

Finally, Markets Are Levelling Out

Australia Agribusiness Monthly



May 2023

© 2023 Rabobank Australia Limited ABN 50 001 621 129 AFSL 234 700, part of the Rabobank Group. Global website: www.Rabobank.com



May Commodity Outlooks

 <p><i>Grains & Oilseeds</i></p>	Assuming there are no disruptions to Ukrainian supplies, dry conditions improve in the US and Canada, and Brazil has no issue with its second corn crop, global grain prices are expected to be flat to down... but those are a lot of assumptions and markets may be becoming complacent.	p. 6-7
 <p><i>Dairy</i></p>	Rabobank is forecasting a range of AUD 8.50 to 9.00/kgMS for new season milk prices across Southern Australia. The cyclical downturn in global markets will have a dampening effect on farm-gate prices in 2023/24, but will be buffered by a weak Australian dollar and strong local markets.	p. 8-9
 <p><i>Beef</i></p>	After the dramatic drop, cattle prices have levelled out and the market has returned to a degree of normality. Margins down the supply chain are improving and cattle numbers are increasing. We believe that this should steady the market for the next couple of months.	p. 10-11
 <p><i>Sheepmeat</i></p>	There are not many bright spots for the sheepmeat market in the coming month. Increasing volumes, weaker producer demand, weaker consumer markets, and increasing global competition all create headwinds for Australian lamb and sheep prices.	p. 12-13
 <p><i>Cotton</i></p>	A bearish outlook is holding prices at their current level as high ending stocks and reduced global trade continues to keep spinners active around the USc 80/lb mark. Global consumption forecasts stabilised in April, providing positive signs for increases toward the end of the year.	p. 14-15
 <p><i>Wool</i></p>	Wool prices dipped throughout April before a late rally to close out the month. Exports softened after a strong start to the year, but positive demand trends from key markets continue to provide promise.	p. 16-17

May Commodity Outlooks



Australia's markets have seen the peak in food inflation, but the cost of the food basket is still elevated. There is some relief for consumers in fresh produce and meat, but dairy, cereals, cooking oils, and packaged food remain a headache for Aussie households.

[p. 18-19](#)



Several factors are influencing the fertiliser market, from raw material and energy prices to politics and demand. The urea price gained momentum during April as demand wakes up with the Northern Hemisphere spring, while phosphate and potash prices are more sticky.

[p. 20-21](#)



The RBA delivered a surprise 25bps hike on May 2nd to take the cash rate to 3.85%. Interest rate and FX markets will take further direction from the federal budget handed down on 9 May, as well as from April retail sales and labour market figures to be published on 18 and 26 May, respectively.

[p. 22-23](#)



Crude oil and diesel prices both dipped at the end of April. We expect this trend to continue in May as weaker global growth weighs on demand and higher refining capacity utilisation makes diesel more readily available.

[p. 24-25](#)

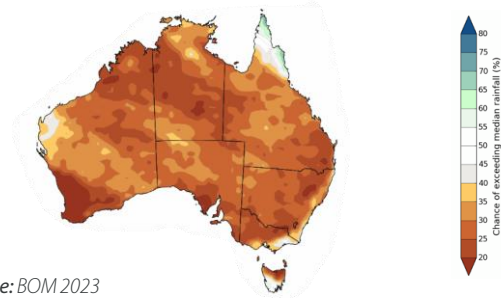
ENSO Likely To Enter Its El Niño Era During Winter

The BOM model is the only model that depicts El Niño thresholds being exceeded starting from May.

While the El Niño-Southern Oscillation (ENSO) remains neutral for now, all models forecast El Niño will begin by August. For almost all of Australia, the chance of exceeding median rainfall is very low (<40%) for the period from May to July.

The Indian Ocean Dipole (IOD) model depicts positive values being reached from June and will continue to remain positive throughout winter. However, BOM advises these outlooks to be viewed with caution as long-range forecasts made in the autumn period have lower accuracy.

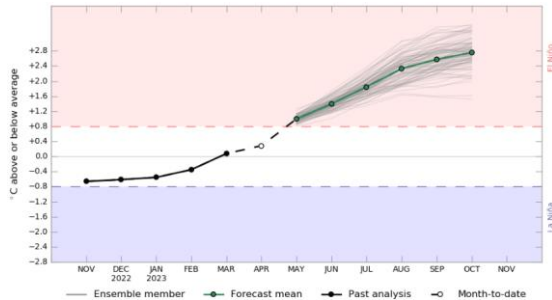
Low chances of exceeding median rainfall in 1H 2023
 May-July rainfall outlook



Source: BOM 2023

Risk of ENSO entering El Niño in late 1H 2023

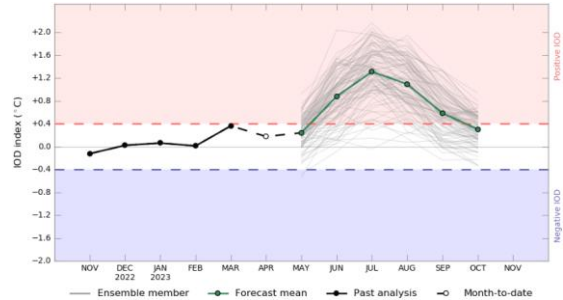
Monthly sea surface temperature anomalies for central Pacific Ocean



Source: BOM 2023

IOD forecast to become positive in 1H 2023

Monthly sea surface temperature anomalies for Indian Ocean



Source: BOM 2023

Cyclone Ilsa Brought Record Wet Weather to WA This April

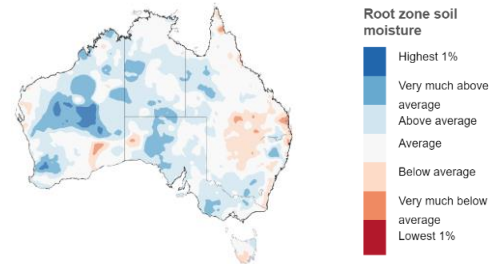
The beginning of April saw rainfall drench most parts of Australia, with western areas of WA recording the highest weekly total of ~210mm.

For much of the month, the east coast continued to experience wet weather, with weekly totals between 10 to 50mm. In mid-April, Tropical Cyclone Ilsa, formed off WA, brought weekly total rainfall to ~210mm in the Pilbara region in northwestern WA. Remnants of the cyclone linked up with a cold front, resulting in weekly totals up to 50mm in southeastern Australia.

During the last weeks of the month, storms in parts of NT and QLD brought the weekly rainfall total to more than 200mm. Areas along coastal NSW also experienced heavy rainfall.

Soil moisture unevenly distributed across Australia

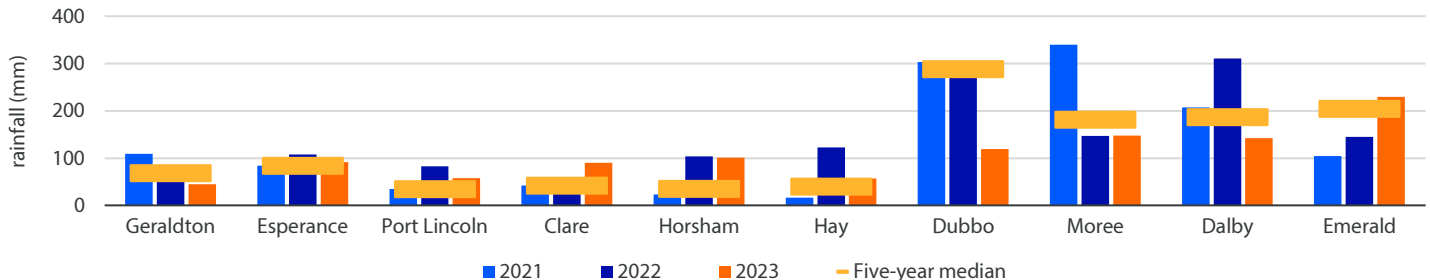
Relative soil moisture, April 2023



Source: BOM 2023

First quarter 2023 rains below 2022 record, but near average levels in most regions

February to April rainfall



Source: BOM 2023

Not-so-united Nations Carry Risk



CBOT Wheat's most active contract declined 9% in April, CBOT Corn declined 2%, while CBOT Soybeans ended mostly unchanged. Assuming there are no disruptions to supply out of Ukraine, dry conditions improve in the US and Canada, and Brazil has no issue with its second corn crop, global prices are expected to be flat to down moving forward into 2023... but those are a lot of assumptions and markets may be becoming complacent to current geopolitical risks.

