



NAB Rural Commodities Wrap

May 2024

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Highlights



The NAB Rural Commodities Index increased by 3.2% month-on-month in April, after slipping 5.7% month-on-month in March. The index is around levels seen in April 2023.

The increase in the index was largely driven by the increase in the price of wheat, which increased around 4% month-on-month in monthly average terms after declining for five consecutive months. Downgrades of expectations of global wheat supply helped support prices. Prices for barley, fruit, vegetables, lamb, and dairy also recorded increases in the month. Cattle prices were relatively unchanged in the month, rising around 0.7% in monthly average terms.

The El Nino event ended in April. Seasonal conditions were mixed across the country, with the north and east of the country experiencing above-average rainfall but elsewhere experiencing below-average rainfall. Looking forward, rainfall is expected to be above average for much of inland Australia over June to August.

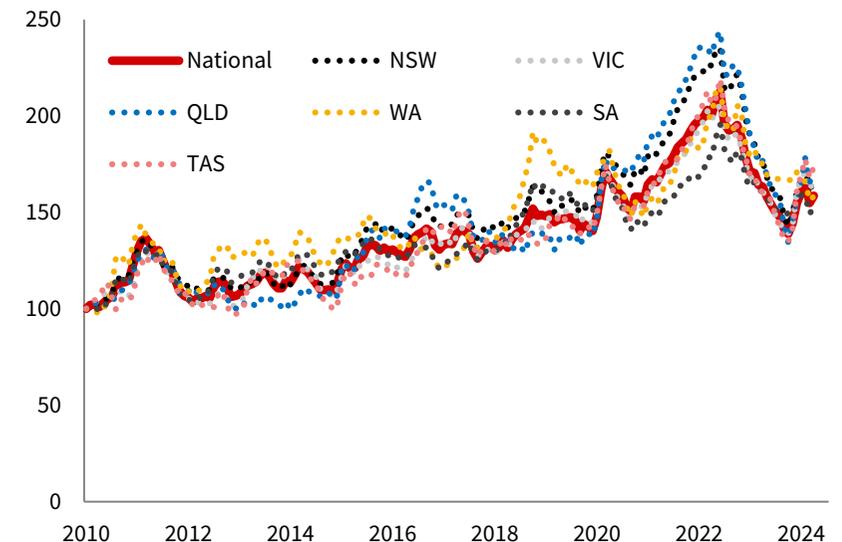
In the Australian economy, inflation continued to moderate in Q1 to 4.0%/y/y on the trimmed mean measure but came in slightly stronger than expected. The Federal Budget was announced in May; key measures include the Future Made in Australia program (including solar panel manufacturing), the extension of the small business instant asset-write off, and cost of living relief via a \$300 energy subsidy for each household.

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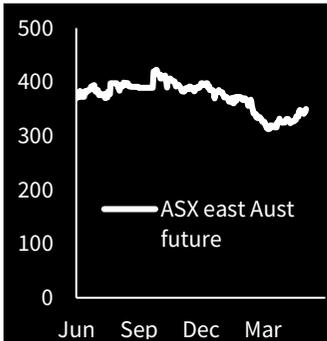
NAB Rural Commodities Index

National and state index, Jan 2010 = 100



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

Outlook for major commodities



Wheat

Wheat prices finally saw some upwards movement in April, improving 4% month-on-month in monthly average terms. Downgraded expectations of global supply, particularly from Russia, helped support global prices.



Cattle

Cattle prices were relatively flat in April, rising nearly 1% in monthly average terms. Relatively high rainfall across the east coast in early April boosted restocker demand which helped support prices.



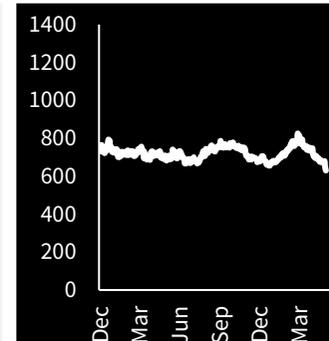
Sheep

Trade lamb prices rose about 6.5% month-on-month in April in monthly average terms, largely retracing their fall in March. Wool prices were little-changed in the month, slipping 0.5% month-on-month in April in monthly average terms.



