

# *Soft Consumer Demand Settings Set In*

## *Australia Agribusiness Monthly*

*November 2022*

**RaboResearch**

Food & Agribusiness













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# Commodity Outlook

 <b>Grains &amp; Oilseeds</b>	Prices expected to see significant volatility as markets await news on the future of Ukraine's grain exports and the impact of domestic floods and rain on Australian crops.
 <b>Dairy</b>	Flooding is having a sizeable impact on the Northern Victoria dairying region. This will negatively impact milk supply at a time when national production numbers remain soft. Weather risks and their impacts on feed availability to Australian milk supply will continue into 2023.
 <b>Beef</b>	Seasons continue to support cattle prices and there is little to suggest this will change over the coming months despite margin squeeze down the supply chain as consumer demand softens.
 <b>Sheepmeat</b>	Lamb prices have lifted from August lows, but with a larger volume of lambs expected in the market this year and softer US and China demand, we believe prices will be steady for the next month before easing at the end of the year.
 <b>Cotton</b>	ICE prices faced a lot of pressure amid rising inflation concerns and declining global consumption.
 <b>Wool</b>	Wool prices are expected to hold steady as consumer confidence rallies and exports continue to remain above 2021 levels.
 <b>Downstream Markets</b>	Food inflation reached a fresh 16-year high in the September quarter. Inflation was again evident across all channels and all categories. Some items such as milk and cooking oils posted record-high numbers. Consumers are warned that the food inflation story has some runway left.
 <b>Farm Inputs</b>	Can a new global prices configuration reach Oceania?
 <b>FX/Interest Rates</b>	With record-high inflation the RBA will have to continue hiking the cash rate into 2023 after having increased the official cash rate up in early November by 25 basis points.
 <b>Oil/Freight</b>	The bleak economic outlook continues to put pressure on oil and freight demand.

# Water, Water, Everywhere, and All the Crops Did Shrink



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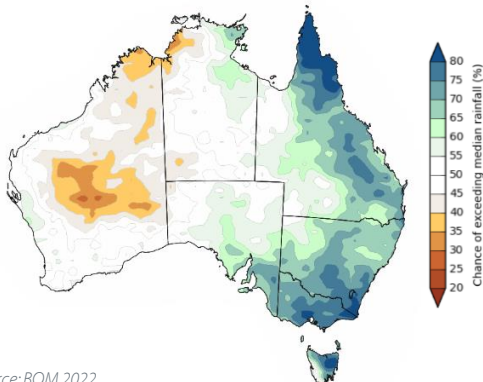
**The Bureau of Meteorology (BOM) expects the recent La Niña outlook to be short lived, indicating a return to neutral conditions in early 2023. However that won't stop the rain for now.**

The latest BOM outlook suggests above-median rainfall for the eastern half of Australia until the end of the year. In contrast, drier conditions are expected in Western Australia.

While BOM expects a return to neutral conditions in early 2023, La Niña combined with the negative Indian Ocean Dipole (IOD) means above-average rainfall is still on the cards for the rest of the year. For many production regions this unseasonal rain will continue to be a hindrance to harvest.

## Rainfall expectations

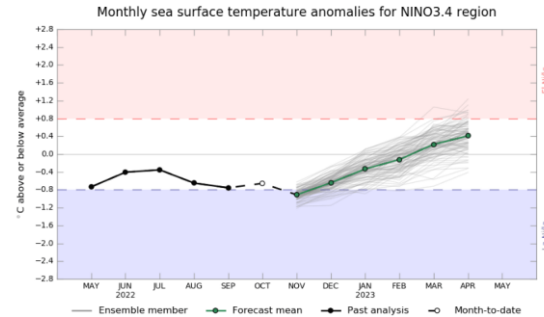
November-January 2022 rainfall outlook



Source: BOM 2022

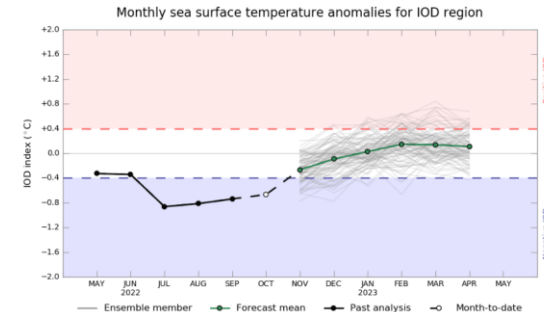
## La Niña outlook underway

Monthly sea surface temperature anomalies for the central Pacific Ocean



## Negative IOD to persist until December

Monthly sea surface temperature anomalies for the Indian Ocean



# Rain Taking No Breaks, Just Breaking Records



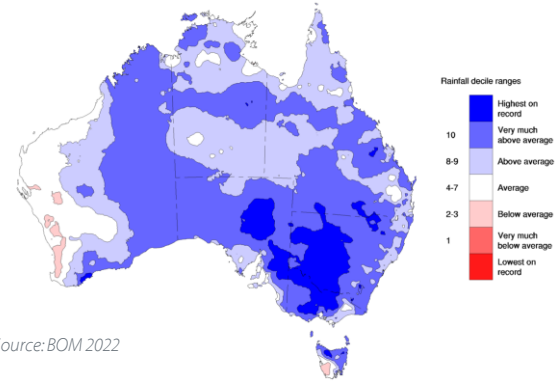
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**It was another record-breaking month of rainfall for Australia. A large part of Australia received very much above-average rainfall in October.**

The combination of La Niña and the negative IOD brought the highest level of October rainfall on record for NSW, Victoria, and the Murray Darling Basin catchment. Overall, this was the second-highest rainfall record in October for Australia.

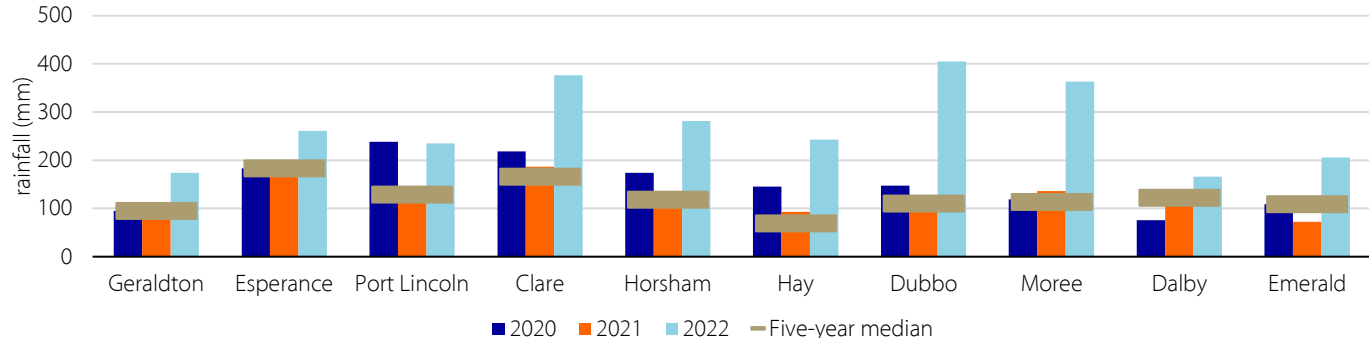
As soil moisture was already very high before October, additional rain caused flooding in NSW, Victoria, and Tasmania. Storage levels for the whole Murray-Darling Basin remain high at 101%.

