



# RURAL COMMODITIES WRAP

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# KEY POINTS

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Agricultural commodity prices continue to perform generally very well, rounding out a generally strong period for many agricultural producers. Cattle prices have been perhaps the most obviously compelling, with the benchmark Eastern Young Cattle Indicator cracking a record 900c/kg earlier this month. However, trends in global grain markets also point to encouraging news for Australian grain growers. Dairy prices have levelled off after a period of strong growth, hopefully underpinning farmgate opening prices.

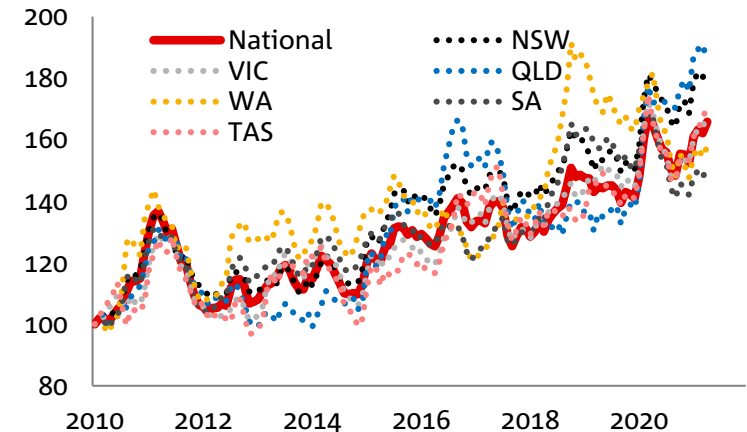
Overall, the NAB Rural Commodities Index was down slightly in March, off 0.7% on a monthly basis. But this was more than recouped in April with a 2.3% monthly rise. The index is now 0.5% higher than the same time last year.

The AUD is back on the rise following a period of very low volatility. With commodity prices (especially iron ore) strong and risk sentiment increasing, the AUD has found increasing support. Our forecasts point to the currency reaching 80 US cents by mid-year and 83 cents at the end of 2021.

Seasonal conditions, which were bolstered by big rainfall events earlier this year, remain generally good. But some small caveats are emerging. April has been very dry in many areas and soil moisture levels have taken a hit from the lack of rain. This is unlikely to be a concern at this stage, given the rains earlier this year. But it does bear a close eye, particularly for producers in the south-east of Australia.

## NAB RURAL COMMODITIES INDEX

National and by state



## MONTHLY COMMODITY PRICE CHANGES

	February	March	April
Wheat	▲ 0.2%	▼ 3.3%	▲ 1.9%
Beef	▲ 0.9%	▼ 0.5%	▲ 1.9%
Dairy	▲ 5.0%	▲ 6.7%	▲ 1.8%
Lamb	▲ 2.2%	▼ 2.4%	▲ 0.9%
Wool	▲ 8.8%	▲ 0.2%	▲ 0.7%
Sugar	▲ 6.1%	▼ 6.2%	▲ 2.2%
Cotton	▲ 6.0%	▼ 0.8%	▼ 0.7%

Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg and Profarmer.



# SEASONAL CONDITIONS

In early 2021, the promise of La Nina delivered in spades for New South Wales especially, but also for Victoria, South Australia and Tasmania. Queensland also enjoyed some big rains in March. However, April has been much drier, particularly outside Queensland and Western Australia.

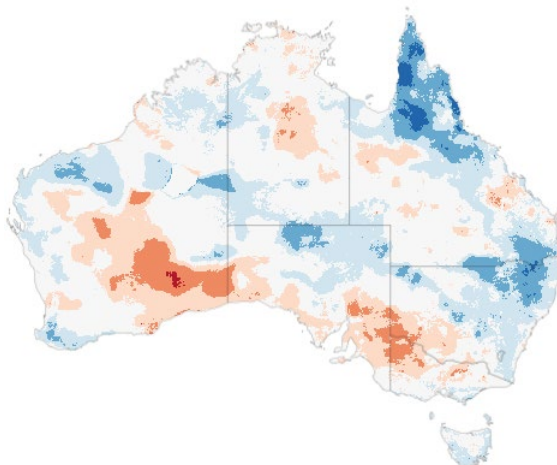
A dry April is not inherently a problem, especially following such a wet summer – early autumn. However, root zone soil moisture levels are now below average across much of Victoria, South Australia, the southern Riverina and parts of the WA wheatbelt. Yields should still be reasonable, but there will be more reliance on in-season rainfall than we perhaps expected a month ago.

