Heavy Inflation and Rate Hikes

Australia Agribusiness Monthly

June 2022

RaboResearch
Food & Agribusiness
Rabobank

Commodity Outlook

Rabobank

Grains & Oilseeds	Low and falling stocks in 2022/23 are expected to keep global prices trading 100% higher than the five-year average with no sustained softening until mid-next year.
Dairy	Global commodities are doing the heavy lifting for local milk prices, but markets have likely passed the peak. The global supply outlook remains somewhat unclear as costs on-farm rise and erode margins.
Beef	East coast rains support cattle prices but with the forecast of a wet winter we may see easing producer demand in southern states.
Sheepmeat	With relatively balanced markets we expect lamb prices to remain steady but not see a lot of upside in the traditionally stronger winter months.
Cotton	Despite global price softening on the cards in H2 2022, and more so if the rain forecast for West Texas this week doesn't disappoint, we still expect AU cash prices trading above AUD 700/bale to the end of the year.
Wool	Storm clouds gather on the horizon.
Downstream Markets	With each passing day, consumers are becoming more acutely aware of the broader inflationary pressures across the global economy. This is impacting discretionary spending and we are seeing trading down.
Farm Inputs	Global urea prices have fallen but we do not expect a sustained, or further, decline unless hostilities cease in Ukraine, something that is considered unlikely in coming months.
FX/Interest Rates	Rabobank forecasts the AUD to rise further to 0.74/USD on a 12-month horizon. The average of the Official Cash Rate forecast of 30 bank analysts is 0.93% for Q4 2022 and 1.75% for Q4 2023, up from 0.35% in May 2022.
Oil/Freight	Oil markets remain tight globally and a big potential price driver is the planned EU sanction banning imports of crude oil from Russia into the EU. Port congestion in Asia seems to have cleared up, but global bottleneck issues remain.

More Wet Weather for North and East Australia

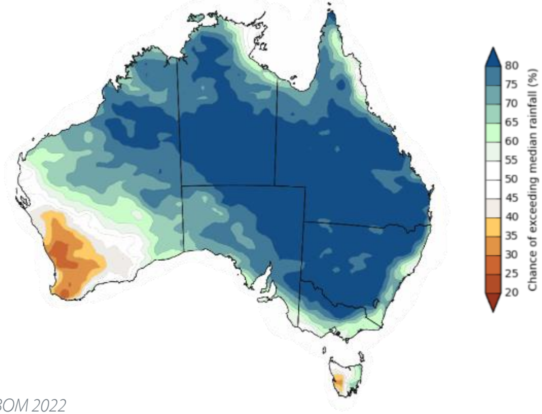
The Bureau of Meteorology (BOM) expects a high chance that rainfall will exceed averages for large parts of Australia this winter.

BOM's outlook sees Northern and Eastern Australia with a greater than 60% chance of exceeding median rainfall this winter. However, for south-west WA and western Tasmania, there is a lower chance of exceeding average rainfall.

ENSO is expected to return to neutral conditions this winter. 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. BOM also notes that the accuracy of models is very low during this period.

Winter rainfall expectations

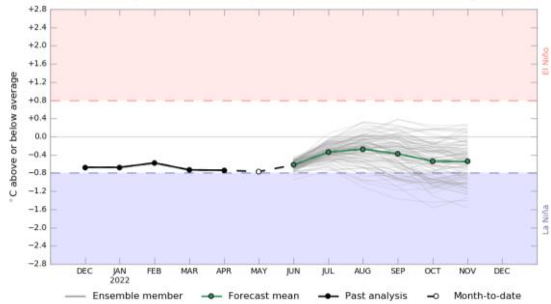
June-August 2022 rainfall outlook



Source: BOM 2022

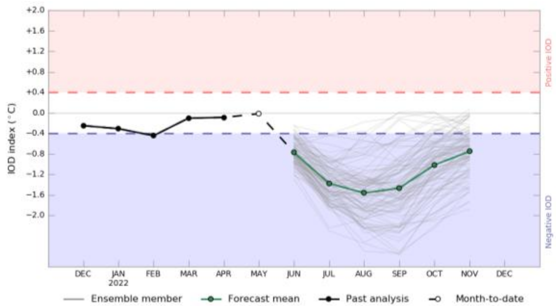
Neutral, but La Niña like conditions this winter

Monthly sea surface temperature anomalies for the central Pacific Ocean



Negative IOD developing

Monthly sea surface temperature anomalies for the Indian Ocean



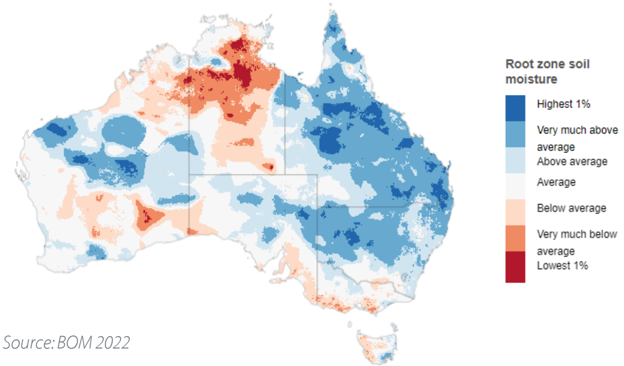
Above Average Rainfall Continued in May for Eastern Australia

High levels of rainfall continued in Queensland and New South Wales this May.

Heavy rainfall continued over eastern Australia this month where parts of Queensland and inland NSW received substantial rainfall, exceeding monthly and daily records. This provided a favourable start to the east coast cropping regions as soil moisture was above average.

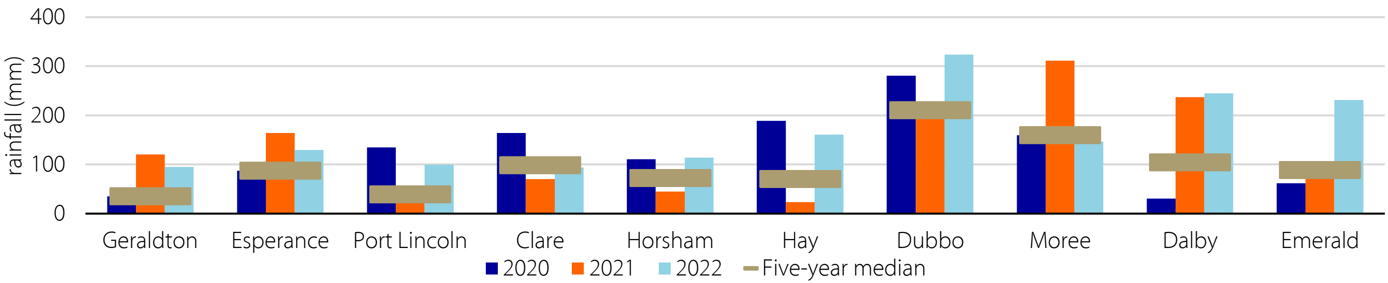
Rainfall conditions were below average in southwest WA and in parts of South Australia. Western Tasmania received some much welcome rain after a below average start to the year.

Relative soil moisture, May 2022



Source: BOM 2022

March-May rainfall



Source: BOM 2022

Options for Restocking, Gone

The May USDA WASDE report confirmed it in the minds of global markets: ***we're on track for a fourth consecutive year of global wheat stock erosion in 2022/23***. They expect a 12.7m tonnes YOY drop in stocks, putting the 2022/23 world-less-China stocks-to-use ratio at 19.6% and the lowest since 2007/08. ***Rabobank forecasts CBOT wheat to remain around USc1120/bu in Q3 2022 with no sustained softening until after the start of the northern hemisphere harvest of mid-2023.***

New season supply tightness stems from challenging outlooks in the Ukraine and the US, but also dryness in France, India's wheat export ban and news of Russia's export tax. Ukrainian production is forecast to be 35% lower YOY and Russian production is forecast to be below trade estimates at 80m tonnes – questions over how much is produced and can be exported will be swing factors for price this year, as will any signs of peace.