## Rainfall Deciles, October 2022



Source: BOM 2022

## August – October Rainfall



Source: BOM 2022

# Volatility Isn't Going Anywhere

**Australian markets face two large volatility drivers moving forward: On the one hand, domestic flooding and rains have snatched away what could have been a record crop for many east coast farmers and storms have damaged Western Australia crops. On the other, on 30 October, Russia said that it was pulling out of the Ukrainian grain corridor deal following the bombing of a Crimean military port. CBOT Wheat, Corn, and Soybeans were up 7%, down 2%, and up 7% MOM, respectively, as of Friday, 28 October.**

Wheat touched a four-month high of USc 938/bu in mid-October before retracting to the USc 840 mark by 28 October in light of rumours that the negotiations between the UN and Russia were progressing. While the market knew that the deal was up for renewal on 19 November, Russia's announcement to pull out is expected to bring considerable price volatility. For now, there is insufficient clarity on whether Ukrainian shipments will stop immediately or on 19 November. There is still potential for a deal to be reached at the G20 summit in Bali on 15 November, where Russia will have representation. **If a deal were to be reached, we would likely see prices return to pre-Russian announcement levels. If no deal is reached, it could be a significant bullish global price factor, given that Ukraine not only has last season's crop stored plus new wheat, barley, and canola harvested, but is also about to harvest corn and sunseed.**

If the deal is not renewed, we expect it to hit markets from two main angles: First, in the short term, through reduced availability of crops in global markets and, second, in the longer term, given that Ukrainian farmers will have limited incentive to grow something in the future if they have limited ways to sell it.

**Locally, national average APW1 Track/FIS prices increased a considerable 10% MOM, feed barley 14% MOM, and non-GM canola 13% MOM, as of 28 October.** Significant east coast flooding and excess rainfall is expected not only to cause considerable downgrades to crop quality, with substantially more feed around year-on-year, but also to reduce tonnage due to washed out fields. **In the short term, APW1 prices are expected to continue trading above our 12-month average forecast range of AUD 390 to AUD 420/tonne track. Longer-term prices will depend on how much APW1 wheat is downgraded into feed and whether the Ukrainian grain deal is eliminated or only temporarily suspended.**



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## What to Watch

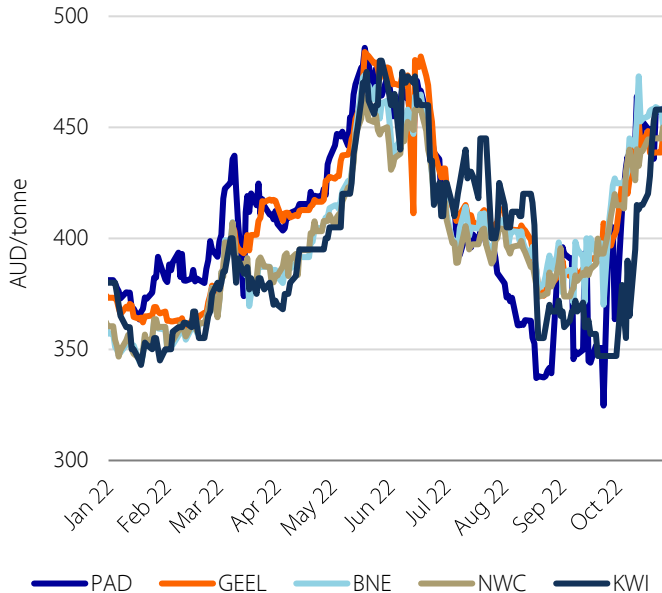
- **Size and quality of 2022/23 Australian crop** – Continued rains will hamper the ability to easily quantify damage to tonnages and quality in the next couple of weeks. If the quality downgrades are less than expected, we could expect APW1 prices to decline and the APW versus SFW1 spread to decline. If downgrades are worse than expected, the APW1 versus SFW1 spread could increase further.
- **Ukraine moving more crop by land** – There have been made major improvements in Ukraine's westbound road, rail, and river transport. This will provide some solace for markets going forward. Rabobank estimates that westbound travel can now handle around 50% to 60% of Ukraine's normal exports.



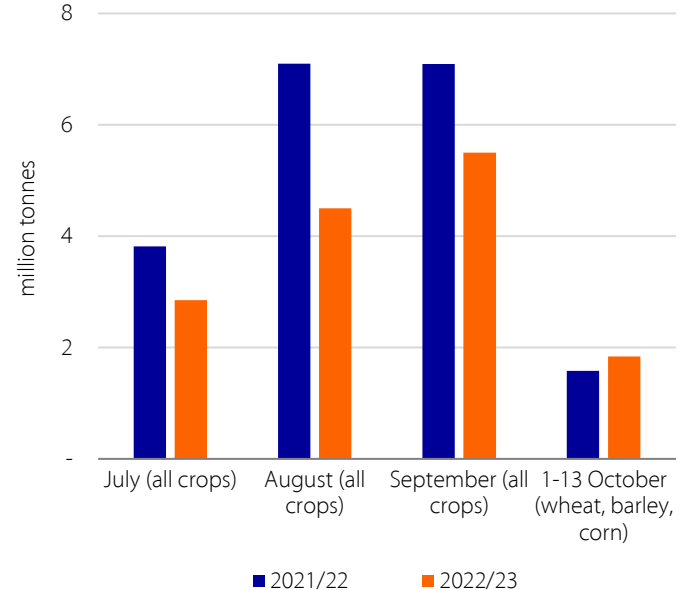
# Grains & Oilseeds

# World Waits for News of Ukraine Grain Deal; Local Prices Jump on East Coast Rains

**2022/23 APW1 prices jump higher following significant east coast rains and expected downgrades**



**Ukraine surprised markets with larger-than-expected export volumes before Russia announced deal cancellation**



\*Note: All track APW 1 price except for KWI, which is FIS.  
Source: Bloomberg, Rabobank 2022

Source: UkrAgroConsult, Rabobank 2022

# Floods and Wet Weather Hit Supply

**The impact of floods in Northern Victoria is still being felt.** The impact ranges from moderate to severe for many dairy businesses across northern Victoria. Feed losses will be the most significant issue in flood-affected areas. Other regions outside of Northern Victoria are experiencing minor flooding and extremely wet conditions that are also hampering milk production, which will come through in future production data releases.

**Australian milk production in August trailed the previous year by 5.9%. Season-to-date milk production stands at 1.2bn litres, 6.6% behind the first two months of the previous season.** The falls in milk production are widespread, with the largest percentage drops in the flood-impacted regions of northern NSW and Queensland.

**The latest manufacturing data showed cheese vats continue to absorb milksolids in preference to milk powders in 2021/22.** Australia's cheese production expanded by 11.3% last season to a record 408,000 tonnes. In contrast, skim milk powder production fell 2.1%, to 150,000 tonnes, and is 41% below the recent annual peak in 2015/16 of 256,000 tonnes.

**Dairy commodity markets were weaker again in October.** There were close to double-digit falls in spot prices across the dairy complex. Growing concern around demand dynamics in consumer markets is weighing on markets. Sluggish imports from Chinese buyers is a key driver of the current price direction. Outside of Oceania, milk supply recovery continues to emerge in other export regions.