The successful operation of the Black Sea grain corridor alongside strong Russian wheat exports have helped cool wheat prices. **However, EU disunity on Ukraine's western border and the constant barrage of threats from Russia create upside risk.** A group of eastern EU nations temporarily put in place a Ukrainian crop import ban on 17 April, claiming farmers experienced a steep price decline. The ban was changed the next day to a restriction only on grain remaining in the countries. Grain for transit is allowed for now. The disunity emboldens Russia to push for better terms in the next corridor re-signing on 18 May. For now, the market is at ease, as it expects a re-signing, plus this is usually a quieter time for Ukrainian exports and the harvest is soon. APW1 track prices only declined 3% MOM, with the price premium to CBOT now averaging AUD 28/tonne. While the planting mood is positive in many regions, BOM's root zone soil moisture map shows dryness in northern NSW. Price forecasts are unchanged.

Canola moved up. While Canadian and European canola prices finished mostly unchanged month-on-month, Australian non-GM track prices moved 5% higher on average, with GM moving 3% higher. Considering the new EU canola crop will come online from June, there is a decent chance the window for higher prices will not stick around for long.

What to Watch

- **'Barely' anything on the China front** – In early April, China agreed with Australia to review its barley anti-dumping tariffs, though the tariffs still remain. There is talk of vessel inquiries for later in the year, but China will also have access to European and Canadian barley then. Starting talks with Australia could be a hedge against a possible turn for the worse in Canadian or European crops, from a malt barley perspective, or a hedge against Brazil's second crop also turning bad from a feed perspective. Considering the decline in French barley prices, another theory is that this announcement was made to spook offshore barley markets.



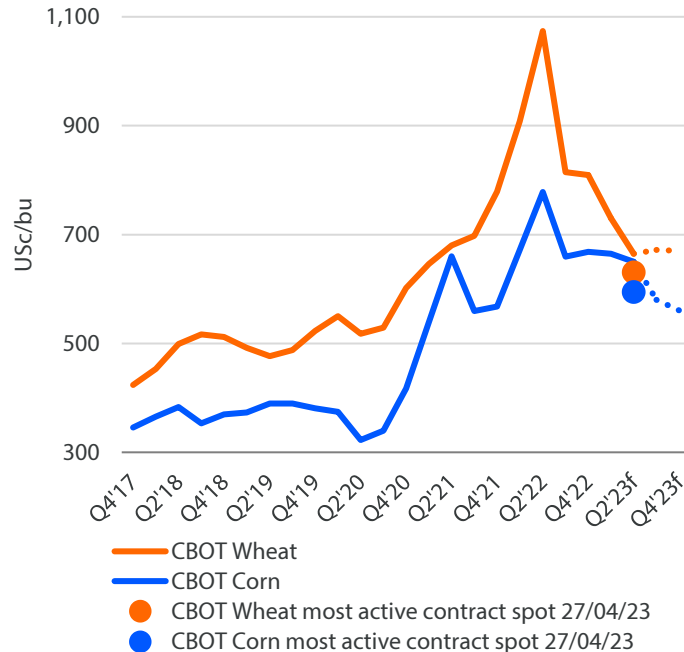
Dennis Voznesenski
Senior Analyst
Grains & Oilseeds

Dennis.Voznesenski@rabobank.com
Twitter: @Voz_Dennis

Grains & Oilseeds

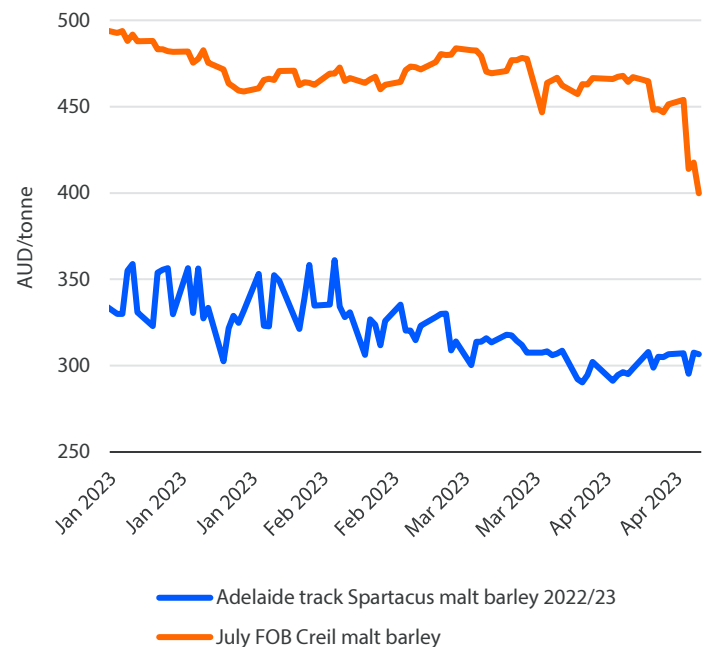
Global Wheat and Corn Prices Should Be Flat to Down... Assuming Nothing Goes Horribly Wrong

Global wheat and corn prices on the decline, but geopolitical and weather risks lie in wait



Source: Rabobank 2023 ACMR forecast 26/04/23

Local barley market remains pessimistic and sees limited rise while French prices plummet on China negotiations



Source: Bloomberg, Rabobank 2023

A Firm Landing Zone for Milk Prices

The upcoming season's milk price will likely be lower than the lofty highs currently being offered across parts of the southern export region as a downturn in commodity and ingredient prices cycles through.

Rabobank is forecasting minimum price offers for new season milk in southern Australia to be between AUD 8.50/kgMS and AUD 9.00/kgMS. Another season of historically elevated milk prices will support farmgate margins.

Dairy farmers welcome relief from a record-high cost base as lower purchased feed and fertiliser prices flow through the balance sheet. However, there will still be other cost headwinds on the farm in 2023/24, and labour is a major headache.

The milk production decline in Australia moderated in March. For the month of March, national milk production reached 582m litres, which was 3.3% lower versus March 2022. The results were mixed across the production regions. Milk supply is showing signs of stability in Western Australia, and Tasmania has again become a small engine of growth. The largest volume falls for the season so far have been in eastern Victoria. Season-to-date milk production is down 6.2% across the country, equating to 422m litres.

Oceania commodity returns saw some resistance in April. In US dollar terms, commodities were higher at the end of April versus the previous month (except whole milk powder). Year-on-year, commodity prices are now down between 28% and 36% since April 2022. The underlying fundamentals remain soft and will require a spike in Chinese imports to turn the tide.



Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
Twitter: @MickHarvey77

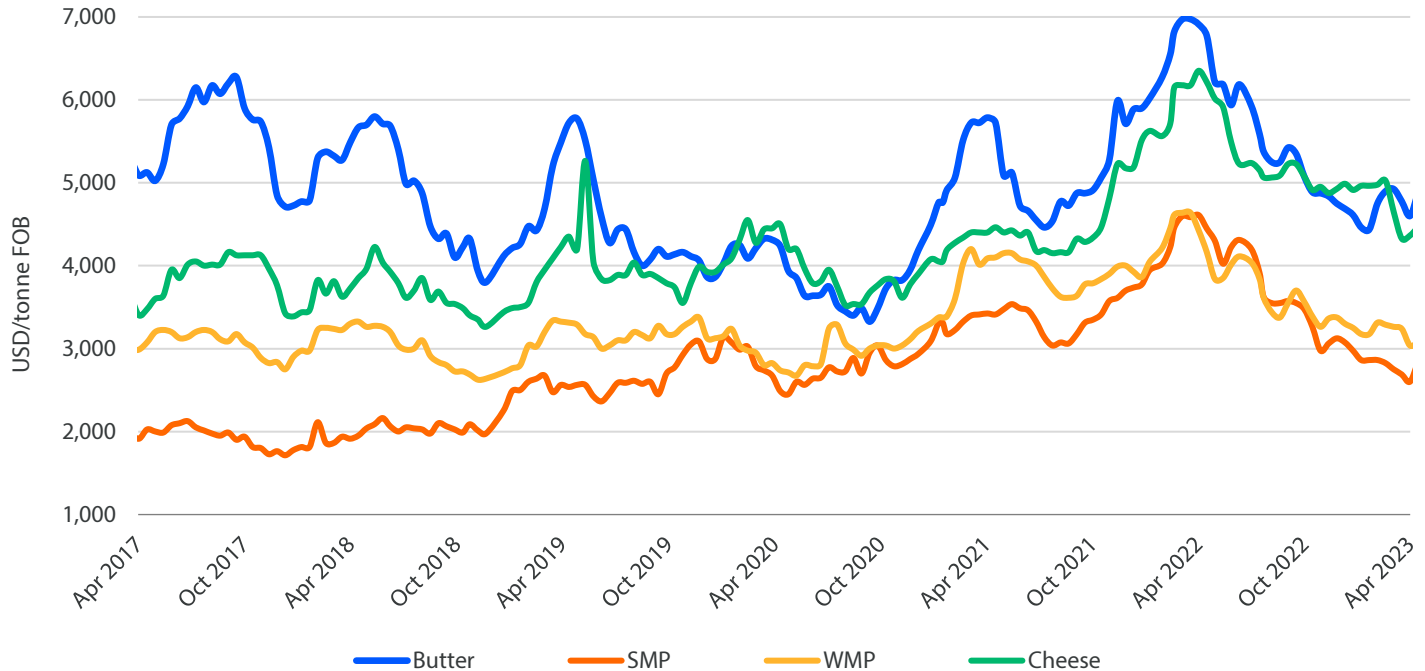
Dairy

What to Watch

- **Live export markets** – From 30 April 2023, dairy cattle exports into China will undergo a major change, which could impact the volume of demand for heifers from Australia. New Zealand live dairy exports by sea freight have now ceased, meaning that Chinese buyers have lost access to a major supplier. This is coming amid an ongoing revitalisation plan by the Chinese government, which kickstarted several years ago. The overarching ambition is to reach domestic production of 41 m tonnes of milk by 2025. However, the production target is already within reach much earlier.

Dairy Commodity Returns Fall Further

Oceania spot dairy commodity prices, April 2017–April 2023



Source: USDA, Rabobank 2023

Back to Normality

Most cattle prices stabilised through April and we believe, under current conditions, prices will remain around present levels through May. Young restocker-type cattle prices remained relatively static through the month. The EYCI started the month at AUc 686/kg and finished the month at AUc 670/kg. Heavy steers and cows lifted through the month up 5% and 2%, respectively. While we don't believe this indicates any longer-term upward trend, it is a good sign that margins may be returning to normal and there will be support for prices at current levels. We did see a lift in numbers of restocker cattle sold through saleyards in May last year, but provided the seasons remain favourable, we do not believe this will have a large downward effect on prices.


After dipping over the shorter weeks of Easter, east coast weekly slaughter numbers lifted again in the week before Anzac day. **It appears – based on the volumes through abattoirs since February – that a more steady flow of cattle is now available, with weekly numbers just above 110,000 head per week**, making the year-to-date total just over 20% higher YOY. ABS numbers will be released in mid-May, giving a clearer picture of how numbers are tracking.

March export volumes were up 33% versus 2022 volumes, continuing the year-on-year increases we have seen so far in 2023. Volumes to the US, South Korea, and China all saw significant rises, up 55%, 51%, and 48%, respectively. **We will have to watch volumes to China, with suggestions that there is a lot of protein in the market and large volumes in storage.** We did see Chinese beef import volumes up 24% in Q1, but this was compared to relatively low volumes in 2022. There was a lift in live cattle exports in March, but volumes are down 27% YTD.

What to Watch

- **Cattle on feed numbers** – After dropping 17% between Q1 and Q3, cattle on feed numbers lifted slightly to 1.14m head in Q4 – 1% below the Q4 numbers in 2022. A falling cattle market, higher feed grain prices, and softer consumer markets created challenging conditions for feedlots through 2022 and into 2023. But now that cattle prices have steadied, conditions appear more favourable. Although we are not expecting Q1 cattle on feed numbers to jump, we do think they will lift over the course of the year.

Beef

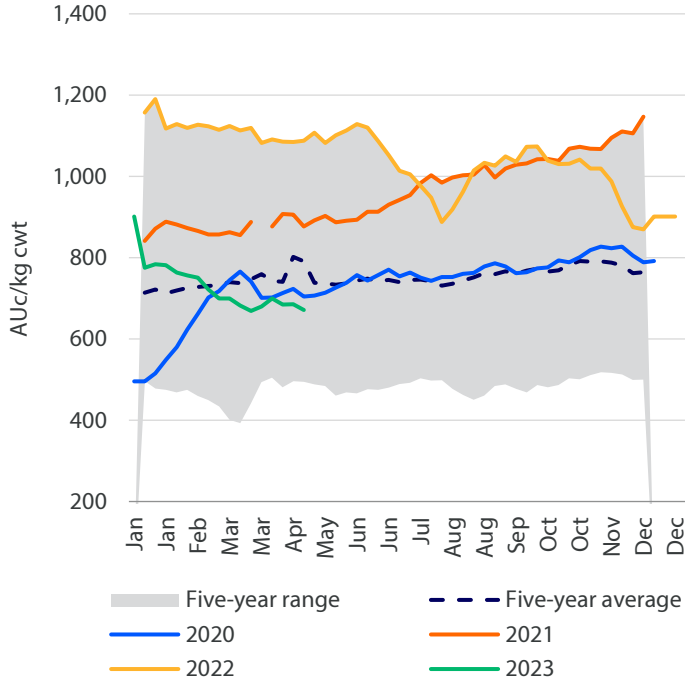


Angus Gidley-Baird
Senior Analyst
Animal Protein

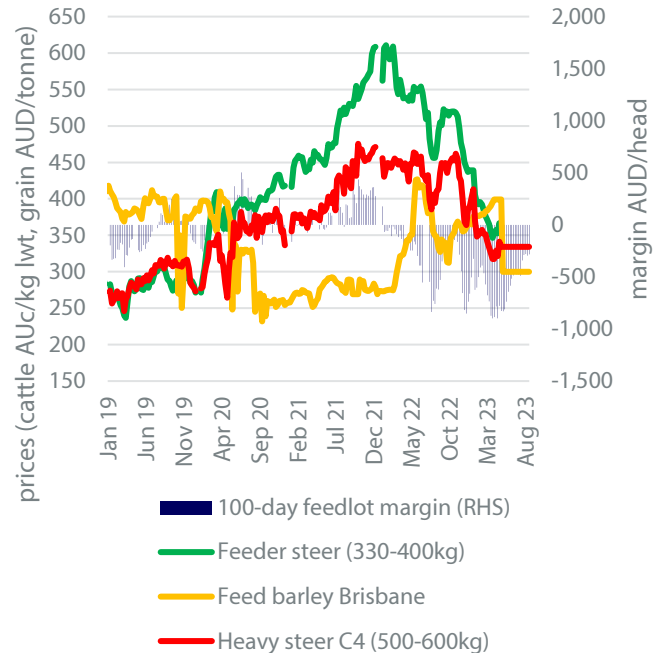
Angus.Gidley-
Baird@rabobank.com
Twitter: @angus_gb