The latest three month rainfall outlook from May to July points to generally average to above average rainfall, except in the top end and Cape York, as well as western Tasmania.

The latest El Nino outlook from the Bureau of Meteorology points to neutral conditions through winter and into spring.

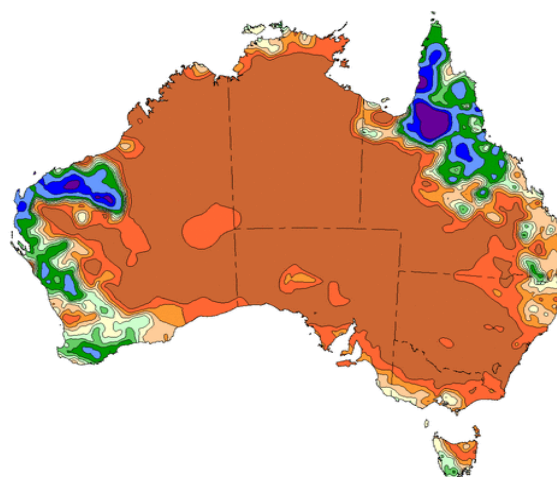
## ROOT ZONE SOIL MOISTURE

26 April 2021



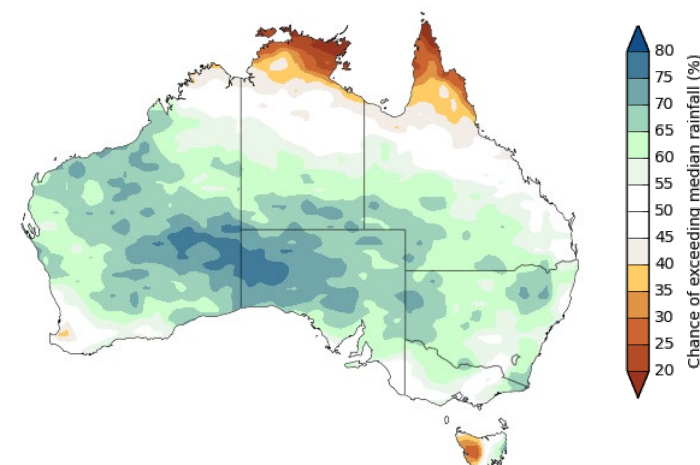
## RAINFALL PERCENTAGES

April 2021 month to date



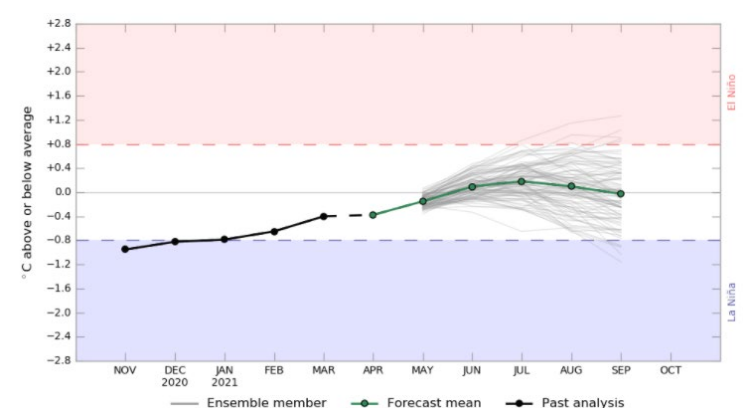
## BOM RAINFALL OUTLOOK

May – July 2021



## BOM ENSO TRACKER

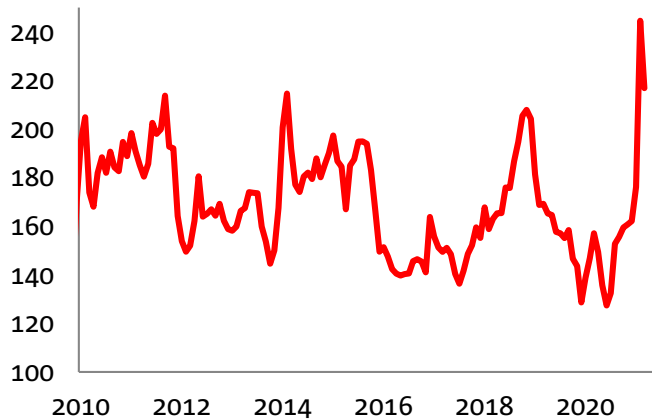
Monthly SST anomaly 13 April update



# FARM INPUTS

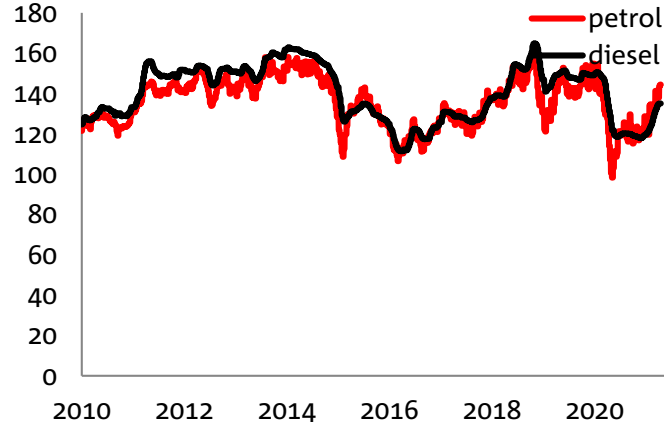