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## Dairy

### What to Watch

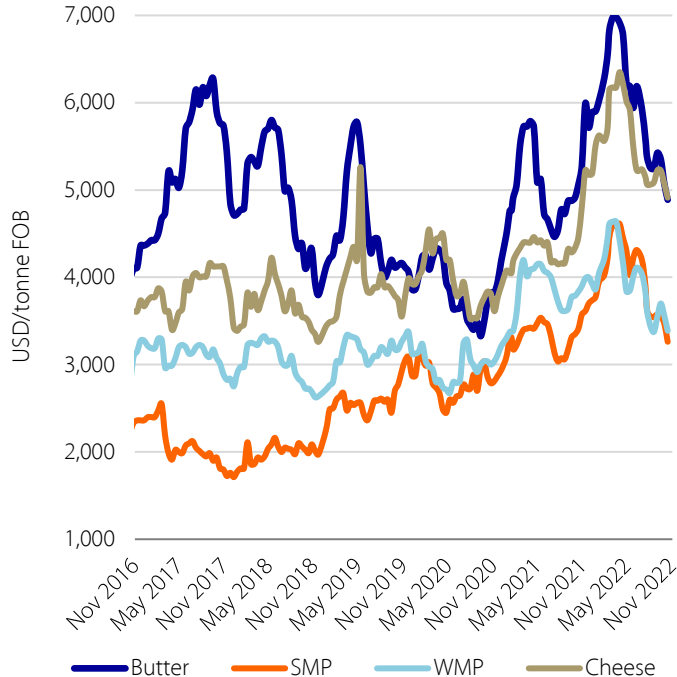
- **Consumer demand** – Dairy consumers everywhere are paying more right across the dairy aisle. More and more data points are showing the negative volume impacts. Dairy consumption will exhibit a degree of resilience, but in the large dairy markets, volume declines are reported in key categories such as cheese and milk. The full impact on dairy consumption won't be felt until 2023.

# Oceania Peak Milk Production Less 'Peak'y' in 2022



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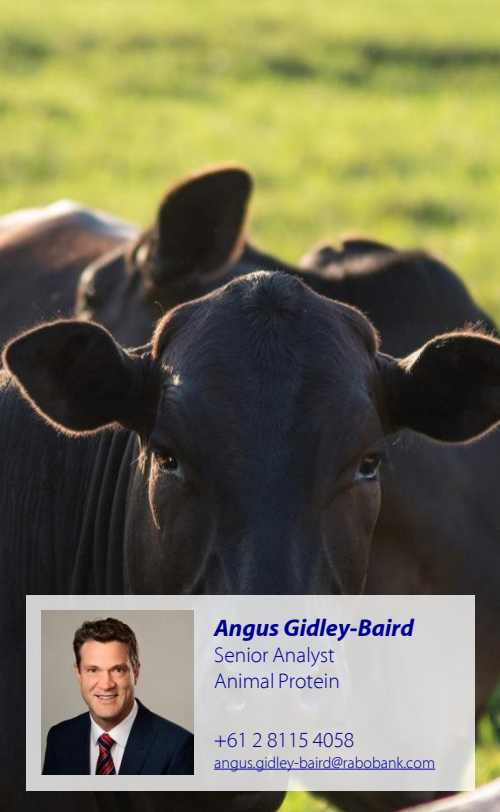
**Global dairy prices, Nov 2016-Nov 2022**



**Production growth in key exporting regions**

	<b>Latest month</b>	<b>Last three months</b>
<b>EU</b>	-0.3% (Aug 22)	-0.3%
<b>US</b>	1.5% (Sep 22)	1.1%
<b>Australia</b>	-5.9% (Aug 22)	-6.6%
<b>NZ</b>	-3.7% season-to-September (2022/23)	





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# Hold... Hold... Hold...

Cattle prices continued to track sideways through October. Favourable seasonal conditions continue to support producer demand despite softening at the retail end of the supply chain. The EYCI was sitting at AUD 10.32/kg on 25 October – having traded within a 16-cent band for the month – down 3% YOY. Last year the EYCI rose 12% from mid-October to mid-December. Although seasonal conditions are expected to remain favourable, it is difficult to see prices rising like that again this year. ***We believe prices, like a Braveheart battle cry, are most likely to hold as we approach the end of the year, with a likely dip in the new year as cattle volumes increase and summer pasture growth starts to dry off.***

Good pasture availability, meaning producers are not pressured to sell, processors that are pairing back volumes due to soft demand, and some disruptions due to weather have kept slaughter numbers low – at 88,804 head in the week ending 15 October, down 9% YTD. East coast weekly cattle slaughter has not traded above 90,000 head since the week ending 27 August – the longest period below 90,000 head in over ten years. Sleyard numbers are also running 9% down YTD, reflecting the general lack of cattle in the market. ***With softening meat prices and ongoing high cattle prices, it is difficult to see slaughter volumes increasing given the low margins at the moment. Cattle prices will have to drop to see any real lift in slaughter numbers.***

Reflecting low production, export volumes dropped back to 70,295 tonnes swt in September after an unusual lift in August (92,079 tonnes swt). Volumes to China were up 20% YOY, the fourth month in a row they have seen an increase. Live export volumes remain low (47,558 head for September) but are now starting to line up with last year's volumes, given 2021 saw a big drop in volumes in 2H.

## What to Watch

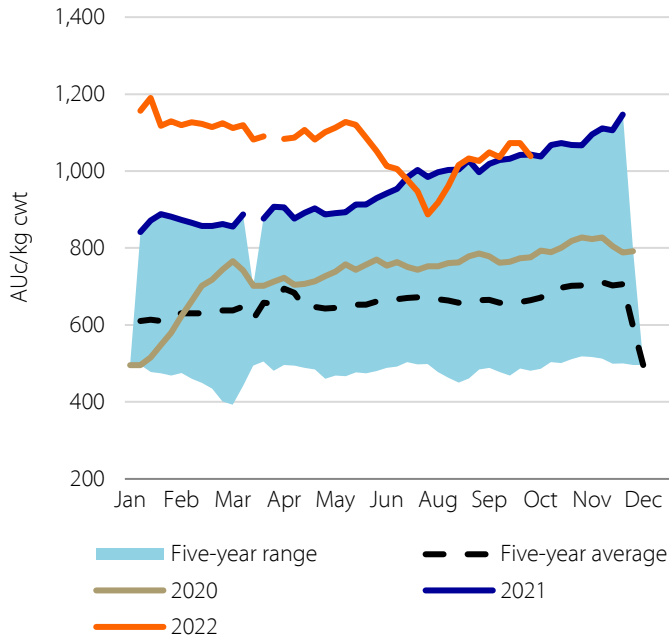
- **Global methane pledge** – On 23 October, the Australian government announced it would sign the Global Methane Pledge. Importantly, the government stated, “as a result of signing the pledge, the Australian government will not legislate or introduce taxes or levies to reduce livestock emissions.” And they have announced additional funding for R&D into methane reduction for livestock. Furthermore, it appears that this is something within the industry's grasp. The MLA CN30 program has identified pathways towards methane reduction that match up with the methane pledge.