Cattle Prices Level Out as Market Conditions for Feedlots Improve

EYCI holding firm but just watch weaner sales



Feedlot market conditions start to improve




Source: MLA, ABS, Rabobank 2023

Little Upside for Sheepmeat Prices

We are searching for the light at the end of the tunnel at the moment in the sheepmeat market. Higher volumes, lower producer demand, increasing export competition, and softer consumer markets have all knocked the wind out of the market. Export weight lambs remain a glimmer of light – just dipping below the five-year average price – and trade lambs are 9% below the average, but all other categories are well down on the five-year average. **There are no indications for any upside in prices over the coming month. The possibility of more lambs and sheep on the market, coupled with the weak producer buying activity, suggests possible downside and volatility.**

East coast weekly slaughter numbers saw a large jump in lamb numbers in week 17, in between the Easter and Anzac Day shorter weeks. This may be a reflection of the shorter holiday weeks and producers looking to get lambs to market, or it could be an indication of larger numbers of lambs to come – see 'What to Watch.' Sheep slaughter numbers also saw a significant step up and pushed into some of the highest volumes for this time of year seen in the last ten years. At a time when numbers would traditionally be declining, we are seeing sheep slaughter rise.

Lamb exports (25,149 tonnes swt) were up 3% YOY in March and mutton exports (21,510 tonnes swt) were up 68%. China and the Middle East saw large year-on-year rises, but volumes of lamb to the US contracted 30% YOY. Volumes to the US have contracted year-on-year for three of the last four months and, with lower import prices, suggest demand in this market is weaker. We are also cautious about China, with suggestions that there are large volumes of protein in storage at the moment. And with New Zealand sheepmeat exports increasing 12% YOY in March, we need Chinese consumption to increase to accommodate these higher volumes in the market.



Angus Gidley-Baird
Senior Analyst
Animal Protein

Angus.Gidley-Baird@rabobank.com
Twitter: @angus_gb

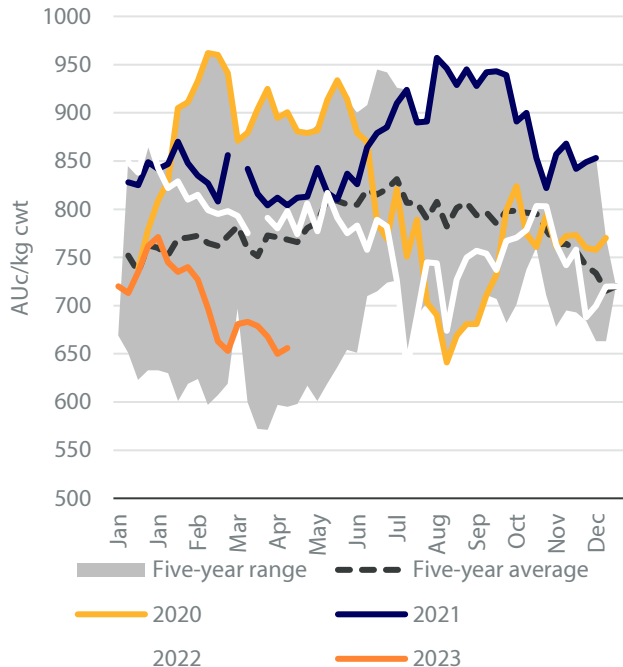
Sheepmeat

What to Watch

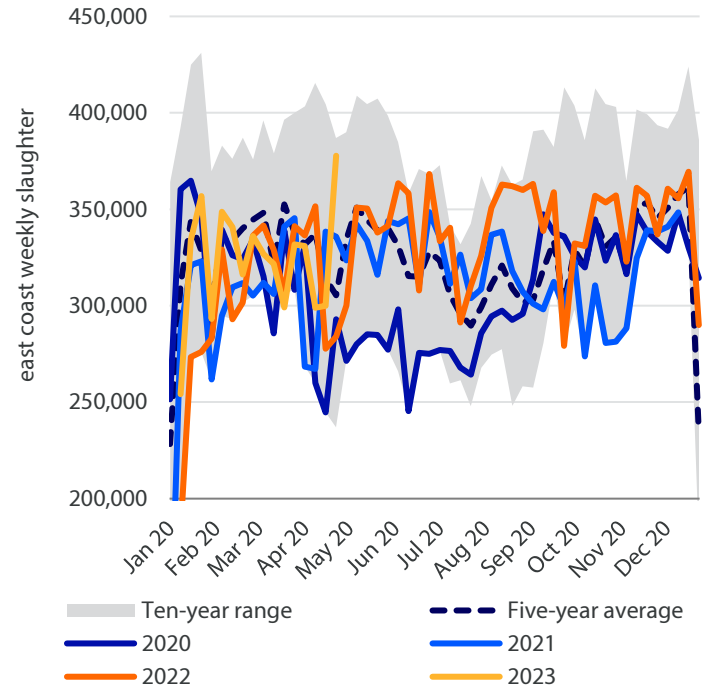
- **Lamb numbers** – Are we now seeing the results of later lamb finishing through increased lamb slaughter numbers? While one week doesn't create a trend, we were expecting some inflated slaughter numbers later in the year, and with seasons cooling off we might now be starting to see them hit the market. Last year, numbers increased in May before another rise in June. Are lambs a little earlier this year? And with weaker prices, does it encourage producers to sell earlier or hold and make it up in weight gain?

Lamb Prices Drift Lower as Large Numbers of Lambs Hit the Market

ESTLI continuing to drift lower



Lamb slaughter numbers jumped in mid-April



Source: MLA, ABS, Rabobank 2023

Bearish Trade Volumes Hold Prices

April saw ICE #2 Cotton prices initially climb to USc 84.55/lb through the first half of the month, followed by a slide to USc 76.51/lb, before settling at USc 79.03/lb as of 30 April, marking a 4.5% drop MOM. High ending stocks are providing limited price upside, with sales slowing once prices increase above the USc 83/lb mark. We saw more price fluctuation than in previous months as the May contract came toward expiry. However, price pushes pivoted back to a bearish market as spinners continue to avoid diminishing margins, opting for a preferred USc <80/lb mark.

Global production forecasts for 2022/23 increased with the USDA adding 830,000 bales in April. This increase is attributed to China's production increasing by 1m bales, offsetting Brazil's 300,000-bale drop. Brazil's production decrease is also contributing to global trade reductions on the demand side. Export estimates were down almost 750,000 bales in April with India and Brazil as the main culprits. Positively, USDA's April global consumption estimates for the 2022/23 season recorded an increase, which – despite being an almost negligible increase – is the first consumption increase we have seen from the USDA in over six months.

Locally, Australia has showed promising growth in exports in early 2023, with January and February volumes more than doubling 2022 levels. Key destinations remained Vietnam, Indonesia, and Thailand, and we continue to see India provide consistent demand off the back of the recent Economic Cooperation and Trade Agreement. Cotton harvest is well underway and 2022/23 cotton production estimates continue to increase, with yield estimates growing in several regions. Growing exports provides promise for what is looking like a 5.3m+ bale crop.