## NAB FERTILISER INDEX

AUD index



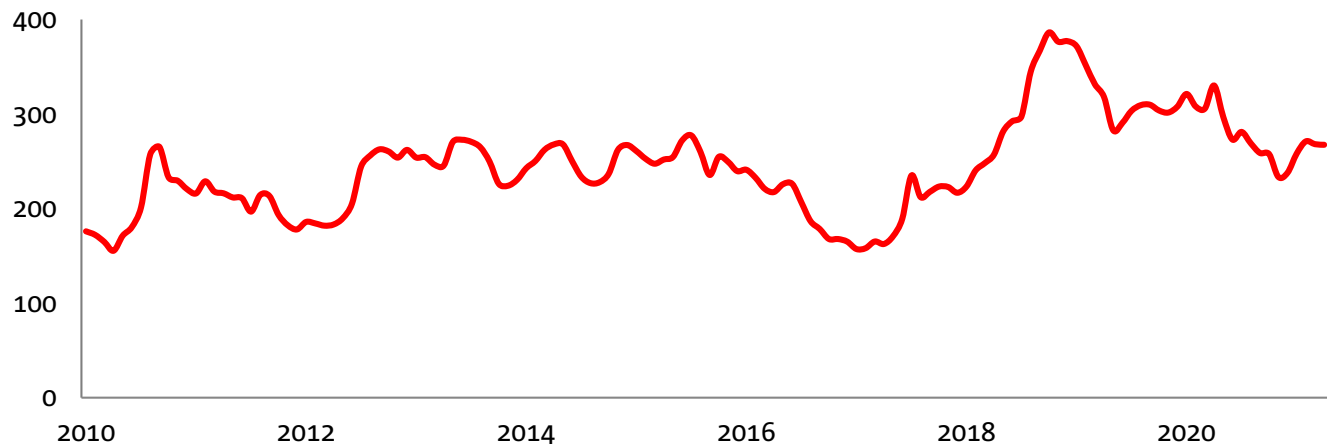
## NATIONAL AVERAGE FUEL PRICES

AUc/litre



## NAB FEED GRAIN PRICE INDEX

AUD/t



Source: Bloomberg, Profarmer and NAB Group Economics

Our fertiliser index has now unwound around a third of its spike from earlier in the year. However, the 39% m/m jump in February, was partly a technical artefact of cold US weather affecting the US natural gas input into the index. Both DAP and urea have continued to strengthen through March and April. USD denominated DAP is up 95% on a year ago and urea is up nearly 50%. This means that domestic fertiliser costs will remain high through planting and into winter.

