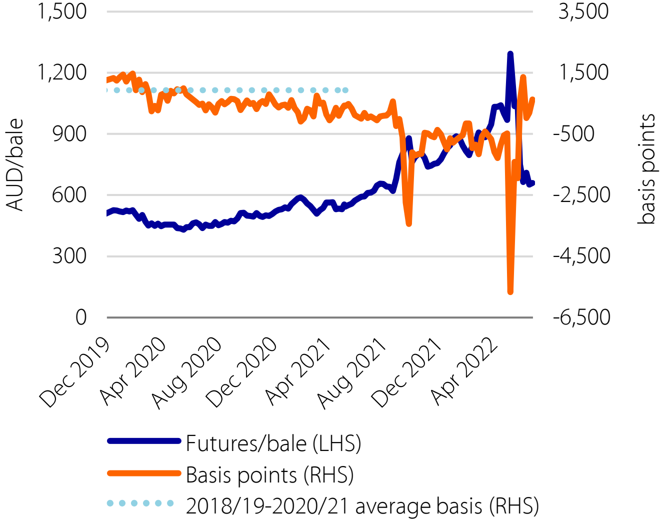
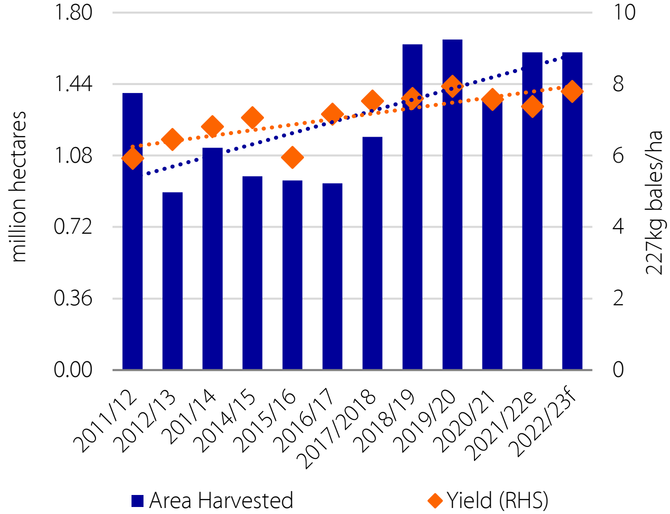
***Positive AU cotton basis for the first time in 10 months offsets some of the local impact of global price declines***




*Source: Bloomberg, Cotton Compass, Rabobank 2022*

***Higher Brazilian planted area, despite lower yields, is likely to bring in at least Brazil's third-largest cotton crop on record in 2021/22***




*Source: USDA, Rabobank 2022*

***With the growing possibility of a global cotton surplus in production in 2022/23 we continue to expect trading to be back in the five-year average pricing range by mid-2023.***

# Prices Ease on Darker Outlook

***Prices eased across most micron ranges over July as declining global economic conditions began weighing on buyer sentiment. Central banks continue to intensify their rhetoric about rising interest rates to curb the worst inflation in decades. The EMI declined 3.4% over July.***

The University of Michigan's US Consumer Sentiment Index stayed largely flat in July, rising 2%, but is an entire 42% below the post-pandemic peak reached in March of 2021.

In a sign of good news, however, US woollen suit imports for May came within 12% of the pre-pandemic 2019 levels. Woollen suit import data for both Japan and France remained largely unchanged for May, at one-third and two-thirds below pre-pandemic levels, respectively. As heading back to offices becomes increasingly compulsory, we expect suit demand this year to be supported and help alleviate some of the negative factors weighing on wool prices: rising interest rates, inflation, and slowing economies.

Chinese retail apparel sales showed an improvement over June, with data jumping back to above pre-pandemic 2019 levels (15% above June 2019), following an easing of lockdowns in key population hubs. The data also showed 3% growth over June 2021. In the UK, retail apparel sales slowed to only 1.6% above pre-pandemic 2019 June levels, but were up 10% on June 2021. US retail apparel sales in May were 16.2% above pre-pandemic May 2019 levels, but unchanged YOY.

National wool tested data for July was 20,429 tonnes compared to 18,489 tonnes reported in July 2021, up 10% YOY.