# Beef

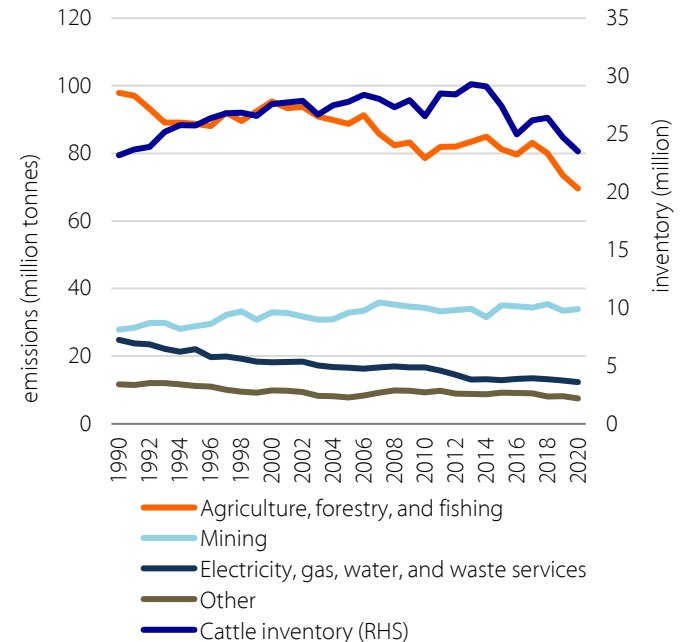
# Cattle Prices Hold; Industry in Line With Methane Pledge But Work Still Needed



## EYCI holding



## Ag methane emissions are declining, but are heavily linked to cattle inventory



# Lamb Prices Expected To Plateau

Lamb prices have seen further recovery through October after the market lows in late August. The national trade lamb indicator lifted to AUC 798/kg cwt on 28 October. All other lamb categories also increased through the month. Mutton prices (AUC 506/kg on 28 October), however, remained flat, having not recovered much ground from the low point in August. The expected recovery of the flock and sheep slaughter numbers close to the five-year average suggest that there is sufficient sheep supply in the market, keeping prices steady. US import prices have softened in the last couple of months, but the depreciation of the Australian dollar has seen prices in Australian dollars remain steady. ***If the Australian dollar continues to remain at these levels it will support domestic lamb prices, which we believe will trade around current levels for the next month before dipping towards the end of the year.***

East coast weekly lamb slaughter tracked close to the five-year average through October, indicating flock numbers are back close to a more normal level. National lamb slaughter numbers for weeks 39-42 were up 4% YOY. ***With seasonal conditions being favourable, conception and lambing rates are expected to be high, leading to increased lamb numbers through the end of the year. The only challenge will be any delays caused by wet weather.***

Lamb exports for the month of September (25,026 tonnes swt) were up 15% on 2022 volumes. Total year-to-date volumes (212,031 tonnes swt) are up 5% YOY. Volumes to China have lifted through the year but remain below 2021 levels. Volumes to the US continue to remain strong and, based on previous volumes, we would expect US volumes to pick up in the remaining months of the year, although there are signs of consumer weakness in the US market.



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## Sheepmeat

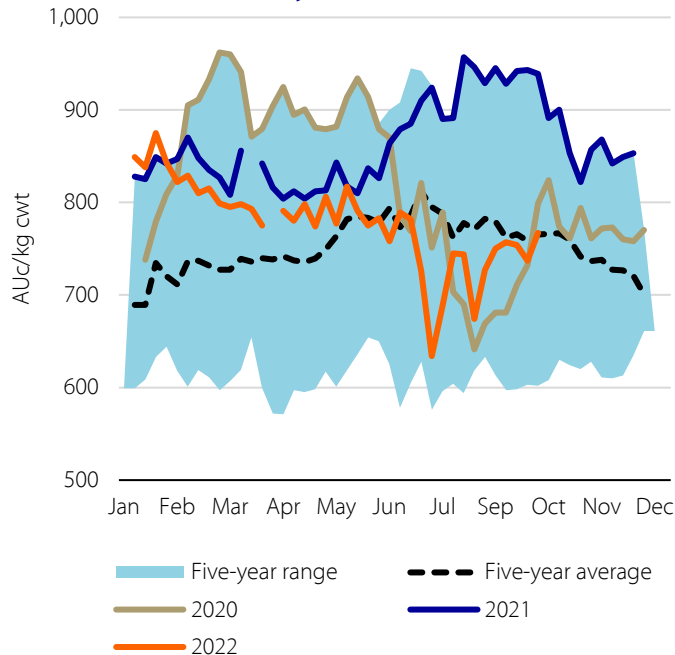
### What to Watch

- **Restocker lamb prices pick up** – Favourable seasonal conditions supporting good pasture growth coupled with the prospect that the large grain harvest might see significant weather damage and quality downgrades has potentially ignited a demand for restocker/feeder lambs. The price spread between heavy lambs and restocker lambs has narrowed significantly in recent weeks. After trading at about a AUD 1/kg discount in the middle of the year, restocker lambs are now close to parity and likely to push towards the AUC 50 to AUC 100/kg premium we have seen in recent years.

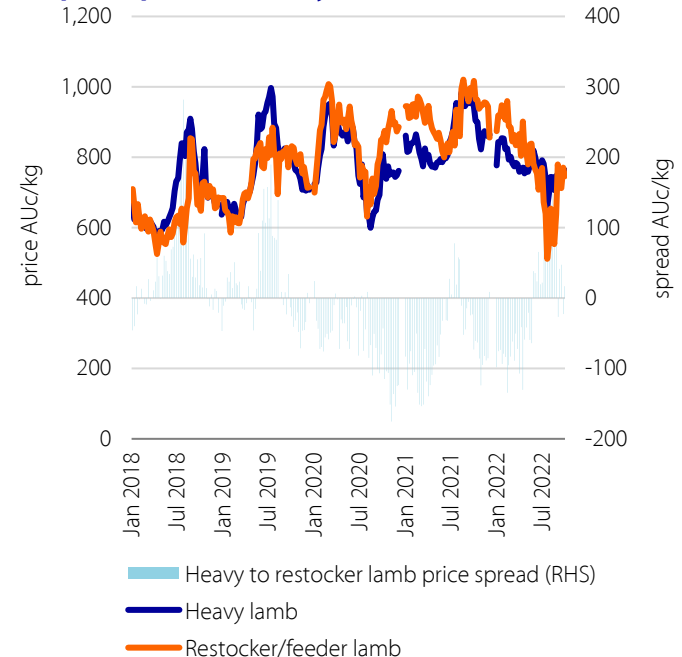
# Lamb Prices Have Lifted But Expected To Ease Towards the End of the Year



**ESTLI rises but is expected to plateau and ease towards the end of the year**



**Restocker lambs come back into favour, reducing the price spread to heavy lambs**



# Consumption Continues To Fall

**ICE cotton futures continue to drop with a low of USc 75/bl, a 20.6% reduction MOM as of 28 October.** This weakening price has been driven by mounting inflation concerns and a strengthening of the US dollar.

**The USDA reduced its 2022/23 global trade forecast by 2.2% MOM (equivalent to 1m bales), with lower global consumption the primary contributing factor.** Total consumption is set to fall 2.5% MOM to 115.6m bales, making it 1.5% below 2021/22. India and China saw the biggest cuts to consumption this month, down 1m bales each versus USDA's September data. Pakistan still continues to be a factor with consumption down 0.5m bales MOM. On the supply side, global production is still expected to be up 2.2% YOY, at 118.1m bales, even with poor growing conditions in the US. Drought and high temperatures across US growing regions are expected to see 2022/23 production down 21% YOY, at 13.8m bales. Rising global production coupled with declining consumption is set to see ending stocks up 3.1% YOY to 87.8m bales. This is up 3.9% MOM from USDA's last update.