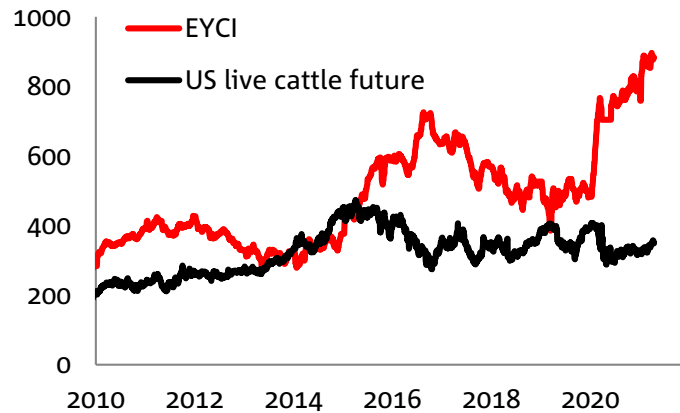
Fuel prices have now largely unwound their 2020 pandemic-induced slump, with global oil prices now back to pre-pandemic levels. That said, Brent has been fairly steady since February. Furthermore, with global cases once again surging, short term demand is less clear. However, the 2020 hole in investment and production is likely to mean that 2020 level petrol is unlikely to return anytime soon.

NAB's feedgrain price index continues to gradually ease, down 1.1% in March and 0.2% in April. Given that we do not expect further downside for domestic grain prices, feed is unlikely in our estimation to see further falls. However, unless the season goes badly wrong (unlikely) or the global rally continues to pick up steam, major upside is also unlikely.

# LIVESTOCK

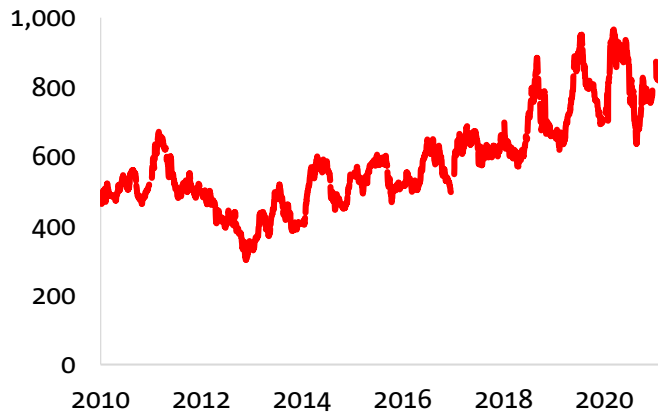
## CATTLE

AUc/kg



## LAMB

ESTLI, AUc/kg

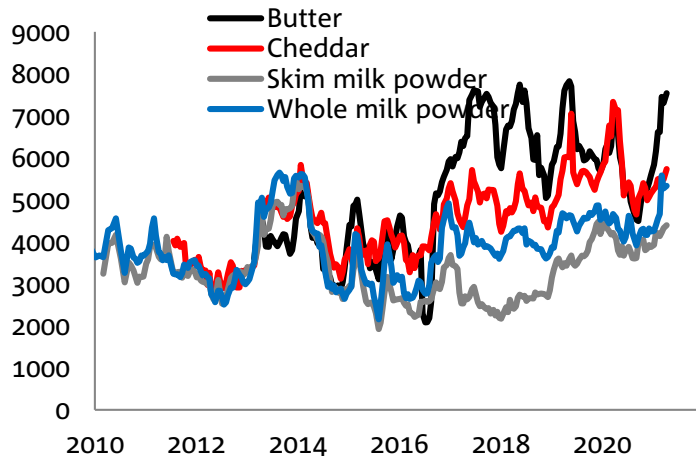


Domestic cattle prices continue to break new records, with the benchmark EYCI surpassing 900c/kg in April. Is this beyond fundamentals? In our view the answer is a resounding yes. Restocker interest remains the key driver of young cattle prices, boosted by March rainfall across many parts of Queensland. If restocker activity slows due to drier weather or a reassessment of future prices, there are some real downside risks. We still see EYCI falling in the second half of 2021.