May national wool exports were 33.7m kg, up 3.9% YOY, with 81% heading to China.


***Dennis Voznesenski***
Agricultural Analyst, Wool and Grains & Oilseeds

dennis.voznesenski@rabobank.com
Twitter: @Voz_Dennis


Wool

## *What to Watch*

- ***Container freight outlook*** – Rabobank's recently released *Global Ocean Freight Outlook 2022* states that most global container spot rates have significantly declined from 2021 peaks, but we do not expect rates to fall back to 2020 levels. Schedule reliability is expected to recover, but slowly. Congestions are expected to remain at key ports until the first half of 2023.
- ***Market access*** – No recent large trade barriers have been put up between the US and China nor Australia and China, but developments most be closely watched.

# Prices Ease as Global Macro Factors Weigh on Longer-term Outlook

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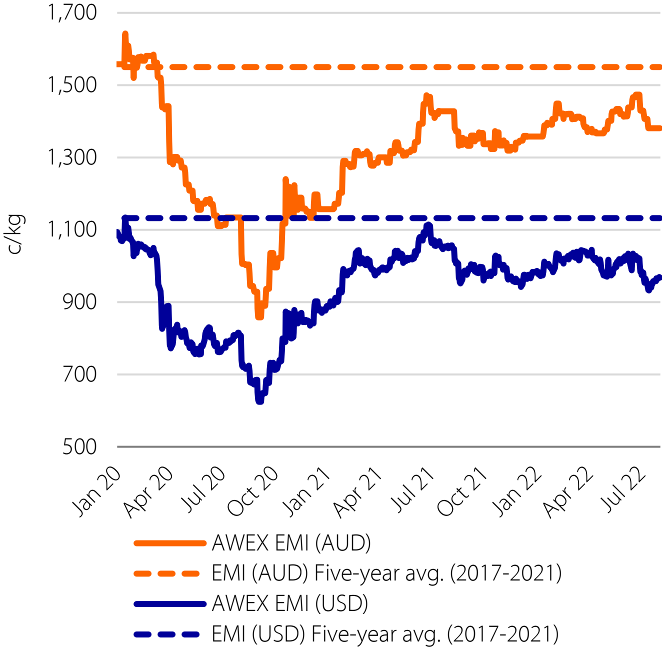
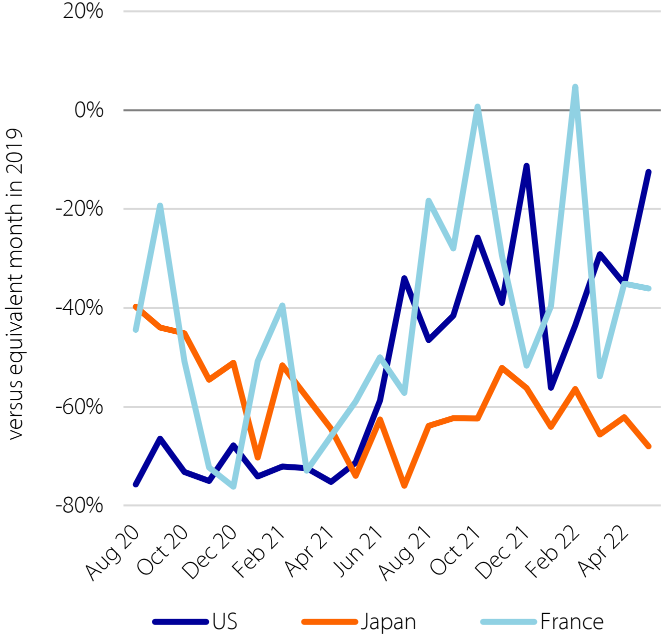
***EMI peaked in mid-June before declining on reduced demand at auctions***




*Source: Bloomberg, Rabobank 2022*

***US May woolen suit imports are only 12% below pre-pandemic May 2019 levels***




*Source: National Bureau of Statistics of China, University of Michigan, Rabobank 2022*


***Michael Harvey***
Senior Analyst

+61 3 9940 8407
michael.harvey@rabobank.com


# Downstream Markets

## Consumer Headwinds Intensifying

***The latest quarterly Consumer Price Index (CPI) data has shown a continuing rise in Australian food price inflation.*** June 2022 quarter food prices increased 5.9% compared with the June quarter last year. This was the highest year-on-year increase seen in food prices in the CPI since Q3 2011, when yearly food price inflation peaked at 6.4%. It compares with the 4.3% year-on-year increase in food prices seen in the CPI data for the March 2022 quarter.