Edward McGeoch
Associate Analyst
Agriculture Commodities

Edward.Mcgeoch@rabobank.com
Twitter: @mcgeochedward

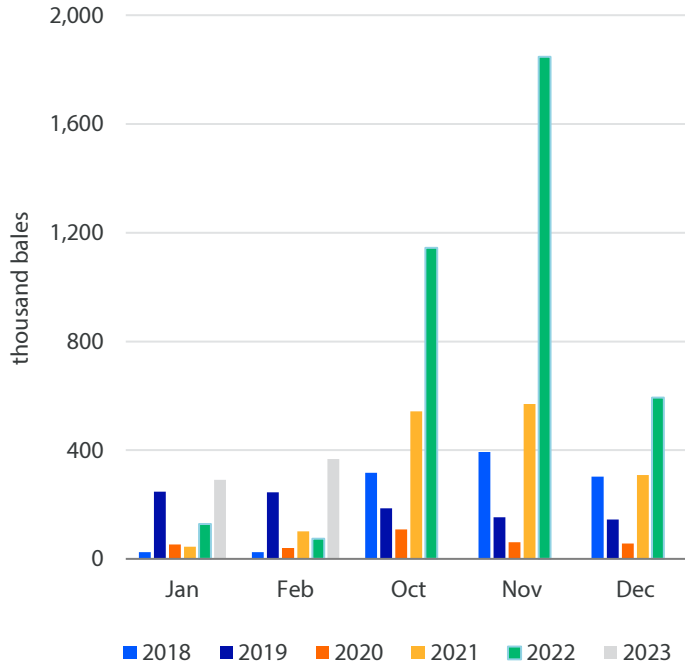
Cotton

What to Watch:

- **US planted acres** – Cotton planting is underway in the US, with the USDA's most recent crop progress report showing planted acreage on par with 2022 at 15% as of 30 April. Focus this month will be on, Texas, which is currently matching last year with 20% planted area. Drought continues to be a prevailing factor in parts of the state with the majority of topsoil and subsoil moisture conditions sitting in the very-short/short bracket (55% and 61% respectively) with adequate/surplus levels at 54% for topsoil and 39% for subsoil.

Australian Exports Remain Steady Amid Continuing Decline in Global Trade Volumes

Australian export volumes holding strong in early 2023



Source: ABS, Rabobank 2023

ICE #2 Cotton prices dropped after climbing close to USc 85/lb, with upside pressure remaining at that level



Source: Bloomberg, Rabobank 2023

Prices Holding Exports in Check

Wool prices saw the downward price trend continue into April with the Eastern Market Indicator dropping to AUc 1,302/kg as of 28 April, down 1.2% MOM. Prices across the board did not show any major increases in specific micron classes. The 23, 20, and 17 micron classes all managed to maintain price levels throughout the month, while the biggest dip was seen in the finer 18 micron range, which slid 2.9% MOM. In previous months, the 19–23 micron range had the greatest appeal to key markets, drawing considerable demand from the Chinese and Indian markets. This remained true for the 21 and 23 micron classes, which remain above 2022 levels.

Chinese retail sales are showing signs of growth into 2023, with March retail sales' value for garments, footwear, and textiles up 21% YOY. China's National Bureau of Statistics also recently released their first quarter GDP growth number which, at 4.5%, exceeded forecast levels. This is another positive sign after China's GDP expanded by 3% in 2022 after early targets had been set at 5.5%, indicating optimism for an economic rebound. We are seeing mixed results across several other major markets. For example, in March, the US recorded its first retraction in monthly sales (-2% YOY) this year. The UK is following a similar trend to China with textile, clothing, and footwear sales continuing their positive start to the year (+11% YOY in March). Japan's sales are also marginally up (+3% YOY).

The Australian Wool Production Forecasting Committee (AWPFC) released their latest wool production outlook for 2022/23 in April. Shorn wool production estimates are 1.3% above 2021/22 levels at 328m kg, while shorn numbers are down 0.1% to 71.5m head with the production increase attributed to the average cut per head increasing 2.2% to 4.59kg. The AWPFC also released their first forecast for the 2023/24 season, with sheep numbers shorn increasing to 72.7m head (+1.7% YOY) and shorn wool production at 332m kg (+1.4% YOY).



Edward McGeoch
Associate Analyst
Agriculture Commodities

Edward.Mcgeoch@rabobank.com
Twitter: @mcgeochedward

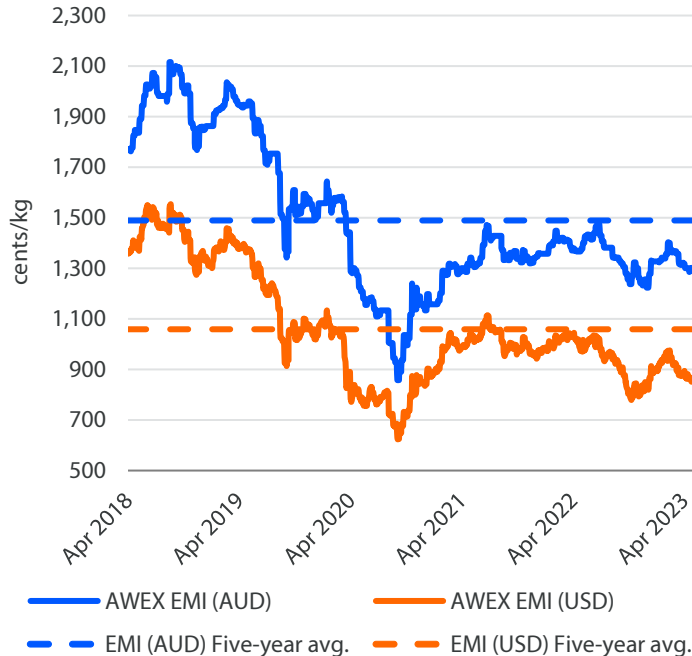
Wool

What to Watch:

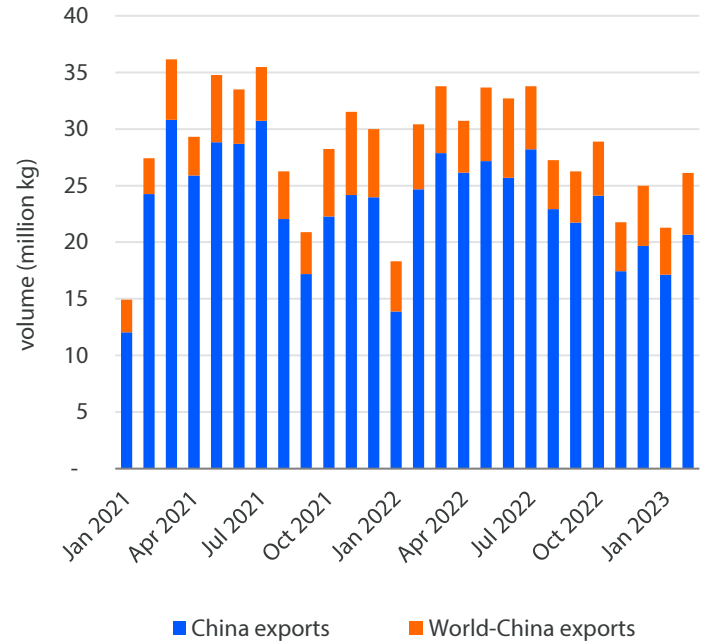
- **Containerisation capacity** – Australian wool export volumes from January show a strong increase of 16% YOY to 21.3m kg before sliding in February. Recent logistical bottlenecks for wool containerisation played on February volumes, which dropped 14% YOY. On a positive note, however, additional wool containerisation capacity is set to come online in the next week and assist in alleviating these pressures.

Wool Prices Were Held in Check as Demand Varied Among Key Retail Markets

Australian EMI continued to soften, albeit slightly, throughout April



Export volumes were strong versus historical levels in January before softening in February



Source: Bloomberg, Rabobank 2023

Source: ABS, Rabobank 2023

Mixed News for Consumers

The latest Consumer Price Index (CPI) data from the Australian Bureau of Statistics, shows annual top-line Australian food price inflation had slowed to 8.0% in the March 2023 quarter, from the 9.2 % seen in the previous (December 2022) quarter. This easing was good news for consumers as it indicates Australia has passed peak food inflation, as we had largely been anticipating. Nonetheless, the figure was still well above the long-term (ten-year) average of food inflation of 2.2%.

There were mixed results across the food basket, reinforcing Rabobank's view that food price inflation will remain elevated for some time, and it will be a bumpy road to a more normal food inflation environment locally. The meat aisles are providing less 'sticker shock' for consumers and deflation was actually evident in lamb – the only subcategory in food to record a decline in prices. Some fresh produce is seeing the benefit of more normal growing conditions and better availability.