**Locally, record October rainfall totals throughout the Namoi and Gwydir valleys in upper NSW have halted ground preparation and planting.** As this region accounted for 35% of Australia's national production in 2021/22, the anticipated several-week delay is expected to adversely impact Australia's national production forecasts for 2022/23. Private forecasters are already anticipating notable production downgrades, with some in the low 5m bale range. While the rains are expected to heavily impact irrigated cotton areas in Southern QLD and NSW, the longer planting window for dryland cotton means it is expected to be less affected at this point. Some parts of northern NSW are reporting that up to 70% of already-planted cotton area has been washed out. Pending continued unfavourable weather events in the 2022/23 planting window, both area and yield expectations could see further hits.



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## Cotton

### What to Watch

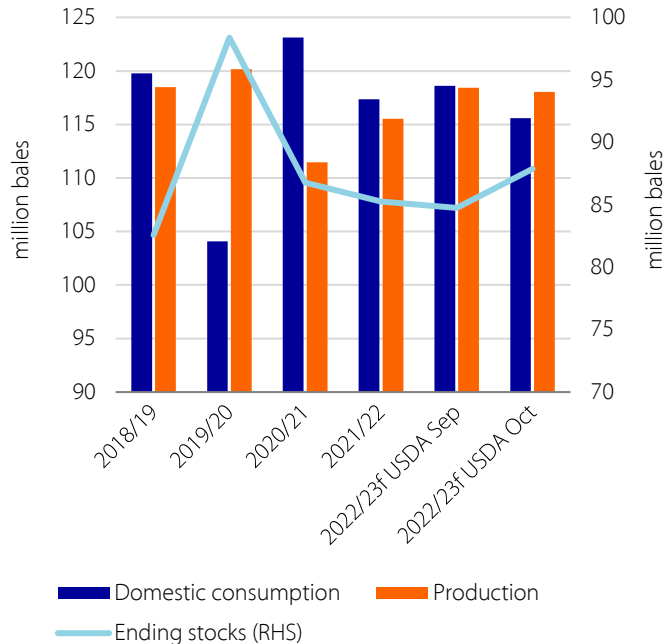
- **Australian re-planting** – Southern QLD and NSW continue to experience cooler La Niña-induced conditions. The market will be focused on whether irrigated planting can resume in time, shift to crop alternatives, or if farmers will simply bank their water for the next season.
- **Harvest in the US** – Harvest is well and truly underway with 45% of the crop harvested as of 24 October, 5% ahead of the five-year average. Crop condition across the 14 producing states is sitting at 30% good/excellent, 25% fair, and 45% poor/very poor, with large areas of drought- and hurricane-hit states yet to be stripped.

# Rising Ending Stocks See Global Prices on the Decline



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**Rising production and declining consumption see ending stocks up MOM and YOY**



**ICE cotton prices decline sharply, with a gloomy economic outlook weighing on sentiment**



# Greasing the Gears?

**Wool prices have bounced back slightly from declines experienced in recent months, with the EMI trading at AUC 1,300/kg as of 28 October, a 3.2% increase MOM.** While trending up month-on-month, EMI is still down 2.5% YOY, at AUC 1,333/kg. Micron prices saw varied month-on-month fluctuations with 17 micron dropping 2.85%, while 18, 28, and 30 micron saw increases of 2.2%, 6.1%, and 3.6%, respectively.

**Demand is seeing support as consumer confidence stabilises following significant declines earlier in the year.** US retail apparel sales in September again traded above pre-pandemic levels (+20.5% YOY), while UK retail apparel sales were on par with pre-pandemic levels. The latest October data shows US consumer sentiment in October up 16% since its June lows, but remaining 48% below the post-Covid peak of April 2021. Following significant drops in April, consumer confidence in China has stabilised at significantly below-average levels, according to the latest August figures. The latest data shows July woollen suit import volumes still down considerably for major importers versus pre-pandemic levels. The US, Japan, and France saw imports 20%, 67%, and 17% lower versus equivalent July 2019 levels, respectively.

**Locally, August 2022 national exports reached 27.25m kg, a 12.7% increase YOY.** The lion's share (84%) of these exports again went to China. However, India, which accounted for 5.5% of export volumes saw strong growth of 40% YOY. Through 2022, year-to-date exports to China have remained steady, with a slight 1.2% decrease, while exports to India are showing solid growth, up 67% on 2021 YTD.

**As of 31 October, volumes of wool tested totalled 29.3m kg, down 3.2% YOY.** NSW (down 14.9% YOY), Victoria (down 0.4%) and SA (down 3.4%) all saw drops in wool tested versus 2021 levels. These smaller testing volumes can in part be attributed to wool distribution interruptions due to widespread flooding in the growing regions along the east coast. Queensland is experiencing large wool testing growth, up 18.2% YOY, while Tasmania is sitting 52.9% above 2021 levels. This aligns with the Australian Wool Forecasting Committee's estimates for higher production in both states year-on-year.



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## What to Watch

- **Export supply levels** – After increased wool testing through July and August, we are seeing a slow down through September and October. As year-to-date exports are sitting up 0.9% YOY, the impact of such testing declines is something to keep an eye on.

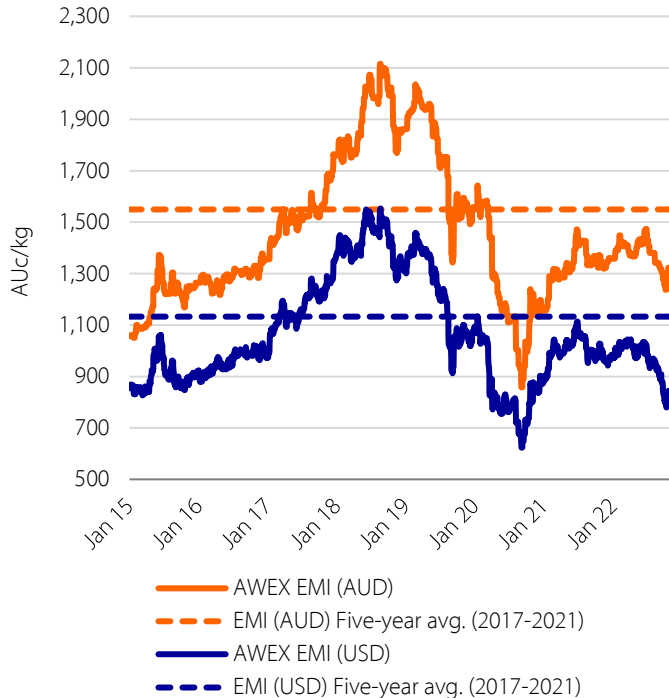
# Wool

# East Coast Weather Caused Slight Declines in Wool Tested; Prices See a Small Bounce

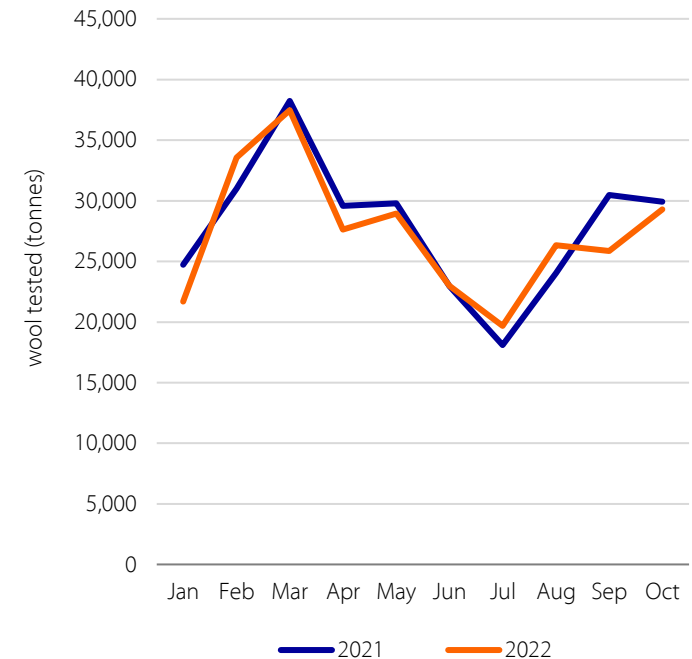


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**Wool prices bouncing back after recent slumps**