Lamb prices have continued their easing trend, which began early in 2021. While prices remain very compelling for producers, we still see lamb values as essentially maxed out at 2020's peak. Last month we flattened potential seasonal upside coming into late autumn, but this has failed to materialise, in part due to drier weather in south-eastern Australia.

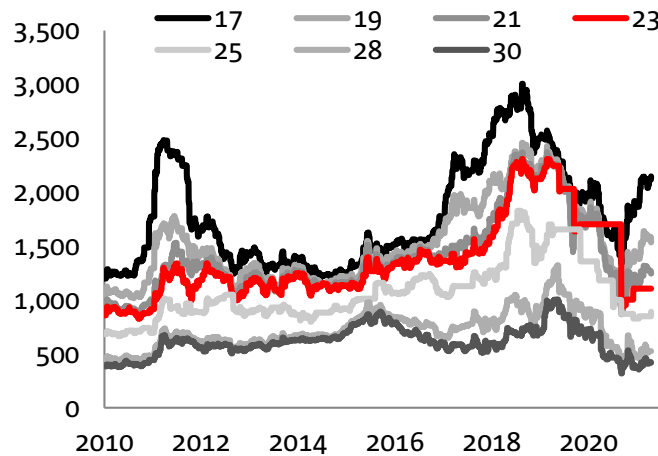
## GDT AUCTION RESULTS

AUD/tonne



## WOOL

Southern region, by micron, AUc/kg



Wool prices continue their upward trend, particularly for finer wools. EMI ended last week at 1342c/kg, a strong result overall. It is fair to say that wool prices have exceeded our expectations recently, which is good news for producers.

Global Dairy Trade auction results have been flat of late, although overall there has been strong growth since late last year. This is encouraging news for opening prices.

Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg and Profarmer.

# WINTER CROPS

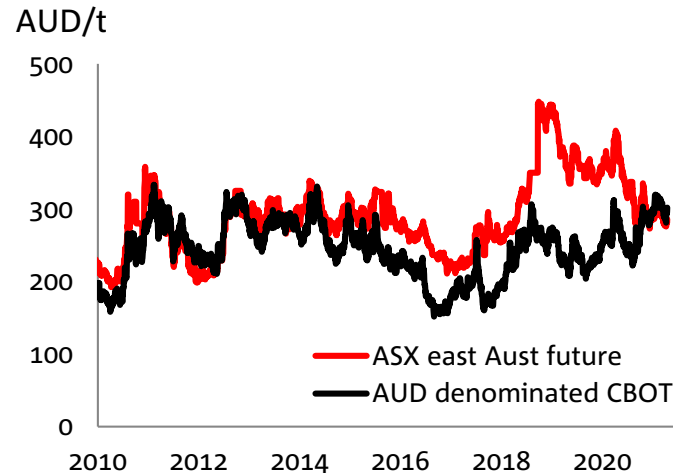
Planting is now underway and the good news is that with summer and early autumn rainfall having performed, a calamitous season is already (almost) out of the question, especially in NSW.

However, the dry April and mixed signals from the BoM on the rainfall outlook in Victoria, South Australia and the NSW Riverina bears close watching. While growers remain in a strong position in these regions, a dry winter would take the top off yields.

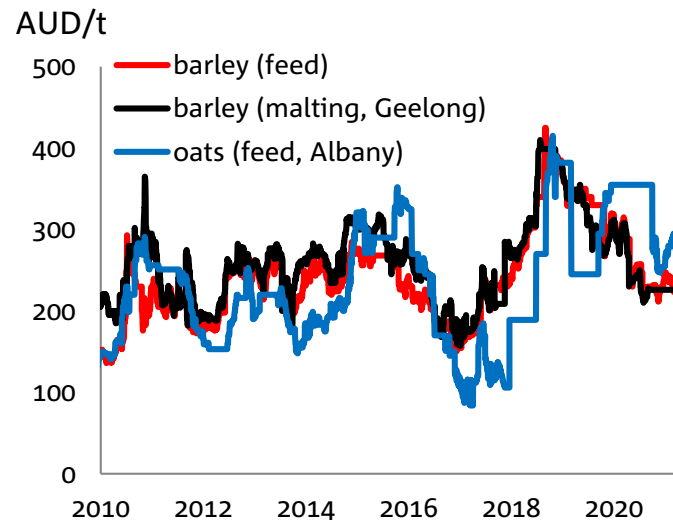
Prices continue to perform, with Australian grain remaining well priced into south-east Asia. Concerns in key growing regions in Europe and the Americas continue to mount, suggesting potential price upside.