The USDA has ***AU pegged for 30m tonnes of wheat production in their 2022/23 outlook. We think this is 2m to 3m tonnes under,*** with our current expectations for production to be down 10% from last year's record, but still more than 30% above the five-year average. With additional wheat hectares this year, good soil moisture and a favourable outlook, this could go higher, but excess moisture-driven planting delays and in-season risks support our forecast 32.5m tonnes for now.

With a softer AUD and 14% lift in CBOT wheat in May, APW1 prices gained 6% to 15% in May. But feed wheat and barley found the most gains, with feed barley up 24% and 22% in NWC and KWI, respectively, and feed wheat up 13% and 27% in GEEL and KWI, respectively. Discounts to global prices continue to be heavy with sales from Adelaide still performing best on that front. ***Ongoing discounts but high global prices mean we see APW1 trading at an average above AUD 400/tonne out to Q2 2023.*** See our ***Hoping for a Hat-trick Crop Outlook Report*** released earlier this week for a comprehensive look at our expectations for pricing and production for all crops and input costs.

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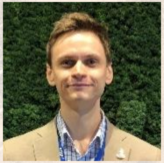

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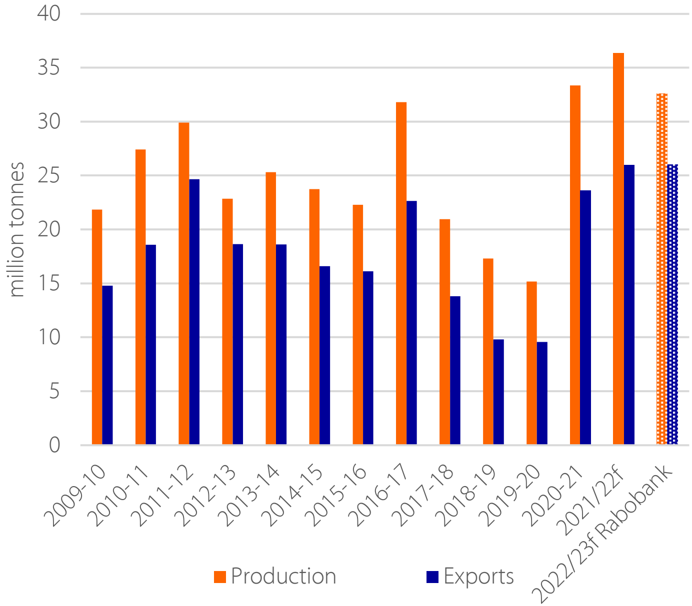
Grains & Oilseeds

What to Watch

- ***Sino-Australian relations*** – Following the licenses of Canada's top canola traders to export to China being reinstated this past month, plus a change in the Australian government, calls for China to remove its tariffs on Australian coal, wine and barley have lifted. In the context of such a tight global grains market and high prices, the change of AU government does present the most promising juncture for removal of the tariffs on barley so far. However, the change of the US government presented no such change in US-Sino trade relations and tensions behind ongoing developments in Sino-Pacific nations cannot be ignored.

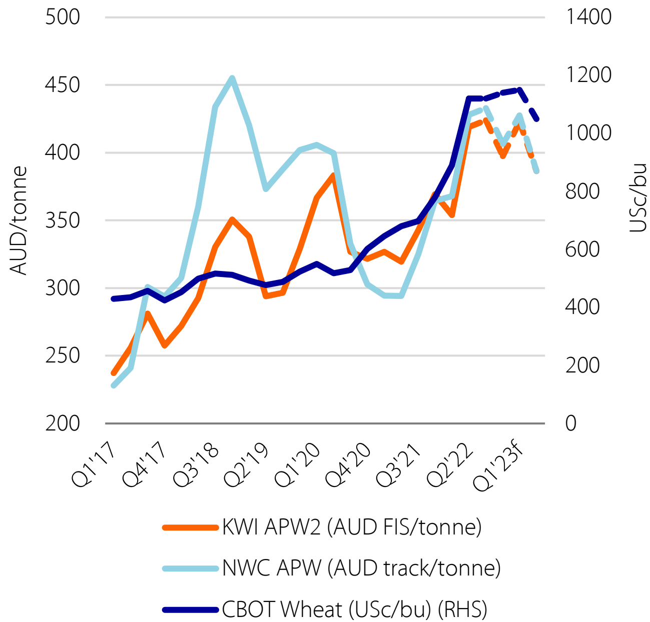
Negative Wheat Basis Sticking Around

Lower AU 2022/23 wheat production expected, but still +30% on five-year average, keeping supply chains congested



Source: ABARES, USDA 2022, Rabobank forecast 31 May 2022

APW pricing expected to remain near or above AUD 400/tonne track out to Q2 2023 despite ongoing heavily negative basis



Source: Bloomberg, Rabobank forecast 31 May 2022

Strong Milk Prices Help With Cashflow

Australian milk production continues to trail last season with widespread falls across all regions. As of March 2022, national milk production was down 3.2% at 6.72bn litres. The rate of decline slowed in March year-on-year but was still down 5.1%. Rabobank is still expecting milk production to return to marginal growth in 2022/23, albeit off a low base.

As the 2021/22 season draws to a close, there has been a raft of milk price increases. Fonterra Australia increased its weighted average price for Southern Australia to AUD 7.40/kgMS. Stronger export returns continue to flow through to the farmgate and this is providing support to all regional milk prices.

Australian dairy farmers are enjoying record milk price signals for 2022/23, and the early timing of announcements will provide confidence and cashflow support early in the season. This is important as dairy farmers are facing cost headwinds on a number of fronts, including purchased feed and homegrown feed costs.

There are keen eyes on new season (2022/23) milk price signals leading up to July 1 kick-off. ***Rabobank's modelled farmgate milk price forecast for Southern Australia in 2022/23 stands at AUD 8.40/kgMS.*** This is broadly in range with already announced official price offers which range between AUD 8.00-8.80/kgMS.

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Dairy

What to Watch

- ***Australian dollar good and bad news.*** The Australian dollar has been struggling to push above the USD 0.70 level, having fallen from 0.76 highs only a few months ago. This weaker currency is good news for export returns. Chinese economic concerns and weaker commodity prices have joined forces with USD strength. Rabobank still expects a firm AUD over the next 12 months, which will work against export returns.