***There had been an increase 'across the grocery basket,' with prices rising for dairy, meat, fresh produce, bread, and cooking oils***. There was also an increase in out-of-home food costs. Consumers need to brace for more food price rises to come, with the peak in inflation potentially not yet reached.

***Australia's food markets posted mixed results in June.*** Food retail turnover was down 0.3% in June 2022 versus May 2022. In contrast, foodservice turnover was 2.7% higher in June 2022 compared to the previous month. Overall, combined turnover in the food market was 0.5% higher in June 2022 versus May 2022. When compared to year-ago levels, the food market has remained resilient so far with a combined turnover 9.2% higher in June 2022 versus June 2021 and up 6.5% for the first half of 2022 versus the same period in 2021.

***China's food market is emerging from a quarter of major Covid-related disruptions.*** Food companies have shed light on the damage from extended lockdowns across parts of China in Q2 2022. Restrictions have been easing since June, but the situation remains tenuous.

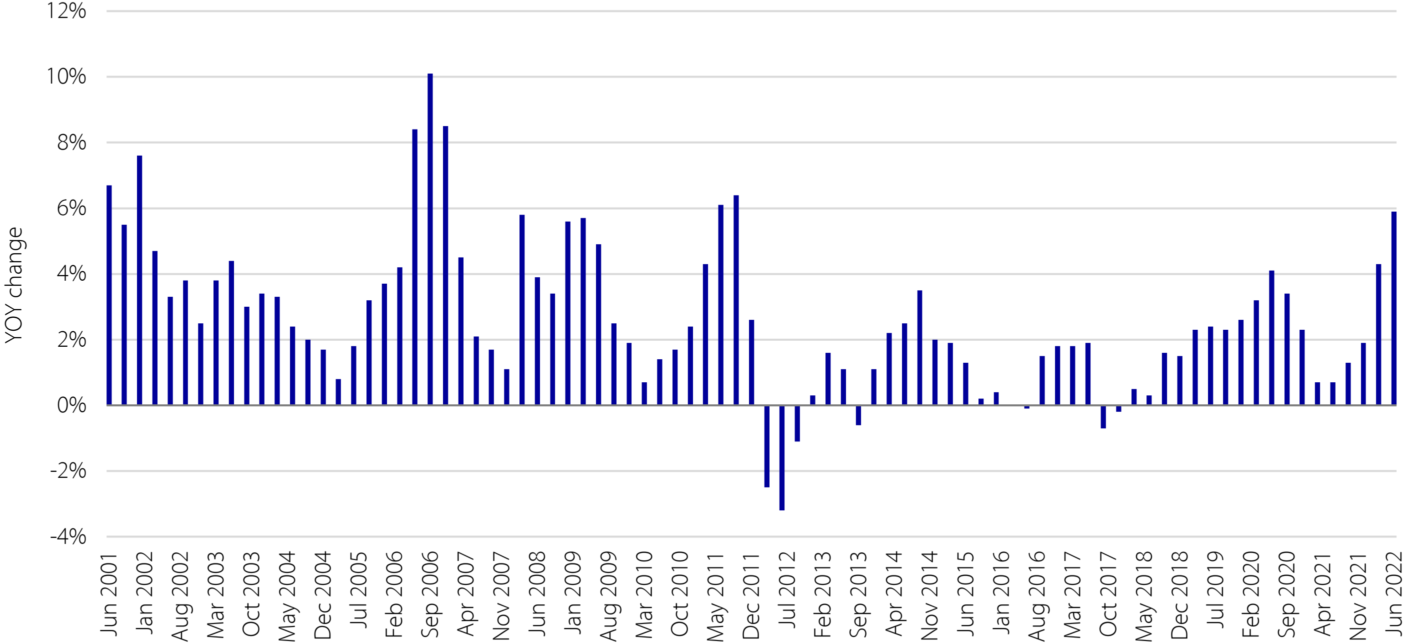
### *What to Watch*

- ***Consumer response to inflation*** – There are emerging signs of changed consumer behaviour in response to cost-of-living pressures in many economies. At this stage, food consumption has remained reasonably resilient but trading down in food types and reduced spending on discretionary items is more visible. The real test lies ahead.