Global shipping prices remain elevated, which has made Australian grain more competitive. While domestic wheat prices have eased somewhat in recent months, we expect some upside from here. We see Australian wheat in the low \$300s range over coming months.

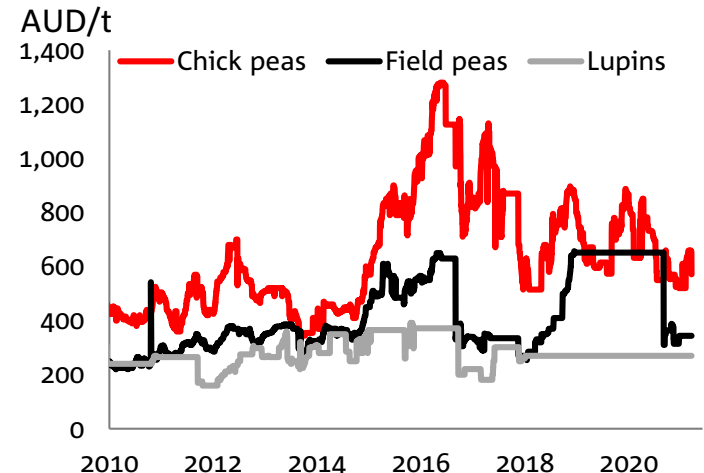
## WHEAT



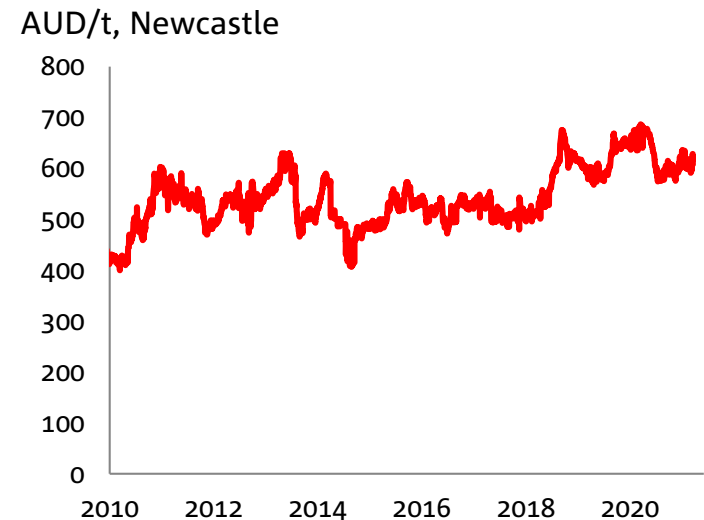
## COARSE GRAINS



## PULSES



## CANOLA



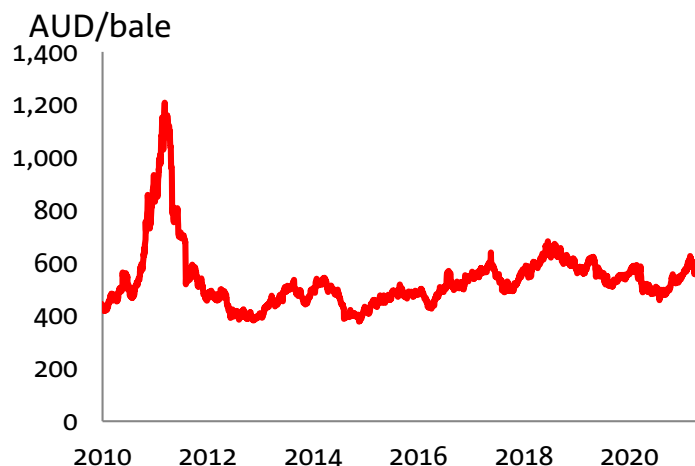
Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg and Profarmer.