Milk Supply Growth Remains Elusive

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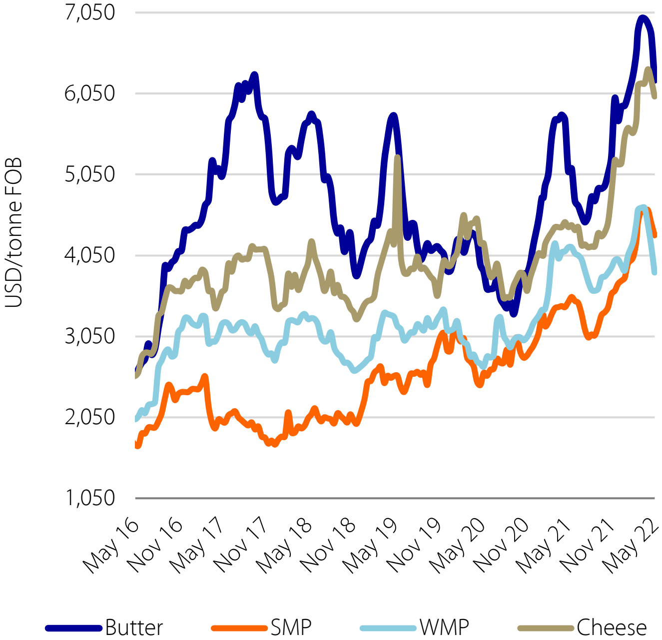
Global dairy prices, 2016-2022

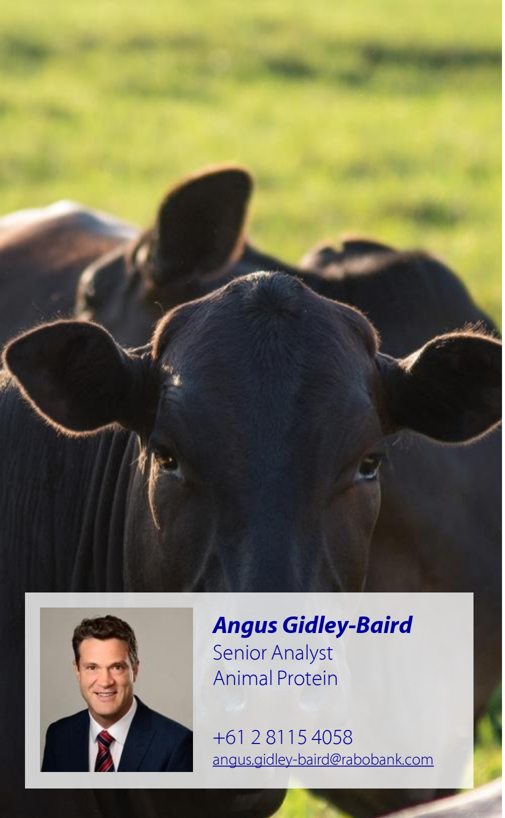


Source: USDA, Rabobank 2022

Production growth key exporting regions

	Latest month	***Last three months***
EU	0.5% (Feb 22)	-0.3%
US	-1.0% (Apr 22)	-0.8%
Australia	-5.1% (Mar 22)	-5.8%
NZ	-4.1% season-to-date (to April 2022)	

Source: Rabobank 2022



Seasons Keep Prices Strong

Widespread rainfall across much of eastern Australia in mid May has provided support to the eastern weaner cattle prices. The EYCI lifted 4% from the year-low on 19 April to rise above the AUc 1100 mark once again to be AUc 1113/kg cwt on 26 May. While NSW restocker steer prices rose 16% to AUc 669/kg lwt between 21 April to 19 May, Queensland prices, although experiencing a smaller gain, were stronger at AUc 678/kg lwt. Queensland cow prices also showed a stronger gain and were higher than NSW prices on 19 May. This suggests seasonal influences are currently having a bigger impact on the Queensland cattle market. Higher numbers, continued good seasons and progression into winter grazing have seen NSW replacement stock prices not perform as strongly as Queensland prices. ***Favourable rainfall forecasts over the next couple of months suggest prices – particularly Queensland – should remain firm. But a wet winter may see producer demand in southern states ease.***

National production and slaughter numbers for Q1 showed Australia experienced the lowest cattle slaughter since Q4 1985, as restricted capacity with labour shortages slowed processing rates. Male slaughter numbers were up 2% YOY, reflecting the increased number of stock available but female rates were down 16% YOY. East coast weekly slaughter numbers show, even after the short weeks in April, numbers have been unable to push above 90,000 head – 35% below the five-year average.

April beef exports (61,705 tonnes swt) were down 15% YOY. All major markets declined, except China where, despite dropping MOM, volumes lifted 8% YOY. Live cattle exports dropped 36% YOY in April, and with disease issues in Indonesia we expect them to be down in May and June.

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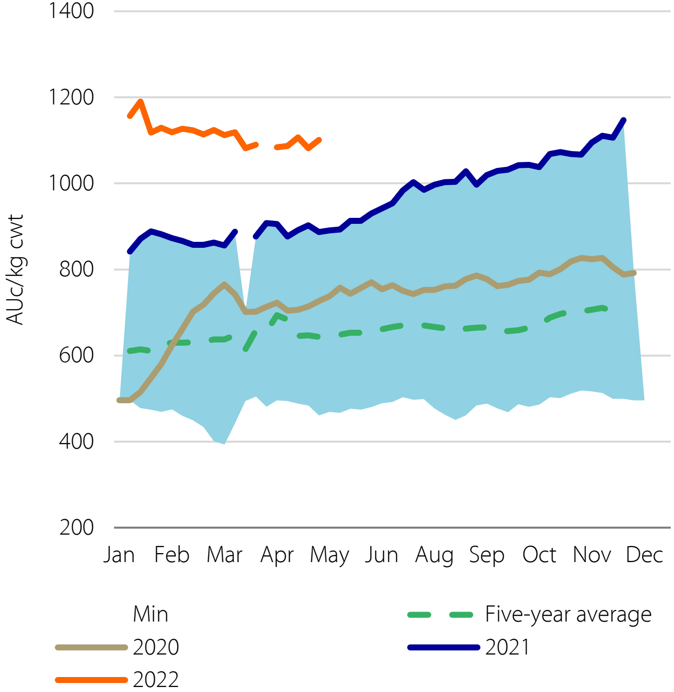
What to Watch

- ***Are cattle being held on to feed*** – In Q1 this year, despite favourable seasonal conditions, cattle on feed numbers jumped to a new record of 1.27m head. High grain prices and high feeder prices are not helping feedlot margins so why the jump in cattle on feed? Are some cattle being held on feed longer given limitations at abattoirs? Will this lead to a drop in feeder prices if there is a glut of cattle on feed? We will have to watch the feedlot marketings to see how these cattle move through the system.

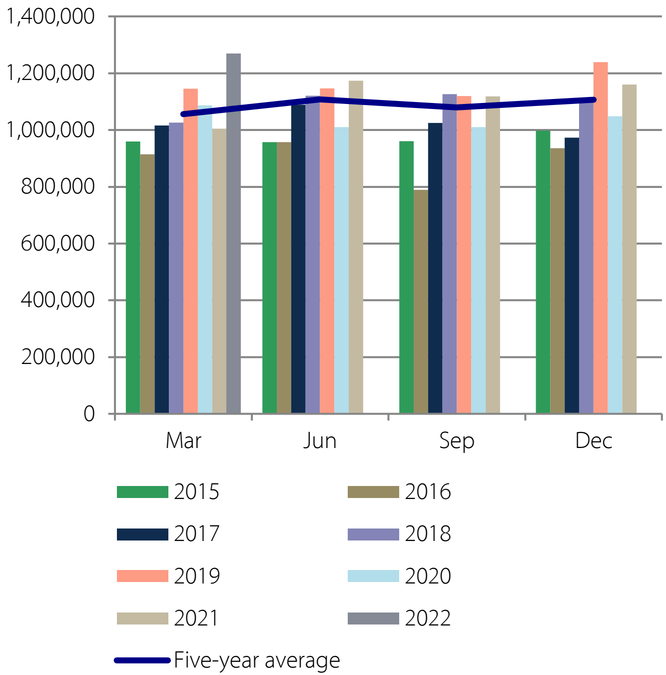
Beef

Weaner Prices Find Support and Cattle on Feed Break New Records

EYCI lifts with widespread rain



Cattle on feed break new records



Source: MLA, Rabobank 2022

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Sheepmeat

Limited Upside for Winter Prices

Lamb prices have bounced around the AUc 780/kg cwt mark for the last two months. The ESTLI was at AUc 806/kg cwt for the week ending 19 May with the national indicator dropping to AUc 777/kg cwt on 27 May April, 6.5% below the same time in 2021. Mutton prices have been the standout over the last month, lifting 3% to 19 May. On a per-head basis, trade lambs have started to just inch ahead of heavier export lambs as we start to see the impact of a softening in global markets. ***With lamb supplies close to average, favourable seasonal conditions, good demand in the US balanced by weaker demand in China, we expect prices to remain steady but not see a lot of upside in the traditionally stronger winter months.***