# Food Inflation Pressures Building in Australia

Rabobank

***Australian consumer prices for food and non-alcoholic beverages***

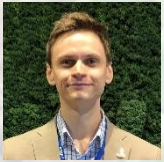



*Sources: ABS, Rabobank, 2022*

# Urea Price Reprieve Window Gone

***Cheryl Kalisch Gordon***
Senior Commodities Analyst

cheryl.kalischgordon@rabobank.com
Twitter: @kalischgordon



***Dennis Voznesenski***
Agricultural Analyst, Grains & Oilseeds, and Wool

dennis.voznesenski@rabobank.com
Twitter: @Voz_Dennis

***After several months of falling global urea markets, July saw prices consolidate at 11-month lows. This is alongside signs that supply- and demand-side issues will move markets higher again in coming months.***

In the closing days of July, Russia added Latvia to the list of countries it would not export gas to unless paid for in rubles – a move that would breach the EU's sanctions on Russia. Latvia joins Poland, Bulgaria, Finland, Denmark, and the Netherlands, as well as Hamburg-based company Shell Energy Europe in competing for alternative gas supplies. The end of month announcement triggered a 15% WOW lift in the Tampa ammonia spot-price index, and its highest level since May.

***Late Q3 in the Northern Hemisphere means it is time to stock up on nitrogen for winter crops. Winter heating needs are also on the radar as Q3 turns into Q4. These factors mean the cost of gas, and therefore ammonia production, will likely lift. We can expect continued upside price pressure in nitrogen markets through the end of the year.***

***News this past month from China further underscores this likelihood, with some urea exporters reportedly asked to suspend exports.*** Market commentators now suggest that China's urea exports will now start falling and remain limited until April 2023. On top of this, China is expected to implement restrictive quotas on phosphate exports for the rest of 2022, with the likelihood of a complete ban between January and April 2023 to ensure its own domestic needs are met.

It had been hoped that a longer reprieve in global fertiliser markets would deliver some downside to local fertiliser markets. ***But with global markets already moving higher, we now see less chance of local prices finding lower ground in the next six months.***