# SUMMER CROPS, SUGAR AND HORTICULTURE

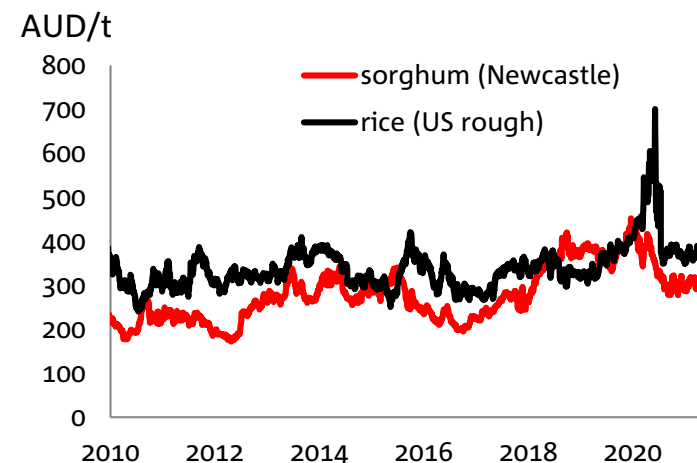
Cotton prices have eased a little recently, but the major consideration for growers remains water allocations. While this season is on track to be much larger than last year (ABARES estimates 562kt of lint harvested, compared to just 134kt in 2019-20), eyes are now focussed on how irrigation allocations are shaping up for the coming season. The good news is that water in storage across much of the Murray-Darling basin has benefitted from good rainfall. The northern basin is now almost half full, while the southern basin has fallen (after summer irrigating) to 55%. These levels should be enough to see an even bigger crop in the 2021-22 season.

Wholesale fruit and vegetable prices both gained in April – up 7.6% and 9.5% respectively. As has been the case since the pandemic began, labour availability will remain a challenge until normal travel returns.