National slaughter and production numbers continue to show a recovery in the sheep flock with lamb slaughter up 1% YOY for Q1 and sheep slaughter up 18% YOY. A 2% increase in lamb carcass weights (25kg) for Q1 resulted in lamb production rising 3% YOY. While the shorter weeks in April dropped slaughter numbers, they have recovered to sit close to the five-year average for the first four weeks of May. Lamb yardings are also tracking close to the five-year average. Demonstrating the volume of sheep in the Victorian market, Victorian lamb yardings for the first four weeks of May were up 19% on the five-year average and only 2% behind the highest number in the last ten years.

Lamb exports for April (21,803 tonnes swt) were in line with the same period in 2021. The US continues to perform strongly (up 14% YOY) while the Middle East (down 3% YOY) dropped from the recovered volumes seen last month. Chinese volumes are down substantially (20% YOY), most likely due to the Covid lockdowns and impact this is having on foodservice and general consumption.

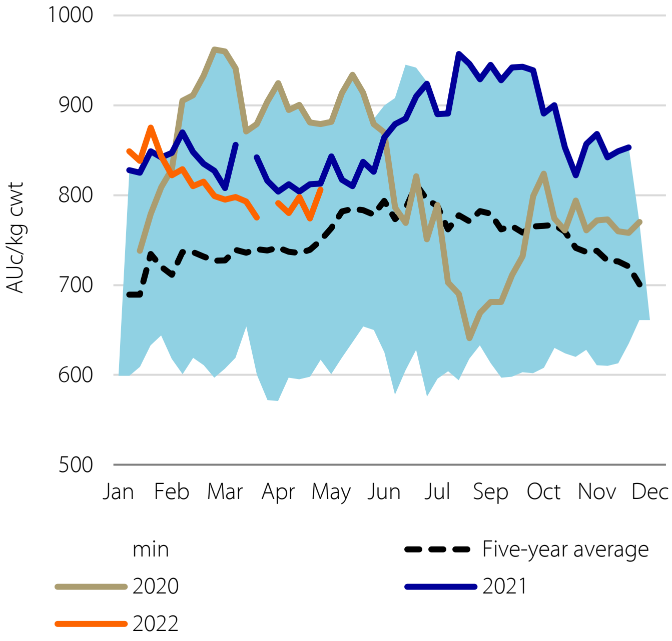
What to Watch

- ***Live sheep trade –*** With a change in Australian government, the Labor Party position on live sheep trade has received some attention lately. Australia's live sheep trade is dominated by WA, accounting for almost 100%. In 2022, Australia has exported 227,000 live sheep, down 12% on 2021 volumes. In WA, live exports now represent about 33% of total sheep disposal and 13% of sheep and lamb disposal. In 2015, this was 58% and 32% respectively. While live exports are still a significant and important market, the industry has demonstrated an ability to pivot into other supply chains where strong sheepmeat demand will continue to support the industry.

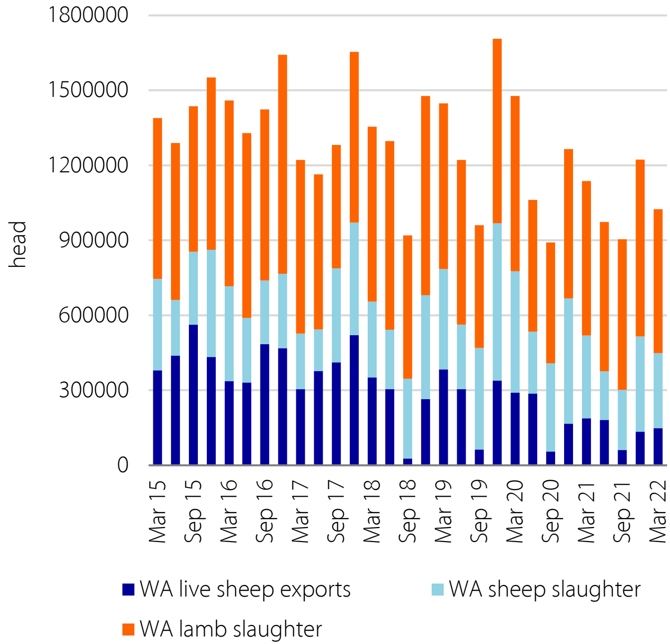
Lamb Prices Remain Strong, Live Sheep Exports Still an Important Part of the Industry

Rabobank

ESTLI just lagging 2021 prices



Live exports still important but now a smaller role in WA sheep disposal



Source: MLA, DAWE, Rabobank 2022

Cotton

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Extreme Rainfall Dilemmas

After touching 11-year highs early in the May, ICE #2 cotton finished the month below USc140/lb. While down 5% for the month, this is still up 67% YOY. Volatility within this movement lower globally, alongside AUD swings, made for a choppy ride in May locally. ***Local cash prices ended May 2% lower for the month, after AUD 1000/bale highs, at AUD 935/bale – still more than 60% up YOY.***

All eyes are on rainfall in West Texas and Oklahoma as we approach the US Memorial Day long weekend. ***The first weekend in June marks a line in the sand for production prospects and eligibility for crop insurance – rain this week is desperately needed to stave off further yield decline for these regions which typically accounts for around 45% of US production***. Forecasts currently show the potential for the best rainfall in 10 months for some of the driest regions, but no-one will be counting bales until falls arrive, especially given that May forecasts disappointed.

Global markets currently see ICE #2 cotton trading above USD 120/lb out to December 2023. However, if rain in the US doesn't disappoint this coming week, plus recognising the heat has been taken out of the nearby market as mills make progress on fixing outstanding July contracts, we expect a move down in the nearby and prices to approach USc 100/lb by December. However, with a now considerably lower AUD outlook, we continue to see local cash prices in the AUD 700 to AUD 800/bale range in H2 2022.

While US prospects hang in the balance on extreme dryness, Australian prospects continue to be hampered by too much of the wet stuff. Yield losses and quality issues are becoming more widespread as rain continues to slow harvest progress in northern NSW and Southern Qld, and, with sodden paddocks, only small falls are keeping pickers off paddocks.