# Farm Inputs

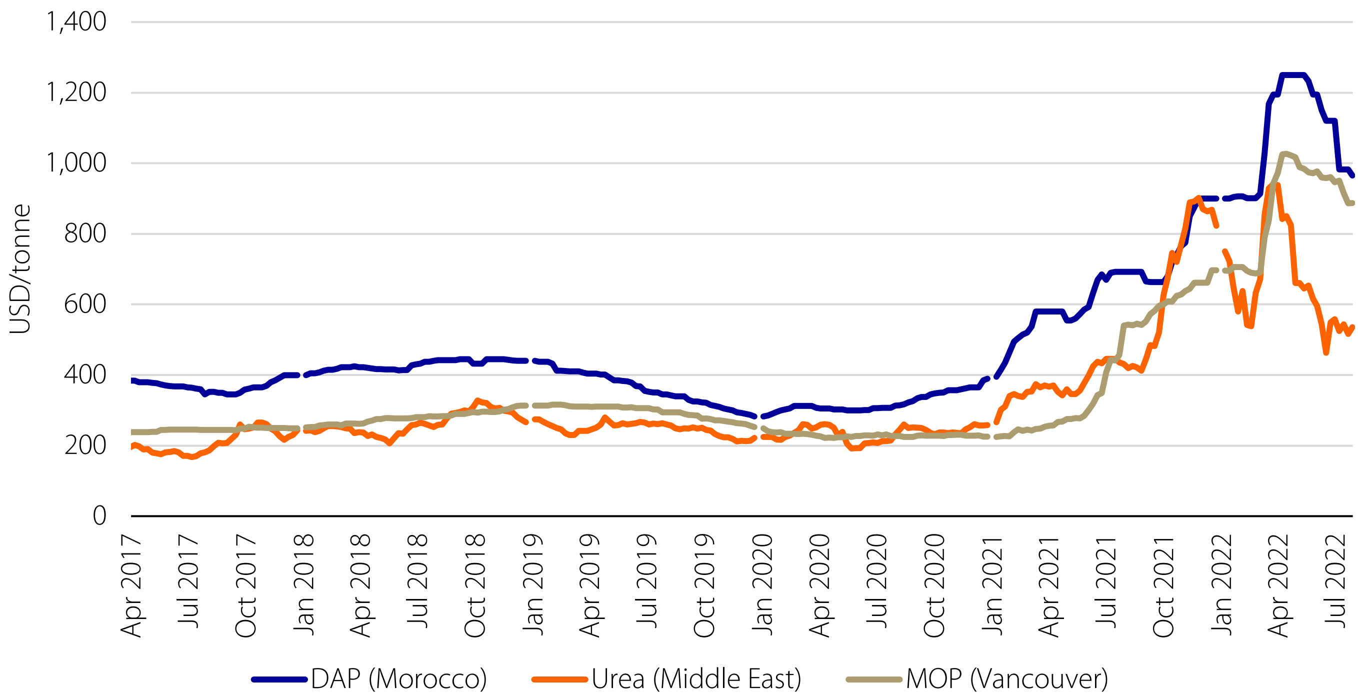
## *What to Watch*

- ***Agri-chemical prices*** – While there are a lot of moving parts in the pricing of agri-chemicals in Australia, the declining cost of key ingredients in China does point to the potential for some price relief. Glycine, a key constituent in glyphosate, for example, is trading at more than 12-month price lows in China. It has fallen almost 65% since the beginning of the year.

# Global Urea Low Not Long Enough To Translate to Local Relief

Rabobank

***Global fertiliser benchmarks, Apr 2017-Jul 2022***




*Source: CRU, Rabobank 2022*

# Fourth Rate Hike This Year, With More To Follow

***The 50-basis-point hike in August is still not enough to bring inflation back into the target range and more interest rate hikes are to be expected in 2022. The AUD remains volatile, with a strong USD currently dominating, but we forecast a recovery to USc 0.70 on a six-month timeline and 0.74 on a 12-month horizon.***

- ***RBA continues to warn Australians to prepare for more interest rate increases.***
- The gap between the cash rate at 1.85% and the ***five-year swap***, which fell below 3.5%, has narrowed with the July rate hike. ASX 30 Day Interbank Cash Rate Futures also fell below 3% for December 2022 and peaks at 3.2% for May 2023.
- ***More analysts have increased their cash rate forecast*** into the 3% to 4% range.
- Higher interest rates in Australia are driving a noteworthy impact on house prices, but not so much on agricultural land values.
- The RBA rate hikes failed to support the AUD, with the ***AUD*** remaining below the 0.70 level against the USD. On the back of another 75-basis-point hike from the Fed this July, the USD is picking up support from safe haven flows and we expect AUD/USD levels to hold around current levels on a one- to three-month horizon.

***Stefan Vogel***
General Manager
RaboResearch AU & NZ

stefan.vogel@rabobank.com

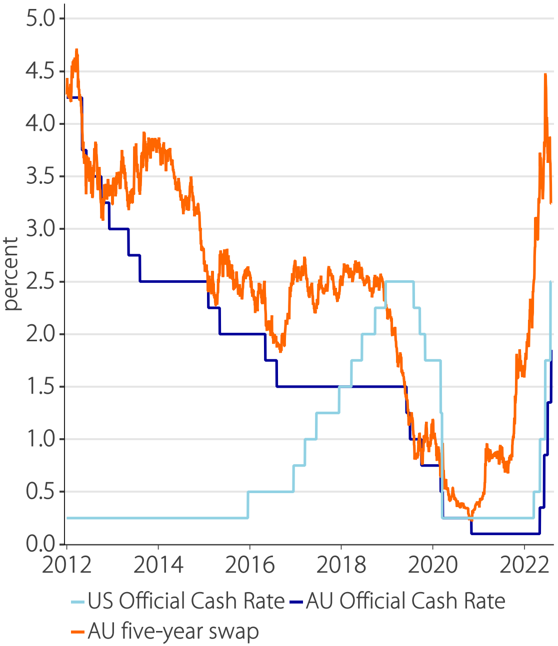
# Interest Rate & FX

### *What to Watch*

- ***AUD to remain volatile*** – We estimate a recovery 0.74/USD on a 12-month horizon.
- ***The RBA will have to push more interest rate hikes*** – These will likely put the cash rate above 3%.