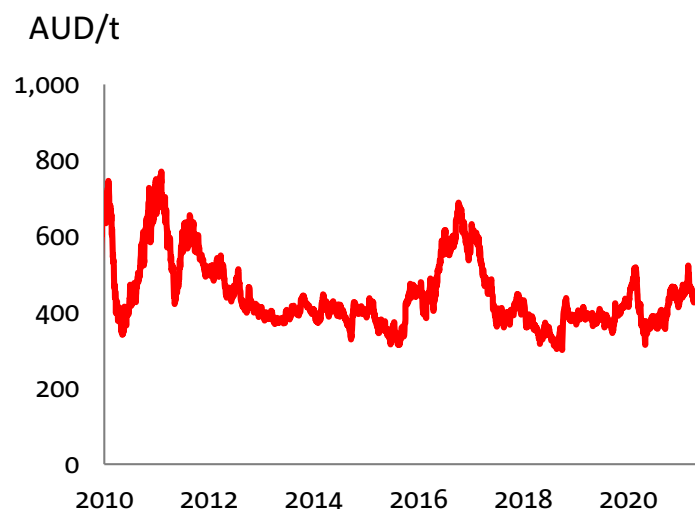
## COTTON



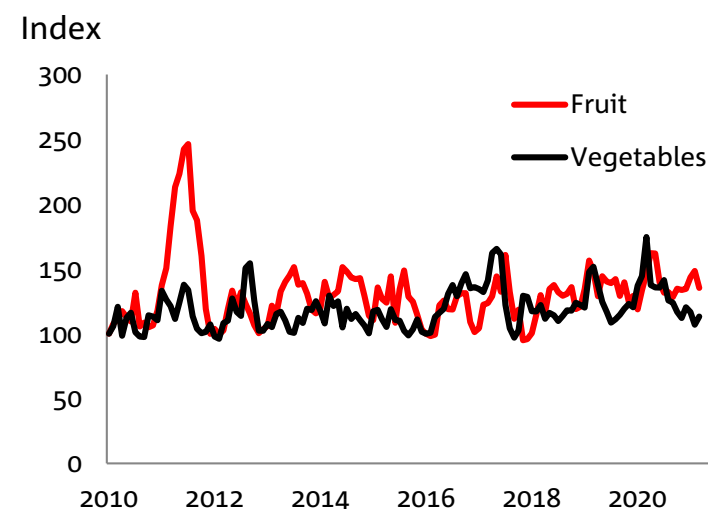
## SORGHUM AND RICE



## SUGAR



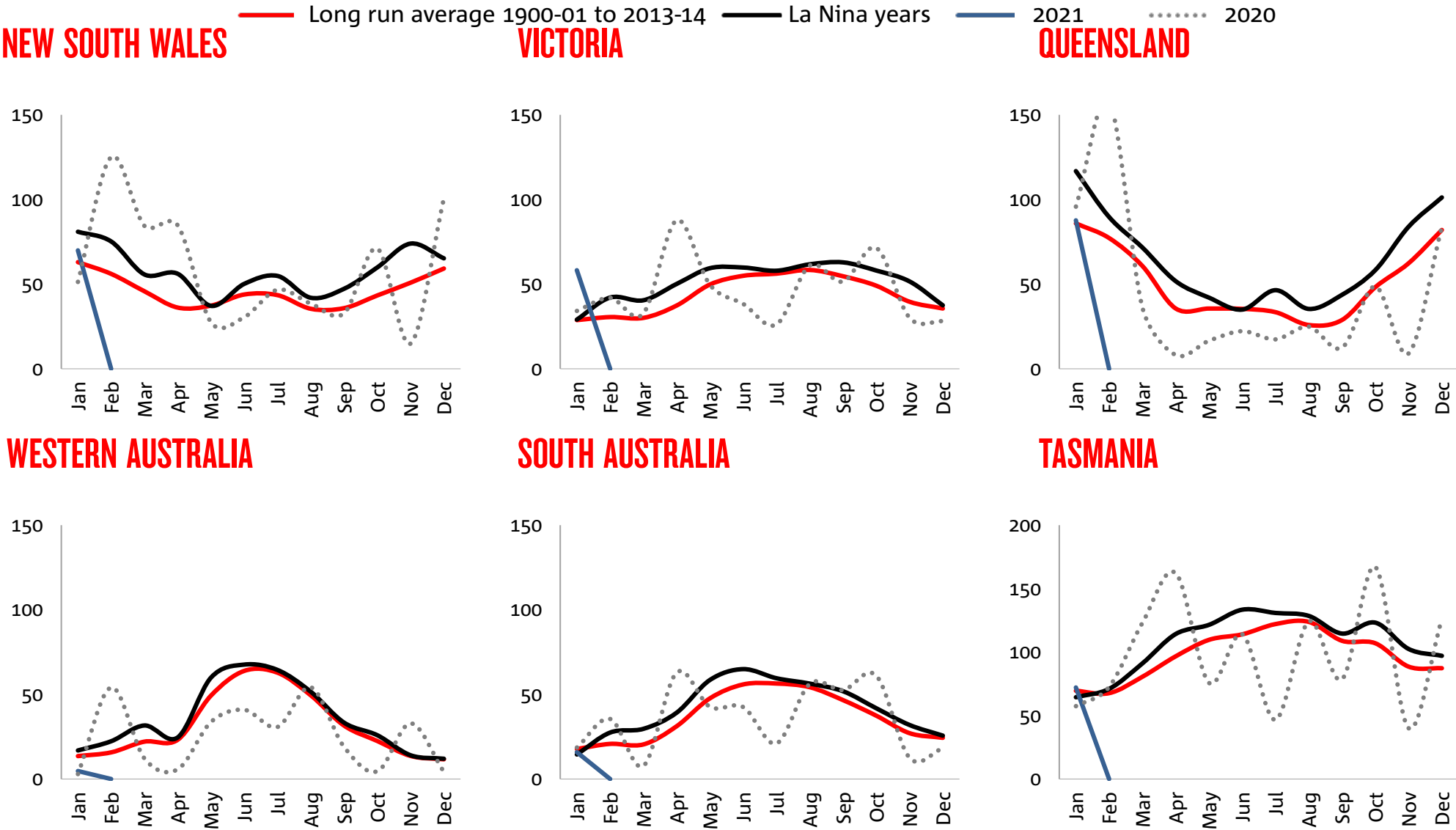
## FRUIT AND VEGETABLES



Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg and Profarmer.



# MONTHLY AVERAGE RAINFALL IN WINTER CROPPING REGIONS (MM)



Source: Bureau of Meteorology and NAB Group Economics



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