**National wool testing showing increase after sitting significantly below September 2021 levels**





# Food Inflation Gaining Pace

**The latest Consumer Price Index (CPI) data from the Australian Bureau of Statistics shows annual food price inflation reached 9% in the September quarter, the highest annual rise in food prices seen since 2006.** The last time food prices experienced such high annual growth was 16 years ago, in 2006, when Cyclone Larry had devastated Australia's banana crop, causing a huge spike in prices.

**Further rises are expected in food prices in the Q4 and into 2023 as the impact of current and recent flooding in agricultural regions weighs on food supply volumes.**

**The food price inflation story was once again broad-based, with increases across all food and beverage categories.** It has been led by double-digit increases in fresh produce overall, dairy, eggs, coffee, and cooking oils. Fruit prices specifically also rose this quarter, after falling in the July CPI. Milk and cooking oil recorded the highest year-on-year price inflation since recording began.

**Food price inflation was clearly putting significant pressure on households and there was evidence of weaker consumer demand already emerging. We see a difficult 2023 for households to come, with a slowing economy plus higher interest rates and energy bills all on the horizon.**



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## Downstream Markets

### What to Watch

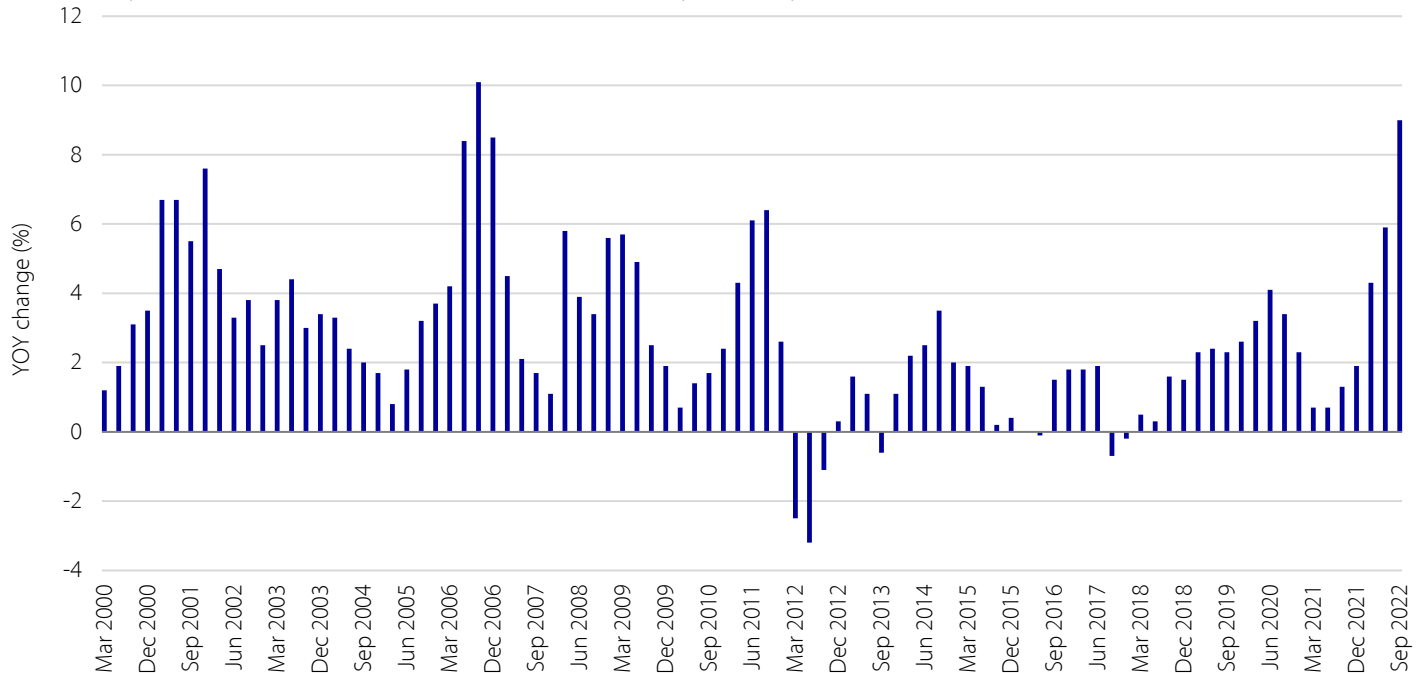
- **China's food market** – Chinese consumer confidence levels have plummeted to record lows in 2022. The economy is buckling under the weight of the zero-Covid policy. Rabobank is forecasting China's GDP to grow at 2.8% in 2022. The foodservice sector continues to struggle. These weakening circumstances in China are negatively impacting the performance of food and beverage companies.

# Local Food Inflation Hits 16-Year Highs



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## Seasonally-adjusted food retail turnover in Australia, year-on-year change



# Cost Relief on the Horizon?

**Despite recent events in global energy markets, European gas stocks have reached good levels for the coming winter, prompting a 90% reduction in the Dutch TTF natural gas spot price. Global reference prices for urea, DAP, and MOP decreased 10%, 5%, and 6%, respectively.**

Reduced natural gas prices brought profitability back to manufacturers, with plant curtailments in Europe declining from 67% to 37% for **nitrogen**. This represents a 45% recovery in site numbers since 2022's energy price escalation and adds roughly 4m tonnes of urea back to the supply chain on a yearly basis. International prices are beginning to reflect this recent status change, but some regions show minimal price reductions. Baltic Sea urea spot prices moved from AUD 860 to AUD 940/tonne to a range of AUD 830 to AUD 910/tonne during October, down roughly 3% MOM.

The future is misty for **phosphate** due to Hurricane Ian's damage to the US logistics system, Chinese export quota size uncertainty, and just how high worldwide stocks are. In general, global prices show a steady and slow reduction caused by high levels of stocks. India is back in the export game but the benefit may be offset if China employs more stringent export quotas in Q1 2023.

High levels of **potash** stocks are also causing price reductions – and disparities of up to 20% between regions. The high stocks in the Americas, especially in Brazil, might lead to further price reductions globally. The question is the depth and timing of the price corrections.

The downward trend for **agrochemical** prices is expected to continue as global demand softens, Chinese stocks steady, and production remains undisturbed. The FOB reference price for glyphosate at Chinese ports marks a 29% reduction YTD.