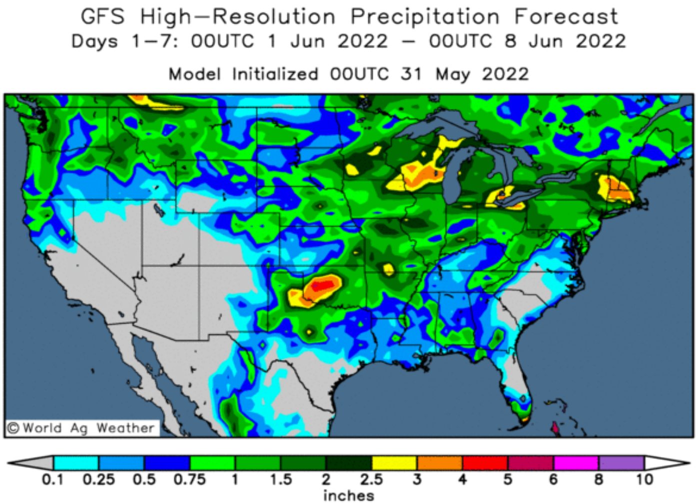
What to Watch

- ***AUD*** – After a substantial decline in the Australian dollar in April, that was maintained in May, plus global economic weakening playing on Australian economic prospects and our interest rates still lagging global, our outlook for the AUD is now lower: USc 69 in Q3, moving to USc 71 by the end of the year and then towards USc 74 in H1 2023. We have however seen considerable volatility in the AUD and expect that to continue, so volatility in cotton pricing, as well as the impact of the softer AUD outlook on input prices should be watched.

Cutting It Fine for US Production Prospects

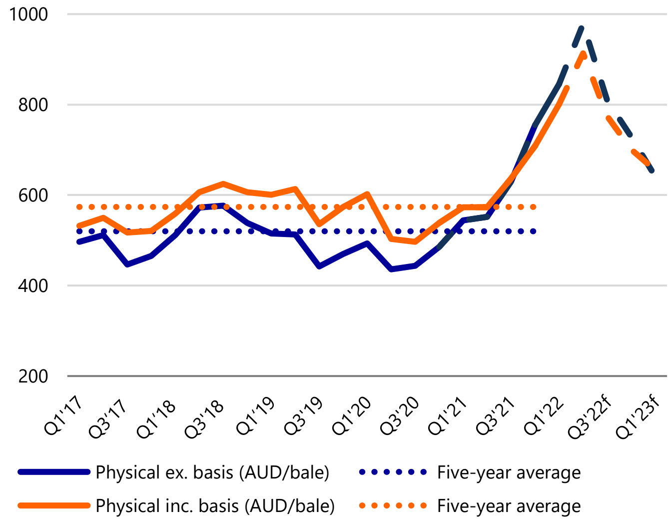
Rabobank

Rains ahead of Memorial Day critical to stave off downgrades to US 2022/23 cotton production



Source: World Weather, May 2022

AU cash prices expected to remain above AUD 700/bale in 2022 even if US rain doesn't disappoint



Source: Cotton Compass, Rabobank 30 May 2022

Despite global price softening expected in H2 2022, we still see AU cash prices trading above AUD 700/bale to the end of the year. AUD strengthening and additional global softness will likely see prices in the AUD 600 to AUD 700/bale range in H1 2023.

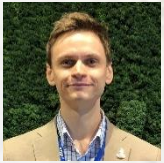
More Signals Flashing Red

The confluence of the end of low interest rates in western economies and immensely strict lockdowns across China is significantly dampening Rabobank's outlook for wool, despite this months 4% MOM increase in the Eastern Market Indicator as of May 26. Many variables used in Rabobank's EMI forecasting model have started flashing red. For now, our forecast for EMI remains at AUc 1300-1400/kg, but is likely to be lowered next quarter.

The first set of negative factors is US and Chinese consumer confidence. The latest University of Michigan Consumer Sentiment data for May shows the index a staggering 17.7% below the depths of the pandemic in April of 2020, and almost at the lows of the GFC. Chinese consumer confidence for March, also tumbled to only 0.5% off the lows of the pandemic, and that was before Covid spread further and caused more widespread and strict lockdowns. Even if Chinese manufacturing and exports of Chinese wool apparel has been minimally disrupted, internal Chinese consumer demand would be severely impacted.

Retail sales have been mixed. China's April retail apparel sales are down 2.7% on pre-pandemic levels and down 26.3% YOY. On the other hand, the US continues to post strong results, with April 19% above pre-pandemic April 2019 data, and up 11.2% YOY. Given that US interest rates only started increasing in May, these results do not showcase yet the reduced consumer spending ability. In Europe, the UK posted April data 1.2% above pre-pandemic levels and up 10.3% YOY. US woollen suit import data for March was still 29% below pre-pandemic levels, but a massive 157% up YOY. Japan's wool suits imports were 66% below pre-pandemic, levels while France was 54% down.

Chinese wool imports for April were down a massive 25% YOY and 24% below the five-year average.



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Wool

What to Watch

- ***Reports of large retail inventory stockpiles in the US to cause price downside for goods –*** Moving into the most recent Chinese Covid lockdowns, inventories excluding China were low. Retailers bought up significantly, concerned about supply chain disruptions leading to an inability to meet demand. The result is that inventory levels are now high at a time when demand is falling and price reductions for apparel are expected to clear inventory. Signs for this translating to lower bids for wool need to be watched.

EMI Outlook Growing Dimmer Due to US Interest Rate Hikes and Chinese Lockdowns

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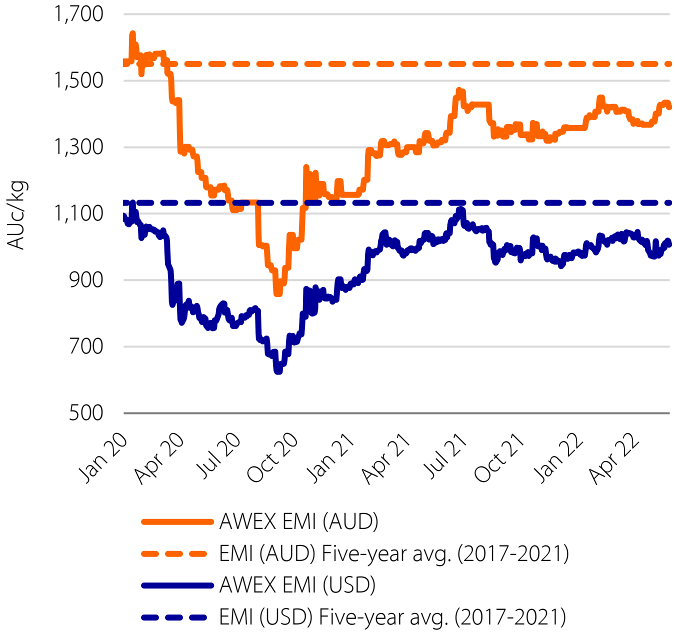
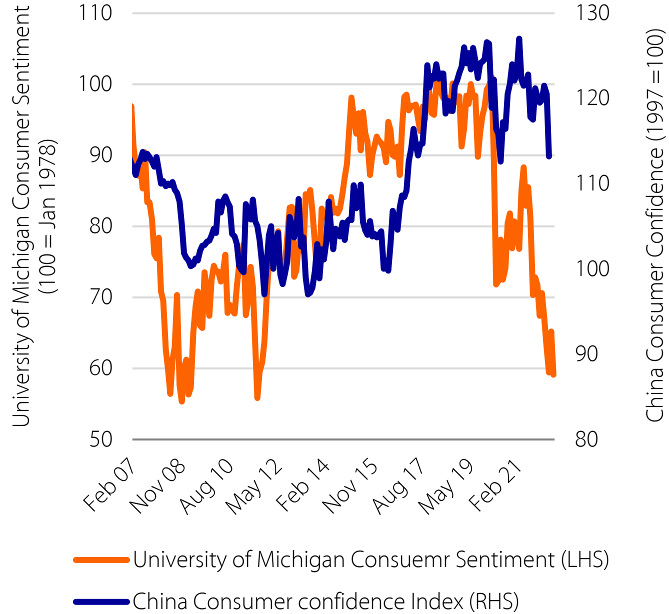
EMI rises over May but multiple negative factors brewing in background



Consumer confidence and sentiment takes a dive to peak-Covid levels in China and GFC levels in US



Source: Bloomberg, Rabobank 2022

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

Downstream Markets

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Real Wages Are Sinking in Australia

Following on from the recent higher-than-expected inflation numbers, wage growth data highlighted the pressure on household budgets. In the March quarter, the wage price index (WPI) was +0.7% for the March 2022 quarter and 2.4% over the year. It is no surprise cost of living was a key issue in the election campaign.