Coles quarterly results provided some additional insight into the local food market. The company noted an improvement in product availability in Q1 2023 versus the previous quarter, but also flagged that volume metrics remain below pre-pandemic levels. There were also supply chain disruptions in chilled and frozen categories due to the receivership of Scott's Refrigerated Logistics. Given the broader cost-of-living pressures, the company is supporting value campaigns and reported a slowdown in price increase requests from suppliers.



Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
Twitter: @MickHarvey77



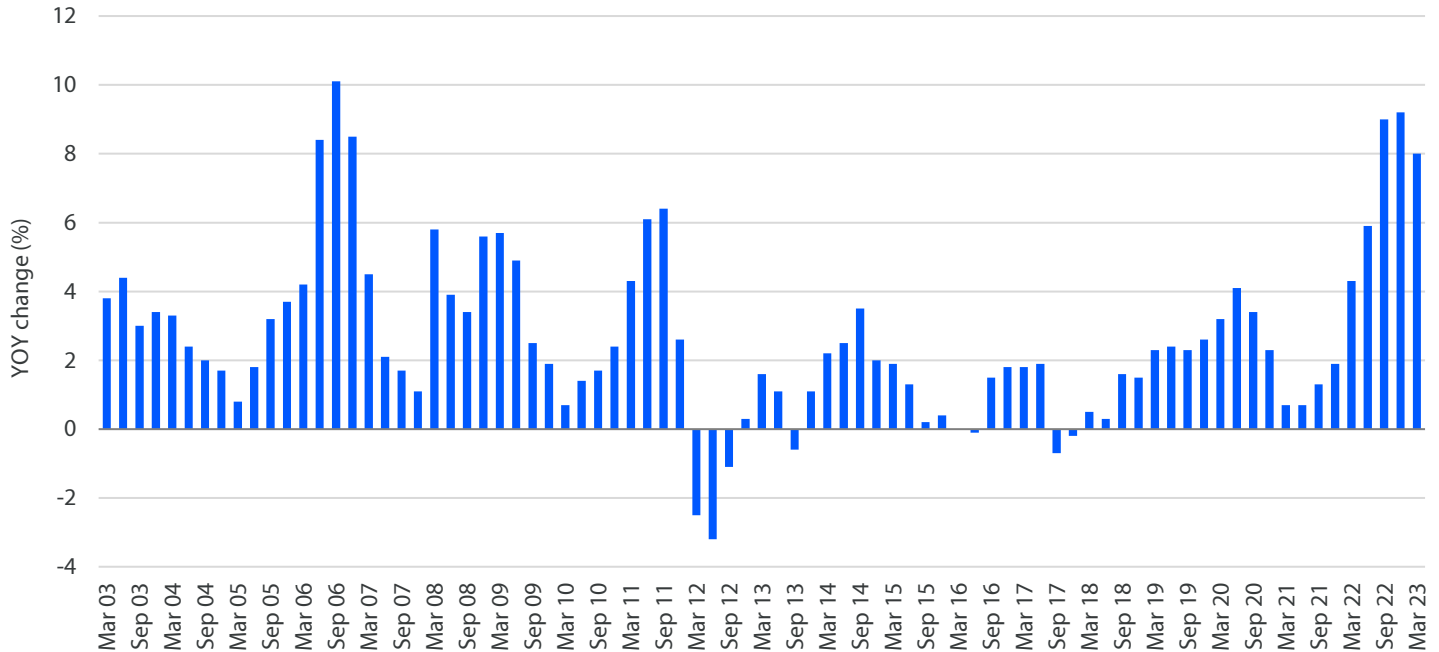
Consumer Foods

What to Watch

- **Changing consumer demand** – Coles noted that a boost in immigration is supporting the performance of supermarkets. They also mentioned that more foot traffic through grocery channels compared to out-of-home channels is helping out their overall performance, with a major of consumers changing shopping behaviours. McDonald's also provided some insights. Their latest results show that they are seeing strong demand and good traffic numbers through their stores globally.

Australia Passed Peak Food Price Inflation

Australian Quarterly Consumer Price Index, food and non-alcoholic beverages*



*Note: Original (not seasonally adjusted)

Source: ABS, Rabobank 2023

Fertilisers at a Crossroads

While all hands are on deck putting seeds into the ground around Oceania, fertiliser markets have started to track different paths. Oil production cuts, a possible increase in China's fertiliser export quota, and a rebound in US demand are sending nitrogen in its own direction.

Phosphate and potash markets have been sustaining similar fundamentals in recent weeks: Despite a reduction in mining and processing, the global available supply exceeds demand. End users are buying from hand to mouth due to farm input and commodity price uncertainties. The story is very different for urea. The US market flipped as 'weak market activity' turned into 'corn planting ahead of schedule,' with greater buying and inputs shipments anticipated. This pushed the market up 40% MOM for New Orleans barges, for example. Meanwhile, in early April, OPEC announced a cut of 1.15m barrels of oil per day, adding more volatility to the energy market. The instant 8% price surge has since faded away, with Brent crude futures back to pre-announcement levels. Another factor that could occur in the coming weeks and months is the non-official increase in China's fertiliser export quota scheme after spring applications. This would mean Chinese providers could increase their exports, which, combined with a temporary price increase, would put Chinese urea at competitive levels, thus increasing global supply.

There are many moving pieces and factors that still need to play out before a new price level for farm inputs is set. The landing track is rough and full of potholes.



Vitor Pistoia
Agriculture Analyst
Farm Inputs

Vitor.Cacula.Pistoia@rabobank.com
Twitter: @victor_agri

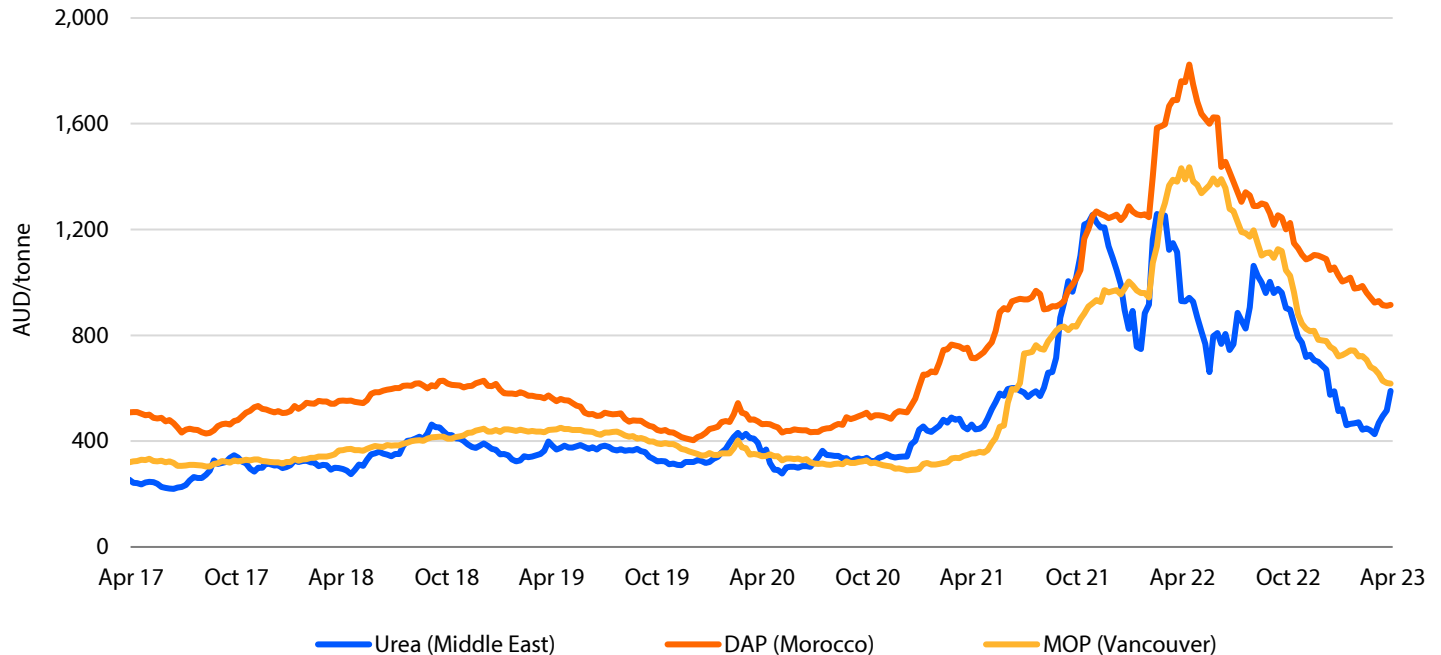
Farm Inputs

What to Watch:

- 1. Chinese exports** – Still to be confirmed, the increase in the quota for exports could expand the global supply of fertiliser. This would fuel the bearish phosphate market and provide support to stabilise urea prices.
- 2. US initial crop development** – Will the faster planting rate also mean more investment in inputs and, hence, the pursuit of higher yields? The already vast planted area could signify a massive harvest, pushing commodities prices and affordability to a different level globally.