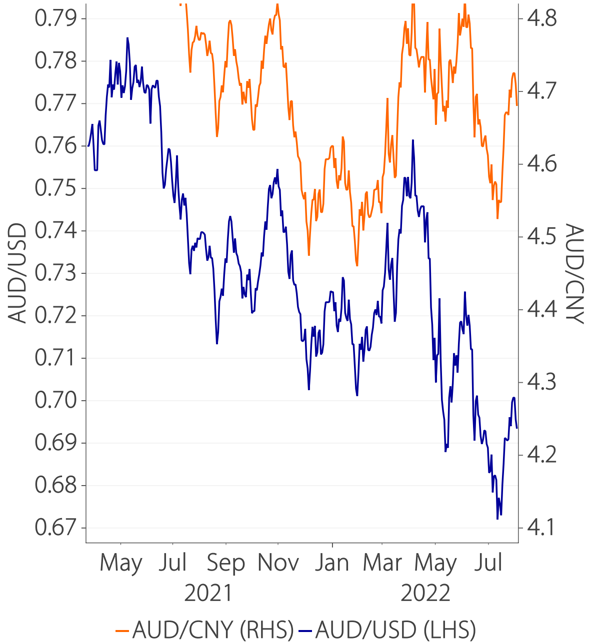
# Interest Rates: August Cash Rate Increase Will Be Followed by More Hikes in 2022

***The AU cash rate narrows the gap with the five-year swap, but more hikes in AU expected***




*Source: Macrobond, Rabobank 2022*

***The AUD recovered towards 0.7 against the USD in late July, with a 12-month target of 0.74***




*Source: Macrobond, Rabobank 2022*

***Stefan Vogel***
General Manager
RaboResearch AU & NZ

stefan.vogel@rabobank.com

***Xinnan Li***
Analyst – F&A Supply Chains

xinnan.li@rabobank.com

***Viet Nguyen***
Analyst – F&A Supply Chains

viet.nguyen@rabobank.com


Oil & Freight

# Energy Prices Are Volatile; Container Shipping Prices Continue To Fall

***Crude oil faced another volatile month balancing a tight supply outlook with recession fears.*** Having fallen temporarily below USD 100/bbl, Brent crude oil in July has recovered again. Global inventories remain low. As per the IEA forecast they stood 10% below the five-year average by the end of June. In addition, the continued uncertainty of Russia's future oil exports supports prices. We expect continued volatility at a high price level and tight global supply to outweigh recession-driven demand concerns. Diesel prices globally rose stronger than crude prices this year due to an ongoing global shortage of refining capacity as well as seasonal summer demand in the Northern Hemisphere.

***Global ocean rates remain well below the 2021 peak and are expected to normalise over the next 12 months.*** The global container rate index continues to fall and was down 10% MOM in July. The Europe-North America rate is falling slower compared to other lanes' rates due to strong demand and port congestions on both sides. The normalised rates are expected to stay higher than pre-pandemic levels due to four structural factors. Heightened inflation and all-time-low consumer confidence exert negative pressure on ocean rates, while three other factors are creating upward pressure: imbalanced trade flows removing container capacity from the network, increased risks from geopolitical uncertainties, and rising operational costs from fuel and sustainability regulations.

***The Baltic Panamax index (a proxy for grain bulk freight) continued its downward trend, declining another 22% MOM in July.*** Russia and Ukraine signed a UN-backed deal to resume grain exports via the Black Sea. Whether exports from Ukraine ports will be successful is far from certain and bulk freight rates will likely remain volatile.

## *What to Watch*

- ***Oil markets remain tight globally*** – As the West moves away from Russian supplies there remains limited room for supply disruptions. High Northern Hemisphere demand coupled with potential relaxations of China's lockdowns elevate upside price risk.
- ***Container freight rates to normalise over next 12 months*** – Port congestions, now more in North America and Europe than in Asia, are challenges to overcome.