Total retail sales in Australia slowed sequentially in April, growing by 0.9% month-on-month. Food retail and foodservice outperformed the headline numbers. Turnover in both channels increased in April month-on-month versus the March result. In the first four months of 2022, combined turnover in food markets is 6.9% higher year-on-year.

Food and beverage companies are bracing for an ongoing margin squeeze. As the global economy cycles through a period of high inflation, consumers and primary producers are feeling the pain. Downstream margins also remain under pressure as cost headwinds persist across many aspects of the business. Efforts are underway to support margins through pricing action. Nonetheless, there appears little relief in sight for a major improvement in margins over the next 12 months.

Conditions in the Chinese consumer market are deteriorating. Hard lockdowns will be taking a toll on the Chinese economy and are adding additional pressure to global supply chains. Food and beverage companies with operations in China are reporting disruption in sales performance, caused by mobility and distribution restraints in Shanghai. China's retail sales slumped to their lowest levels in two years in April.

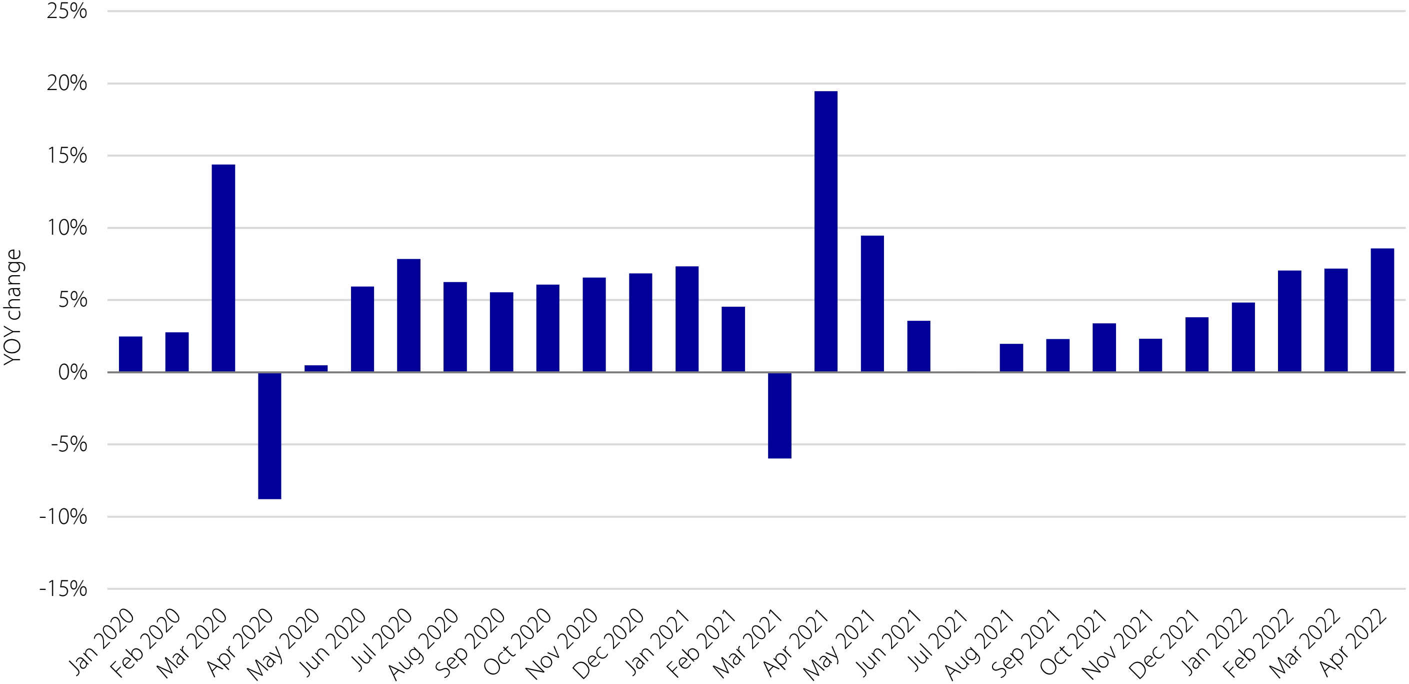
What to Watch

- ***Trading down.*** There are already signs of consumers responding to higher costs of living. The response is trading down. This can include purchasing private label over brands and looking for value offerings. It might also see consumers shift shopping trips from major supermarkets to discounters and even see more in-home meals at the expense of eating out. The response will require agile food companies in the coming months.

Food Sales Outperform Broader Retail Sector

Rabobank

Australian retail trade, food and foodservice combined



Sources: ABS, Rabobank 2022

Farm Inputs

Prices to Stay High But With Exceptions

Offshore prices for urea declined 5.4% MOM, while potash and phosphate both declined 4.3% MOM.

The decline in offshore ***urea*** prices this month is reportedly due to weakening demand and discounted supplies continuing to flow from Russia. ***This price decline is expected to flow into local Australian markets, in late July/early August, as it usually takes three months for global prices to flow through.*** Prices will remain volatile and would rise substantially if Russian gas is sanctioned.

The decline in offshore ***potash*** prices has reportedly, similarly to urea, been due to continued large flows out of Russia, moving primarily to Brazil. Prices are likely to have peaked with the loss of Black Sea supply now priced in. Expectations of a soft AUD this year will absorb some of the potential downside locally.

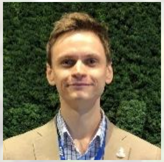
Though ***phosphate*** prices may have peaked, they are expected to remain well above average in 2022. If China returns to the export market, price downside could eventuate in 2H 2022. However, recent news suggests that the Chinese government has reinforced export controls, with inspection periods for shipments increased to 75 days from 45 to 60 days.

Chinese lockdowns and exportable surpluses will be a key driver for ***chemical*** price volatility in the coming 12 months. High inflationary pressures and associated increases in production costs are expected to keep prices high.

Delays for shed components, machinery and machinery parts are expected to continue through 2022, with a return to normal delivery times unlikely this year.

What to Watch

- ***Australian N, P & K application rates in 2022/23 –*** Rabobank's rural manager survey shows Australian farmers, on average, will reduce urea application by 11%, potash by 8%, and phosphate by 6% in the 2022/23 year. The smallest decline in urea application rates is expected in NSW and WA, where they have a high proportion of nitrogen-hungry canola in their crop rotations. In many regions, the reduction in potash and phosphate application YOY has been less than for urea. For more, read Rabobank's 2022/23 crop outlook.