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## Farm Inputs

### What to Watch

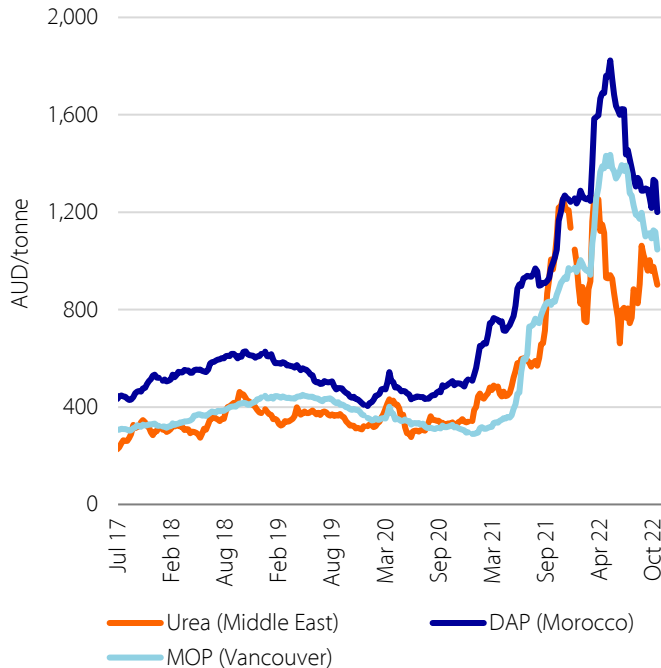
- **Container flows** – The Baltic Dry Container Index is close to AUD 6,250, a 25% reduction MOM and 55% YOY. The partial rearrangement of global flows and new vessels might soften freight costs for agrochemicals. Rabobank forecasts a 9.4% increase in ocean liner container capacity in 2023. Of those, 75% are refrigerated containers.
- **EU nitrogen production valves opening** – In the coming weeks we will be able to see how much nitrogen production can bounce back given the new natural gas price level.

# Declining Gas Price May Ease Cost Pressure



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## AUD-adjusted monthly global fertiliser prices



## ICE Exend Dutch TTF Gas Spot Price, Next Hour



# Aussie Dollar Hangs in the Balance

**The latest CPI data came in higher than expected. Q3 total inflation was up 1.8% QOQ and 7.3% YOY.** This is the highest annual movement in CPI since 1990.

**After reaching a year low of USD 0.62, the Australian dollar recovered some ground towards the end of October, trading between 0.62 to 0.65 against the US dollar.** With expectations of another hawkish 75-basis-point rise from the Fed, US dollar strength is expected to continue in the short term. As the bleak economic outlook drives down commodity prices, the AUD/USD could come under further near-term pressure, though we expect AUD/USD to recover some ground on a six-month horizon.

**As expected another 25 basis point hike was announced at the RBA's November meeting, moving the cash rate up to 2.85%.** While the RBA have increased their inflation expectations to peak around 8% later this year, they have continued hiking at a slower pace than other central banks. Following the decision, the RBA governor cited assessment of incoming economic data and monetary policy lag as reasons for returning to standard quarter percentage point hikes. Despite the record level terms of trade supporting the Australian economy, the RBA have also downgraded GDP forecasts to 3% for this year.

**With one more board meeting left in 2022, the RBA will have to continue hikes into 2023 to curb inflation.** The ASX 30 Day Interbank Cash Rate Futures shows markets are expecting a peak cash rate at 3.92% by November 2023.



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## Interest Rate & FX

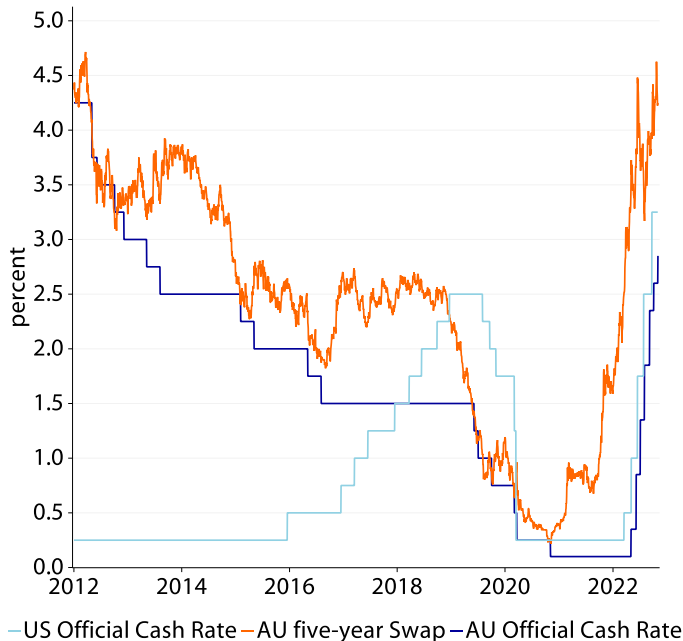
### What to Watch

- **AUD near-term weakness** – Rabobank estimates a recovery to 0.73/USD on a 12-month horizon, but in the short term, USD strength is likely to see the AUD below 0.64 on a three-month view.
- **More hikes** – The RBA will have to push interest rates higher, having moved the official cash rate in early November up by 25 basis points, with even more hikes likely to follow.

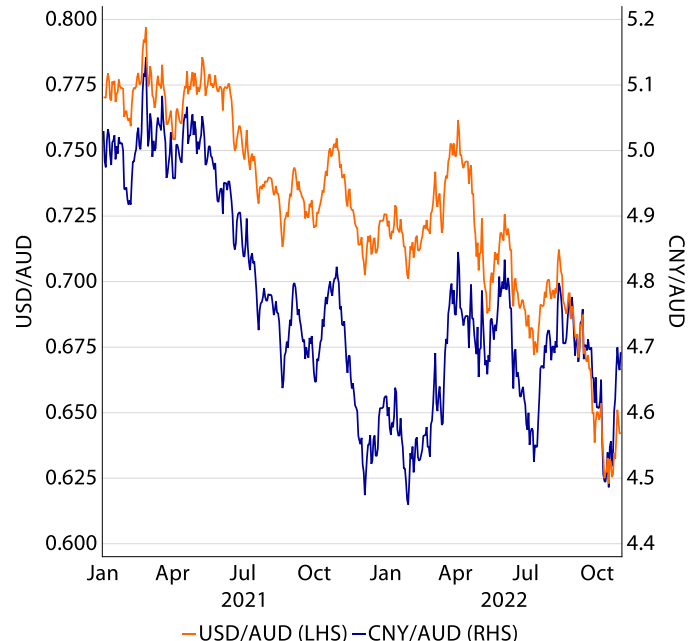
# Interest Rates: More Hikes Needed To Tame Record High Inflation



**The AU five-year swap rose in October, and more cash rate hikes are expected**



**The AUD has slightly recovered after year lows against the USD in October**



# Reefer Container Rates To Decrease Through 2023



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**Crude oil prices increased over October, as OPEC agreed to cut supply by another 2m bpd to keep prices elevated.** This caused a recovery in prices over the past month as Brent Crude Oil hovered between USD 87 and USD 97/bbl. Despite the expected seasonal hike in oil demand for the Northern Hemisphere winter, slowing economic growth is weighing on demand, particularly in China where zero-Covid policy restrictions remain. OECD inventories of oil remain significantly below the five-year average, and risk of further supply shocks will continue to support prices. Rabobank expects the price of crude to remain around USD 97/bbl out to the end of 2022.