Prices Coming Down From Mountainous Peaks

AUD-adjusted monthly global fertiliser prices



Source: CRU, Bloomberg, Rabobank 2023

A Month Full of Surprises

The RBA delivered a surprise 25bp hike to the cash rate on 2 May, bringing it up to 3.85%. That is the highest level since early 2012, and it may not be the last, with the RBA warning that further monetary tightening may be required.

On a more positive note, the federal government will deliver the budget on 9 May, and it looks like it could contain good news on the underlying cash balance. Record-low unemployment, record-high terms of trade, and the fastest nominal wage growth in a decade have delivered a big boost to tax revenues. Tax revenues have been so strong that the budget will be close to a surplus for 2022/23. This is great news for Australia's credit outlook, firming up our AAA rating and ensuring interest rates for government, banks – and, ultimately, business and households – are kept as low as possible. The strong turnaround in the budget position could also provide some support for the Aussie dollar as currency traders view it favourably against international peers like the NZ and US dollars, both of which are struggling with trade deficits, budget deficits, and rapidly slowing economic growth.

The Australian dollar softened by a little under 1 cent against the US dollar in April. That was despite a general weakening in the greenback against other currencies, and really highlights the role of the Australian dollar as a barometer for risk in the global economy. With the Aussie dollar sitting close to USc 66 at the time of writing, exporters will be pleased to see a slightly softer currency helping with the competitiveness of their product in global markets.

Longer-dated interest rates shifted lower in Australia over the course of April, but rates for tenors shorter than two years saw a bit of a lift as the turmoil from the banking crisis in the US and Europe receded somewhat and the RBA lifted the cash rate in early May. Expectations for the future path of the cash rate have risen slightly but remain reasonably benign.



Benjamin Picton
Senior Strategist

Benjamin.picton@rabobank.com
Twitter: @BenPicton1

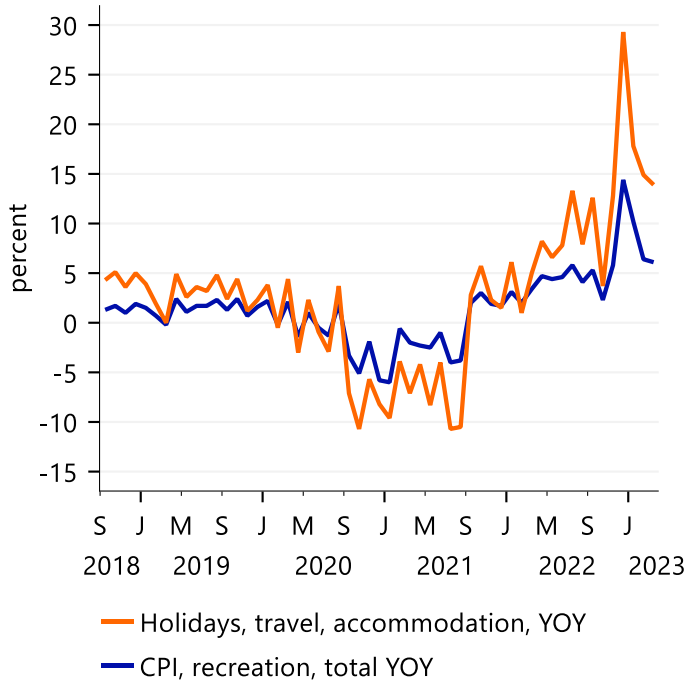
Interest Rate & FX

What to Watch:

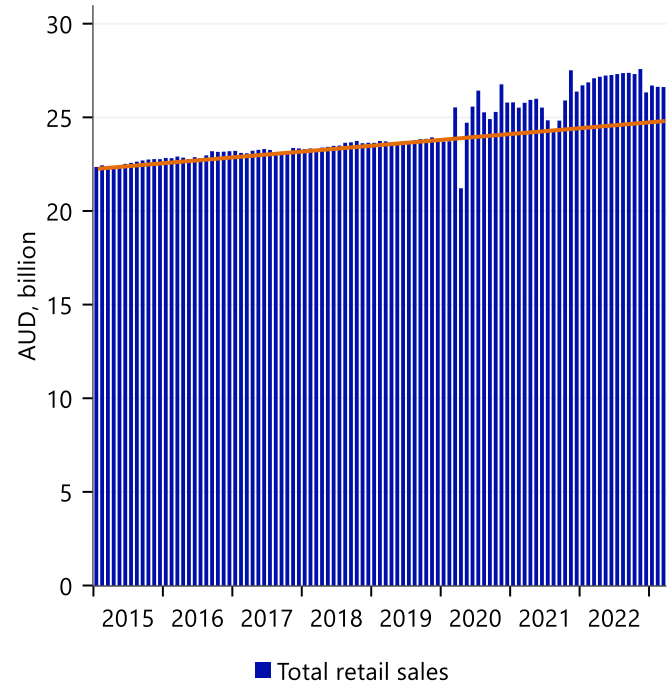
- The federal budget is due on 9 May.
- April employment figures will be released on 18 May.
- April retail sales figures will be released on 26 May.

Past the Peak, but Still Tight...

Annual inflation peaked in the December quarter



Consumer spending declining, but still above trend



Source: Macrobond, Rabobank 2023

Source: Macrobond, Rabobank 2023

Lower Crude and Distillates Prices

Crude oil prices went on a rollercoaster ride in April. Front-month Brent futures reached a high of USD 87.49/bbl before falling back below USD 80/bbl by month-end. The softer pricing came despite recent data showing US crude inventories shrinking by more than expected and highlights pessimism over the outlook for demand in the months ahead. Refining margins also fell as stocks of distillates (diesel, kerosene) increased and refiners increased capacity utilisation. We expect prices to take direction from macro developments in May and remain under pressure.

Dry container shipping rates saw signs of recovery in April 2023. After nine months of a continuous downward trend, dry container freight rates have started to slightly move up, as reported by various rate tracking platforms. Surcharges like the General Rate Increase (GRI) will also likely be implemented in addition to the base rate. This upward trend is most recognised for routes from China to the US due to increases in export volumes in the past month. It is still too early to say if it is a clear sign of bottom-out or what the pace of recovery may be. Many factors, especially geopolitical tension, can alter the direction.

The slow downward trend of reefer container freight rates will continue. The Q1 2023 average reefer rate is only 5% higher than that of Q1 2022. The global reefer rate index is expected to decrease 10% to 15% this year compared to 2022.

The rebound of the Baltic Panamax index (a proxy for grain bulk freight) continues as major global economies recover. As the Chinese demand picks up and Ukraine's Black Sea Grain Initiative continues smoothly, the index may have bottomed out in the near term. However, as the global economy enters turbulent waters, we expect the Panamax index to fluctuate around the lower end of the spectrum.