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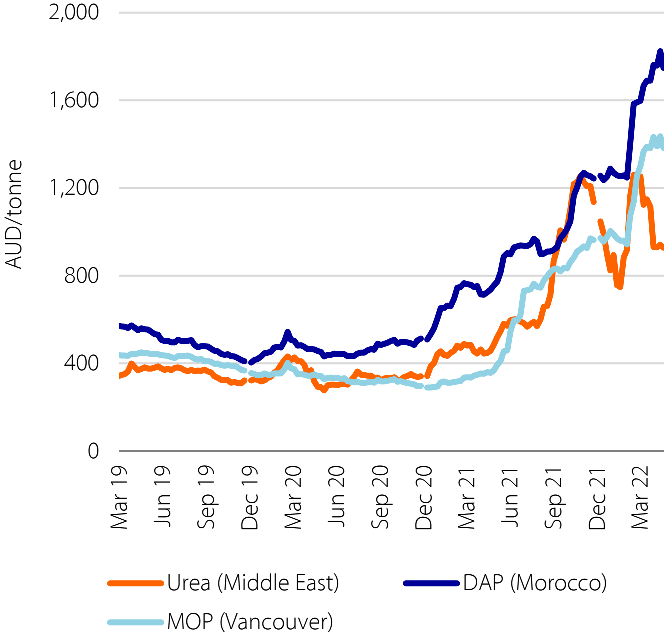
Falls Across the Board

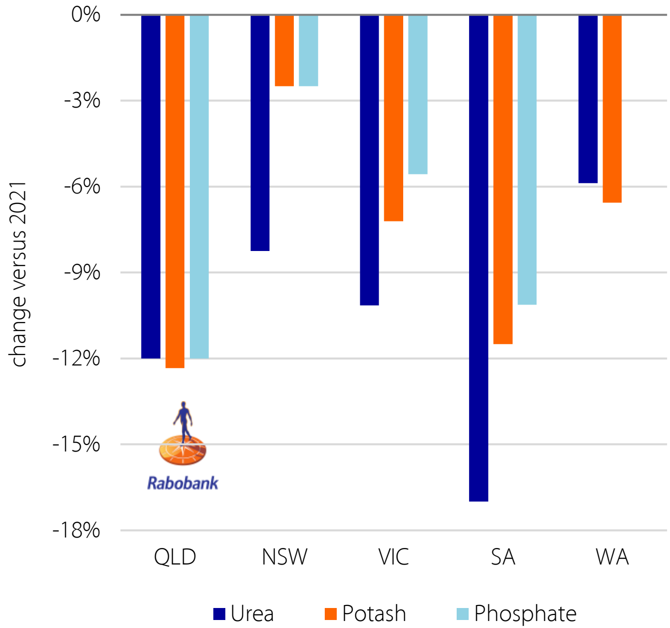
Rabobank

AUD-adjusted global fertiliser prices (FOB)



Source: CRU, Rabobank 2022

Average application rate changes across Australia expected for the 2022/23 season



Source: Rabobank 2022/23 Crop Outlook – ask your manager for a copy of the full report

More Interest Rate Hikes on Horizon

More interest rate hikes are to be expected in 2022, as RBA works to fight inflation and the 25 basis points hike in May is not enough. AUD fell in early May to a two-year low at 0.686 against the USD, but since has recovered above 0.70.

- When raising the cash rate in early May for the first time in over a decade, the ***RBA*** made it very clear that this won't be the last one, saying that they are "committed to doing what is necessary to ensure that inflation in Australia returns to target over time", which means into the 2%-3% target range. And that "this will ***require a further lift in interest rates*** over the period ahead".
- ***The Consumer Price Index*** in the March quarter turned out to be much higher than projected at 5.1% and the trimmed mean inflation at 3.7% (excludes large price rises and falls). The RBA expects the trimmed mean inflation to get worse in 2022, moving to 4%-5.5% and, using its monetary measures, the RBA tries to get it back in the 2% to 3% target range. However, as per their latest forecast, this is only likely to happen in 2024.
- The gap between the cash rate at 0.35% and the ***five-year swap*** at well above 3%, has widened significantly in 2022. More cash rate hikes may close the gap or swaps will keep rising further.
- The ***AUD*** has recently pushed back above the 0.70 level against the USD. The fall in AUD/USD from highs in the 0.76 area at the start of April to a low of 0.686 earlier in May is attributed a lot to fears surrounding growth in China. Historically, the AUD has been more sensitive to global growth risks than most other G10 currencies.

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Interest rate & FX

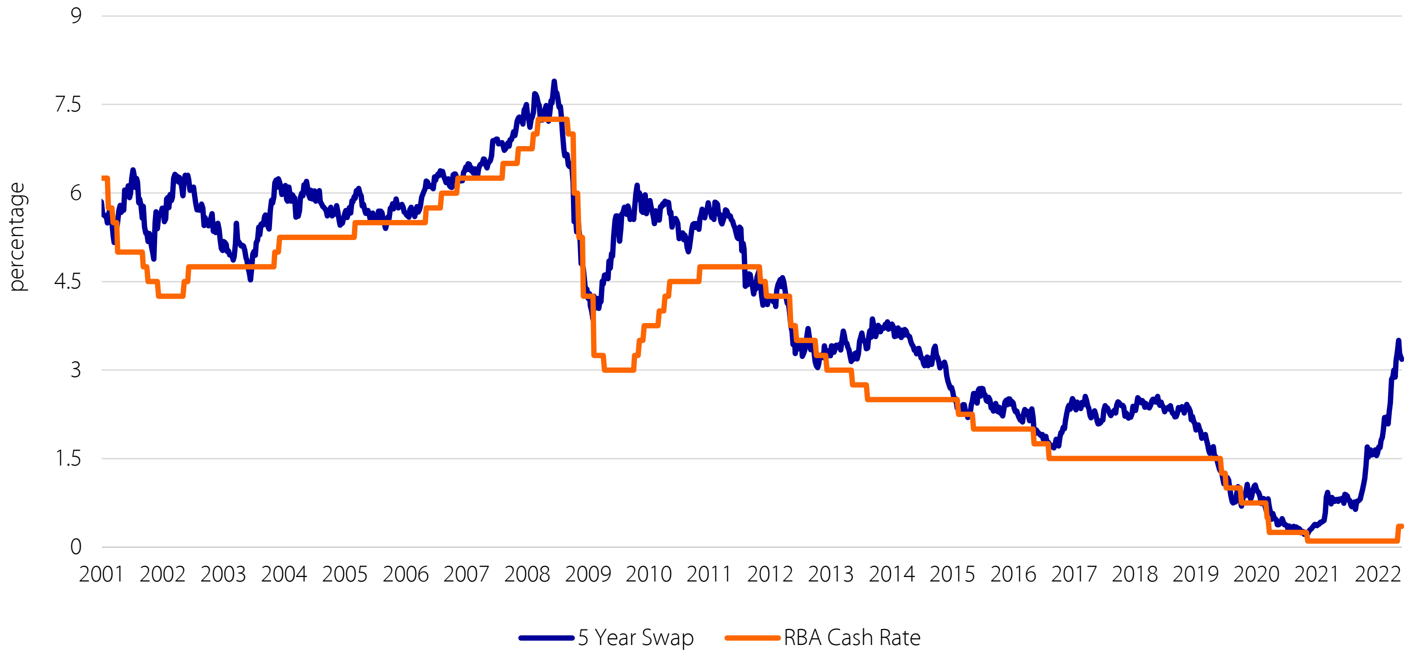
What to Watch

- We recently revised higher our forecasts for the USD but still ***forecast the AUD to rise further to 0.74/USD on a 12-month horizon***.
- Expectations of about 30 bank analysts forecasting Australia's ***cash rate*** (which after the May increase sits at 0.35%) are ***averaging at 0.93% for Q4 2022*** (with the highest analyst estimate at 1.75%). The ***average for Q4 2023 stands at 1.75%*** (highest at 2.5%) and the forecast of 14 analysts for Q2 2024 average at 1.91%.