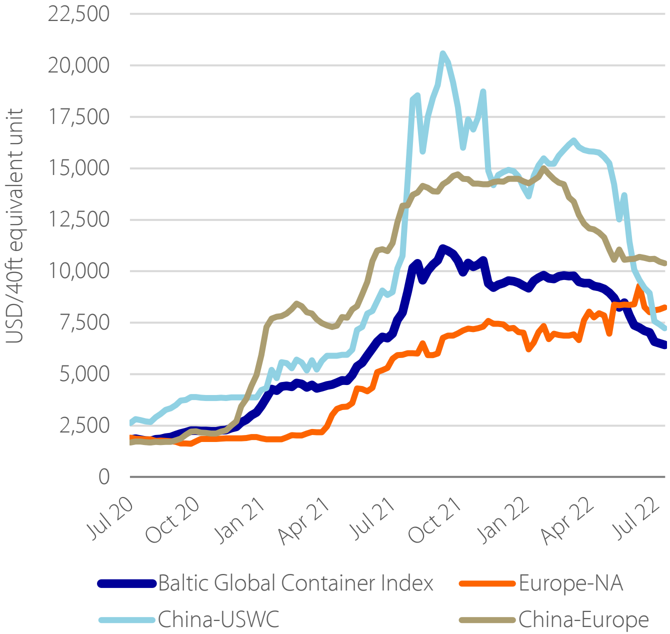
Source: AIP, Bloomberg, Rabobank 2022

Source: Bloomberg, Rabobank 2022

# Australian Diesel Fell Back Slightly in July

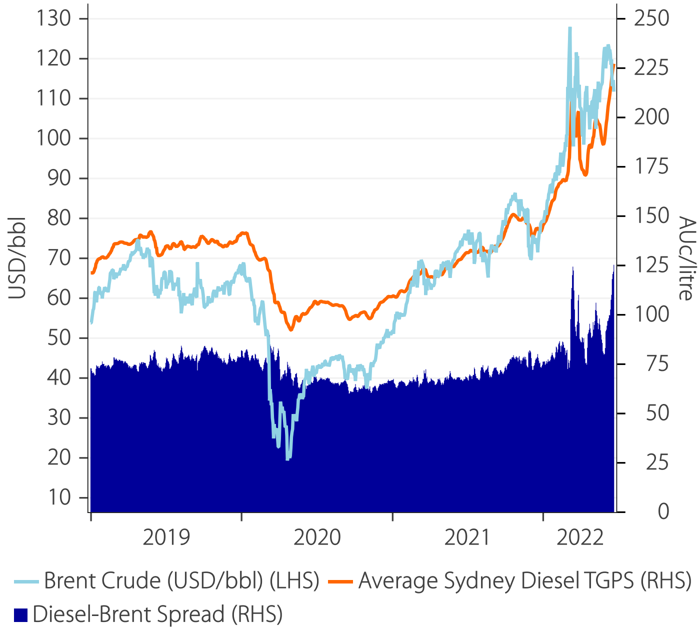
Rabobank

***Container rates in major global trade lanes, Jul 2020-Jul 2022***




*Source: Baltic Exchange, Bloomberg, Rabobank 2022*

***Brent Crude Oil and Average Sydney Diesel, Jan 2019-Jun 2022***




*Source: Macrobond, Rabobank 2022*

# Agri Price Dashboard

| 29/07/2022 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| Grains & oilseeds | | | | | |
| CBOT wheat | USc/bushel | ▼ | 808 | 916 | 640 |
| CBOT soybean | USc/bushel | ▼ | 1,637 | 1,674 | 1,360 |
| CBOT corn | USc/bushel | ▼ | 616 | 770 | 695 |
| Australian ASX EC Wheat Track | AUD/tonne | ▼ | 410 | 420 | 292 |
| Non-GM Canola Newcastle Track | AUD/tonne | ▼ | 769 | 782 | 721 |
| Feed Barley F1 Geelong Track | AUD/tonne | ▼ | 362 | 380 | 255 |
| Beef markets | | | | | |
| Eastern Young Cattle Indicator | AUc/kg cwt | ▼ | 888 | 1,018 | 934 |
| Feeder Steer | AUc/kg lwt | ▼ | 488 | 542 | 476 |
| North Island Bull 300kg | NZc/kg cwt | • | 605 | 605 | 560 |
| South Island Bull 300kg | NZc/kg cwt | ▲ | 605 | 590 | 515 |
| Sheepmeat markets | | | | | |
| Eastern States Trade Lamb Indicator | AUc/kg cwt | ▼ | 634 | 783 | 930 |
| North Island Lamb 17.5kg YX | NZc/kg cwt | ▲ | 920 | 890 | 810 |
| South Island Lamb 17.5kg YX | NZc/kg cwt | ▲ | 925 | 895 | 800 |
| Venison markets | | | | | |
| North Island Stag | NZc/kg cwt | ▲ | 805 | 795 | 550 |
| South Island Stag | NZc/kg cwt | ▲ | 820 | 805 | 560 |
| Oceanic Dairy Markets | | | | | |
| Butter | USD/tonne FOB | ▼ | 5,588 | 6,188 | 4,663 |
| Skim Milk Powder | USD/tonne FOB | ▼ | 3,913 | 4,313 | 3,463 |
| Whole Milk Powder | USD/tonne FOB | ▼ | 3,838 | 4,112 | 4,050 |
| Cheddar | USD/tonne FOB | ▼ | 5,150 | 5,225 | 4,400 |

# Agri Price Dashboard

| 29/07/2022 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| Cotton markets | | | | | |