Benjamin Picton
Senior Strategist

Benjamin.picton@rabobank.com
Twitter: @BenPicton1



Xinnan Li
Analyst
F&A Supply Chains

xinnan.li@rabobank.com



Viet Nguyen
Analyst
F&A Supply Chains

Viet.Nguyen@rabobank.com

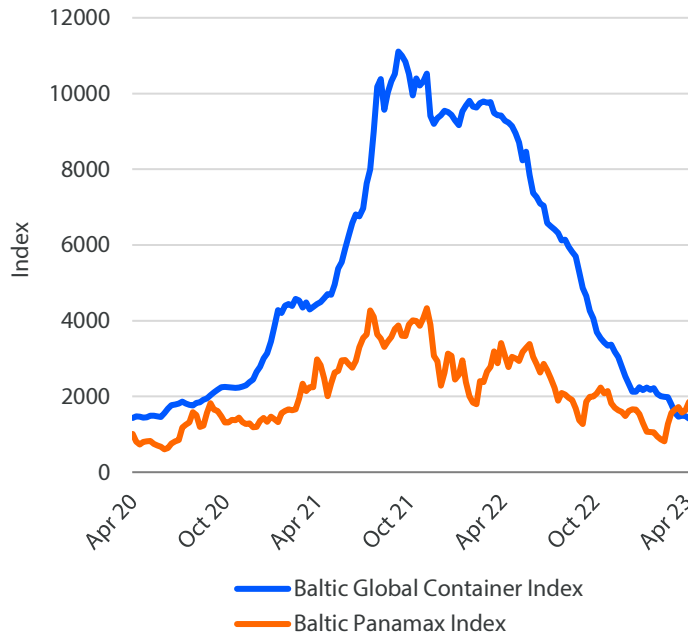
Oil & Freight

What to Watch:

- The Department of Energy will release weekly inventory reports on 11, 18, and 25 May.
- Can dry container and bulk freight rates continue to rebound further?

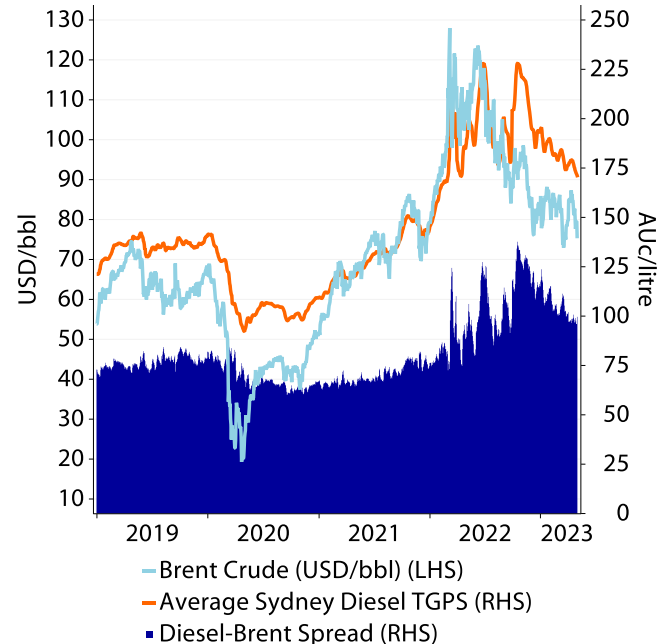
Prices Still Falling, Crude/Diesel Spread to Narrow

Baltic Panamax Index and Dry Container Index, Apr 2020-Apr 2023



Source: Baltic Exchange, Bloomberg, Rabobank 2023

Brent Crude Oil and average Sydney Diesel, Jan 2019-Apr 2023



Source: Macrobond, Rabobank 2023

Agri Price Dashboard

	02/05/2023	Unit	MOM	Current	Last month	Last year
Grains & oilseeds						
CBOT wheat		USc/bushel	▼	600	694	1,044
CBOT soybean		USc/bushel	▼	1,461	1,522	1,674
CBOT corn		USc/bushel	▼	649	658	813
Australian ASX EC Wheat Track		AUD/tonne	▼	375	391	385
Non-GM Canola Newcastle Track		AUD/tonne	▼	641	678	989
Feed Barley F1 Geelong Track		AUD/tonne	▼	321	325	375
Beef markets						
Eastern Young Cattle Indicator		AUc/kg cwt	▼	657	686	1,097
Feeder Steer		AUc/kg lwt	•	353	353	575
North Island Bull 300kg		NZc/kg cwt	▲	590	585	590
South Island Bull 300kg		NZc/kg cwt	▲	530	525	565
Sheepmeat markets						
Eastern States Trade Lamb Indicator		AUc/kg cwt	•	681	681	780
North Island Lamb 17.5kg YX		NZc/kg cwt	▲	735	730	830
South Island Lamb 17.5kg YX		NZc/kg cwt	▲	725	720	815
Venison markets						
North Island Stag		NZc/kg cwt	•	885	885	795
South Island Stag		NZc/kg cwt	•	880	880	800
Oceanic Dairy Markets						
Butter		USD/tonne FOB	▲	4,875	4,775	6,775
Skim Milk Powder		USD/tonne FOB	▲	2,838	2,688	4,450
Whole Milk Powder		USD/tonne FOB	▼	3,075	3,238	4,163
Cheddar		USD/tonne FOB	▲	4,463	4,325	6,213

Source: Bloomberg, MLA, Rabobank 2023

Agri Price Dashboard

	02/05/2023	Unit	MOM	Current	Last month	Last year
Cotton markets						
Cotlook A Index		USc/lb	▼	93.2	96.8	166
ICE No.2 NY Futures (nearby contract)		USc/lb	▼	79.5	82.4	157
Sugar markets						
ICE Sugar No.11		USc/lb	▲	25.4	22.4	18.9
ICE Sugar No.11 (AUD)		AUD/tonne	▲	838	714	569
Wool markets						
Australian Eastern Market Indicator		AUc/kg	▼	1,307	1,318	1,377
Fertiliser						
Urea Granular (Middle East)		USD/tonne FOB	▲	331	303	723
DAP (US Gulf)		USD/tonne FOB	▼	610	635	1,240
Other						
Baltic Panamax Index		1000=1985	▼	1,586	1,664	2,938
Brent Crude Oil		USD/bbl	▼	77	85	108
Economics/currency						
AUD		vs. USD	▼	0.668	0.679	0.705
NZD		vs. USD	▼	0.620	0.630	0.643
RBA Official Cash Rate		%	▲	3.85	3.60	0.10
NZRB Official Cash Rate		%	▲	5.25	4.75	1.50

Source: Bloomberg, MLA, Rabobank 2023

Keep Up to Date With the Latest Food & Agribusiness Insights



*Tune in to our
RaboResearch
Podcast series*

*Make our insights
your advantage*



Meet our RaboResearch Food & Agribusiness Australia and New Zealand team



Stefan Vogel

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



Emma Higgins

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



Genevieve Steven

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



Angus Gidley-Baird

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



Dennis Voznesenski

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



Pia Piggott

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



Michael Harvey

Senior Dairy & Consumer Foods
Analyst
+61 409 488 485
Michael.Harvey@rabobank.com
@MickHarvey77



Vítor Caçula Pistóia

Agriculture Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com
@victor_agri



Edward McGeoch

Associate Analyst
+61 418 273 123
Edward.McGeoch@rabobank.com
@mcgeochedward



Benjamin Picton

Senior Market Strategist
+61 408 571 012
Ben.Picton@rabobank.com



The information and opinions published within this document are general in nature and do not take into account your personal objectives, financial situation or needs. We recommend that you seek independent financial advice from your accountant or financial adviser before making any financial decisions. The statements made and opinions expressed within this document are reasonably held based on the information available at the time of publication. Rabobank does not guarantee the accuracy or completeness of the information published within this document. This document may not be reproduced or distributed in whole or in part, except with the prior written consent of © Rabobank Australia Limited ABN 50 001 621 129 AFSL 234700. All copyright is reserved © 2023