Interest Rates: May Cash Rate Increase Just One of Many To Narrow the Gap to Long-Tenured Swaps

Rabobank

Gap between cash rate and five-year swap is the largest in well over two decades



Sources: Bloomberg, Rabobank 2022

Oil & Freight

Oil Price Strength To Continue

Crude oil continued to move slowly higher. Volatile energy prices resulted from continued policy uncertainty and the EU's work to ban imports of oil from Russia later in the year. While not yet decided, the EU is working to make such a ban happen. This has kept crude oil prices volatile through the month and Brent has continued its rising trend moving above USD 117/bbl most recently after having traded in a wide range of USD 102/bbl to USD 122/bbl throughout May. Year-on-year prices are up 65% and year-to-date are up 44%.

Global container rates received downward pressure as the war in Ukraine and China's Covid-19-lockdowns led to temporary lower demand. Carriers canceled 468 sailings in the first five months of 2022, 167% and 60% higher than the same period in 2021 and 2020, respectively. The number of canceled sailings is expected to decline in June to around 70 as China is easing lockdown restrictions and Shanghai is expected to return to unrestricted living by the end of June. As a result, June and July will likely see upward container rates.

High congestion also contributes to the canceled sailings. Average ship waiting times for a berthing window at the ports of Brisbane and Melbourne are currently around 24 and 38 hours, respectively. Global on-time arrival of ships fell from 76% pre-pandemic to a low 30% in the past 12 months and continued to decline lately.

The Baltic Panamax Index (a proxy for grain bulk freight) is heading back to a high level from relatively low levels in March 2022, amid strong demand from state buyers. Global trade of grains and oilseeds is forecast to rise 1.1% in 2022/23 to a new record, after a marginal 0.5% decline in the current season, which still remains well below the 5% to 6% growth seen in 2019/20 and 2020/21.

What to Watch

- ***Oil markets globally remain tight*** – The EU sanction Russia further by banning crude oil imported by vessels from Russia, which account for about 65% of EU's imports. Risk is that OPEC+ may exclude Russia and with it could raise oil production outside of Russia.
- ***Port congestions in Asia seem to be clearing,*** but will the problems just shift to destination ports once elevated level of vessels arrive there in the coming week?

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Oil Prices Move Further up in May

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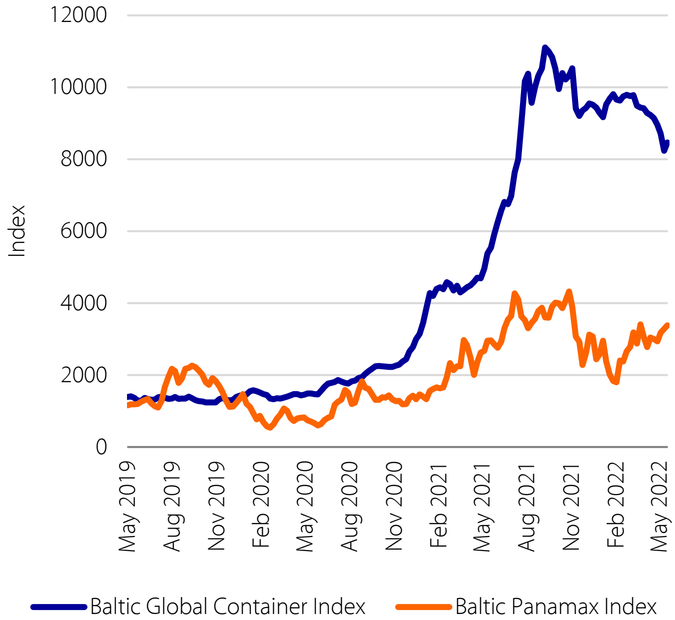
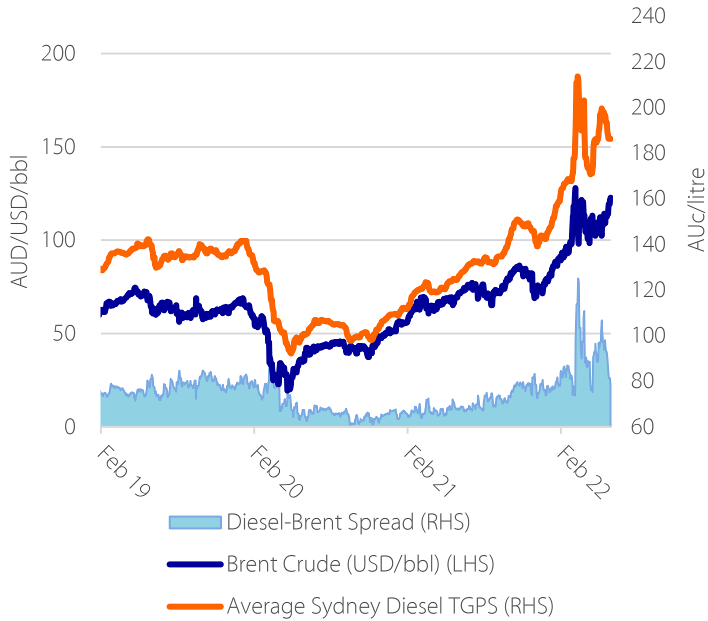
Baltic Panamax Index & Dry Container Index, May 2019-May 2022



Source: Baltic Exchange, Bloomberg, Rabobank 2022

Brent Crude Oil & Average Sydney Diesel, May 2019-May 2022



Source: AIP, Bloomberg, Rabobank 2022

Agri Price Dashboard

30/05/2022	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	1,158	1,044	676
CBOT soybean	USc/bushel	▲	1,732	1,708	1,537
CBOT corn	USc/bushel	▼	777	818	665
Australian ASX EC Wheat Track	AUD/tonne	▲	466	410	300
Non-GM Canola Newcastle Track	AUD/tonne	▼	921	994	696
Feed Barley F1 Geelong Track	AUD/tonne	▲	430	376	253
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	1,113	1,088	891
Feeder Steer	AUc/kg lwt	▲	578	575	456
North Island Bull 300kg	NZc/kg cwt	▲	595	590	520
South Island Bull 300kg	NZc/kg cwt	▲	575	565	470
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	806	780	843
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	855	830	750
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	855	815	715
Venison markets					
North Island Stag	NZc/kg cwt	•	795	795	550
South Island Stag	NZc/kg cwt	•	800	800	545
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	6,213	6,775	5,088
Skim Milk Powder	USD/tonne FOB	▼	4,300	4,450	3,475
Whole Milk Powder	USD/tonne FOB	▼	3,838	4,163	4,150
Cheddar	USD/tonne FOB	▼	6,013	6,213	4,400

Agri Price Dashboard

30/05/2022	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	158.7	166.1	89
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	139.4	152.3	83
Sugar markets					
ICE Sugar No.11	USc/lb	▲	19.6	19.4	17.12
ICE Sugar No.11 (AUD)	AUD/tonne	▲	602	598	452
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,420	1,377	1,320
Fertiliser					
Urea	USD/tonne FOB	▼	690	725	365
DAP	USD/tonne FOB	▼	1,100	1,240	583
Other					
Baltic Panamax Index	1000=1985	▲	3,048	2,938	2,735
Brent Crude Oil	USD/bbl	▲	120	109	69
Economics/currency					
AUD	vs. USD	▲	0.719	0.706	0.775
NZD	vs. USD	▲	0.655	0.646	0.729
RBA Official Cash Rate	%	▲	0.35	0.10	0.10
NZRB Official Cash Rate	%	▲	2.00	1.50	0.25

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