| Cotlook A Index | USc/lb | ▼ | 131.4 | 135.5 | 97 |
| ICE No.2 NY Futures (nearby contract) | USc/lb | ▼ | 103.1 | 104.3 | 86 |
| Sugar markets | | | | | |
| ICE Sugar No.11 | USc/lb | ▼ | 17.5 | 18.6 | 17.2 |
| ICE Sugar No.11 (AUD) | AUD/tonne | ▼ | 554 | 593 | 468 |
| Wool markets | | | | | |
| Australian Eastern Market Indicator | AUc/kg | ▼ | 1,381 | 1,430 | 1,440 |
| Fertiliser | | | | | |
| Urea Granular (Middle East) | USD/tonne FOB | ▼ | 545 | 690 | 450 |
| DAP (US Gulf) | USD/tonne FOB | ▼ | 925 | 1,000 | 650 |
| Other | | | | | |
| Baltic Panamax Index | 1000=1985 | ▼ | 2,051 | 2,510 | 4,010 |
| Brent Crude Oil | USD/bbl | ▼ | 110 | 116 | 75 |
| Economics/currency | | | | | |
| AUD | vs. USD | ▲ | 0.699 | 0.688 | 0.751 |
| NZD | vs. USD | ▲ | 0.628 | 0.622 | 0.699 |
| RBA Official Cash Rate | % | ▲ | 1.35 | 0.85 | 0.10 |
| NZRB Official Cash Rate | % | ▲ | 2.50 | 2.00 | 0.25 |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# RaboResearch Food & Agribusiness Australia and New Zealand


***Stefan Vogel***
Head of Food & Agribusiness Research and Advisory, Australia and New Zealand
+61 460 734 578
Stefan.Vogel@rabobank.com

***Angus Gidley-Baird***
Senior Animal Protein Analyst
+ 61 424 266 909
Angus.Gidley-Baird@rabobank.com

***Michael Harvey***
Senior Dairy & Consumer Foods Analyst
+61 409 488 485
Michael.Harvey@rabobank.com

***Cheryl Kalisch Gordon***
Senior Commodities Analyst
+61 412 419 209
Cheryl.KalischGordon@rabobank.com

***Pia Piggott***
Associate Analyst
+61 460 734 578
Pia.Piggott@rabobank.com

***Emma Higgins***
Senior Agriculture Analyst
+64 27 600 5549
Emma.Higgins@rabobank.com

***Genevieve Steven***
Agriculture Analyst
+64 02 139 4585
Genevieve.Steven@rabobank.com

***Dennis Voznesenski***
Agriculture Analyst
+61 438 595 314
Dennis.Voznesenski@rabobank.com

***Catherine Keo***
Business Coordinator
+64 418 404 237
Catherine.Keo@rabobank.com

***Rabobank Australia***
Nearest branch call 1800 025 484
https://www.rabobank.com.au