**Reefer container rates are likely to decrease through 2023, yet at a significantly slower pace compared to the steep declines of dry container rates we have seen in recent months.** Looking at the demand side, whereas freight demand for dry cargo (mostly non-food) has experienced strong declines, freight demand for reefer cargo (mostly food) is expected to stay resilient through the current economic downturn. Looking at the supply side, capacity is expected to grow in 2023 and therefore contribute to a downward trend of reefer container rates. Reefer plug capacity on containerships will grow 7.1% YOY in 2023 thanks to many ordered containerships coming online in 2023. Reefer container production will also grow with an expected CAGR of 3.4% 2021-2026. However, reefer container shortages, which put upward pressure on rates, will remain an issue in major F&A exporting regions including Central America, South America, Southern Africa, as well as Oceania as a result of their high imbalances between low-volume reefer import versus high-volume reefer export.

**The Baltic Panamax index (a proxy for grain bulk freight) is dropping from its September peak, reversing the month-long trend of impressive gains.** We observe weakness across vessel segments in recent weeks, overshadowed by challenging economic conditions.

## What to Watch

- **Looming global economic conditions** – A slowing global economy will continue to impact global trade and, thus, ocean container and bulk shipping conditions.
- **China's zero-Covid policy weighing on oil demand** – Recent spikes in Covid infections have increased restrictions in China's largest city of Shanghai. With no sign of China ending the zero-Covid policy anytime soon, restrictions will continue to impact demand for oil.

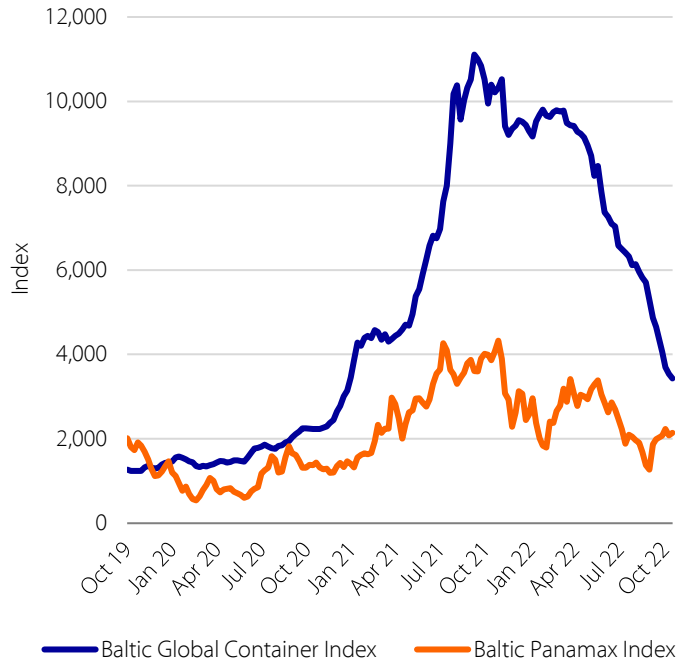
Oil &  
Freight

# Supply Cuts Putting Pressure on Crude Prices

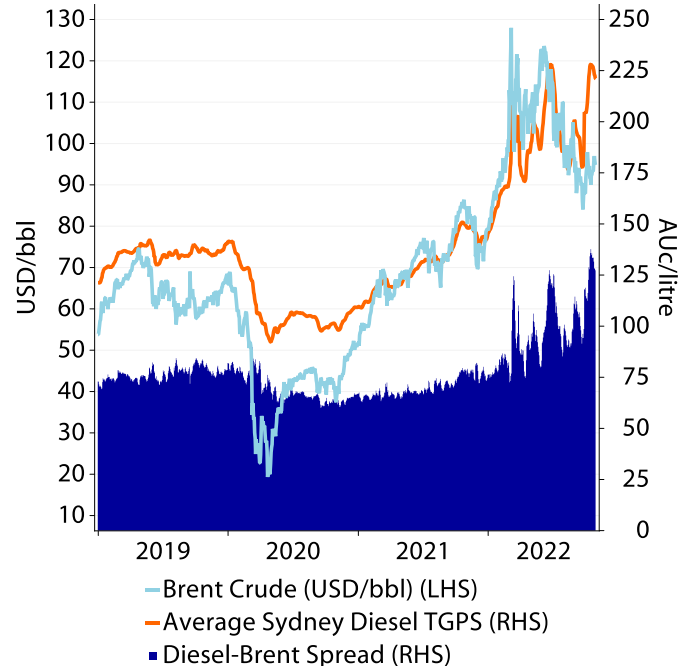


Rabobank

### Baltic Panamax Index and Dry Container Index, Oct 2019-Oct 2022



### Brent Crude Oil and Average Sydney Diesel, Jan 2019-Oct 2022





# Agri Price Dashboard

	28/10/2022	Unit	MOM	Current	Last month	Last year
<b>Grains &amp; oilseeds</b>						
CBOT wheat		USc/bushel	▼	831	922	773
CBOT soybean		USc/bushel	▲	1,376	1,365	1,236
CBOT corn		USc/bushel	▲	678	678	568
Australian ASX EC Wheat Track		AUD/tonne	▲	483	442	333
Non-GM Canola Newcastle Track		AUD/tonne	▲	807	730	889
Feed Barley F1 Geelong Track		AUD/tonne	▲	349	326	276
<b>Beef markets</b>						
Eastern Young Cattle Indicator		AUc/kg cwt	▼	1,042	1,075	1,073
Feeder Steer		AUc/kg lwt	▼	551	567	559
North Island Bull 300kg		NZc/kg cwt	•			650
South Island Bull 300kg		NZc/kg cwt	•			615
<b>Sheepmeat markets</b>						
Eastern States Trade Lamb Indicator		AUc/kg cwt	▲	767	737	853
North Island Lamb 17.5kg YX		NZc/kg cwt	•			965
South Island Lamb 17.5kg YX		NZc/kg cwt	•			940
<b>Venison markets</b>						
North Island Stag		NZc/kg cwt	•			690
South Island Stag		NZc/kg cwt	•			700
<b>Oceanic Dairy Markets</b>						
Butter		USD/tonne FOB	▼	5,075	5,350	5,063
Skim Milk Powder		USD/tonne FOB	▼	3,475	3,550	3,413
Whole Milk Powder		USD/tonne FOB	▼	3,575	3,700	3,838
Cheddar		USD/tonne FOB	▼	5,075	5,225	4,463

# Agri Price Dashboard

	28/10/2022	Unit	MOM	Current	Last month	Last year
<b>Cotton markets</b>						
Cotlook A Index		USc/lb	▼	96.0	103.8	123
ICE No.2 NY Futures (nearby contract)		USc/lb	▼	75.0	93.2	115
<b>Sugar markets</b>						
ICE Sugar No.11		USc/lb	▼	17.7	18.4	19.3
ICE Sugar No.11 (AUD)		AUD/tonne	▼	606	609	539
<b>Wool markets</b>						
Australian Eastern Market Indicator		AUc/kg	▲	1,300	1,255	1,333
<b>Fertiliser</b>						
Urea Granular (Middle East)		USD/tonne FOB	▼	625	648	818
DAP (US Gulf)		USD/tonne FOB	▼	700	755	740
<b>Other</b>						
Baltic Panamax Index		1000=198.5	▼	1,900	2,082	3,896
Brent Crude Oil		USD/bbl	▲	96	88	84
<b>Economics/currency</b>						
AUD		vs. USD	▲	0.64	0.64	0.752
NZD		vs. USD	▲	0.58	0.56	0.717
RBA Official Cash Rate		%	▲	2.60	2.35	0.10
NZRB Official Cash Rate		%	▲	3.50	3.00	0.50

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