Dairy

Dairy prices were relatively unchanged in April, increasing 0.6% month-on-month in monthly average terms. Prices increased for skim milk, whole milk, and butter, but slipped for cheese.



Cotton

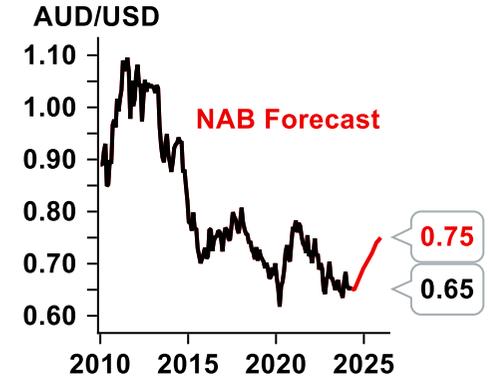
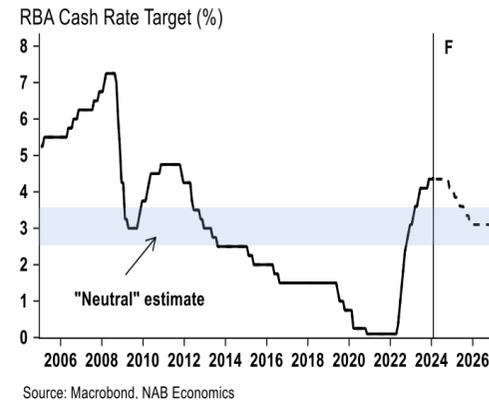
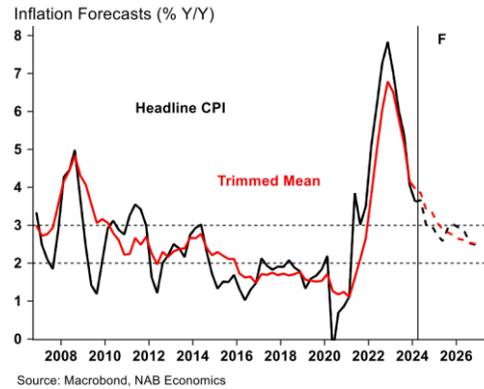
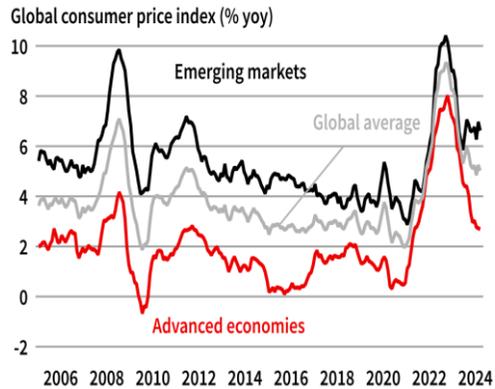
Cotton prices eased nearly 10% month-on-month in April in monthly average terms, after remaining flat in March.



Sugar

Sugar prices slipped by nearly 5% month-on-month in April to be around \$697/t on average.

Economic update



Global economy

Inflation in advanced economies has been relatively unchanged for three months now. Goods prices have been relatively subdued, while services prices have been increasing more rapidly than average.

The stickiness of advanced economy inflation has cast uncertainty over the path of central bank policy rates. Rapid policy rate cuts are now less likely.

Australian economy

Inflation in Australia continued to moderate in Q1 and fell to 4.0%/y/y on the trimmed mean measure (3.6%/y/y headline). Inflation remains above the RBA's target, however, and the result was slightly stronger than expected.

The Federal Budget was announced in May. Key measures include the Future Made in Australia program (including solar panel manufacturing); the extension of the small business instant asset-write off; and cost of living relief via a \$300 energy bill subsidy for each household.

Interest rates

The RBA left the cash rate unchanged at 4.35% in May, as expected. Updated RBA staff forecasts show a downside revision to economic growth for 2024, and an upward revision to inflation this year due to the upside surprise in Q1.

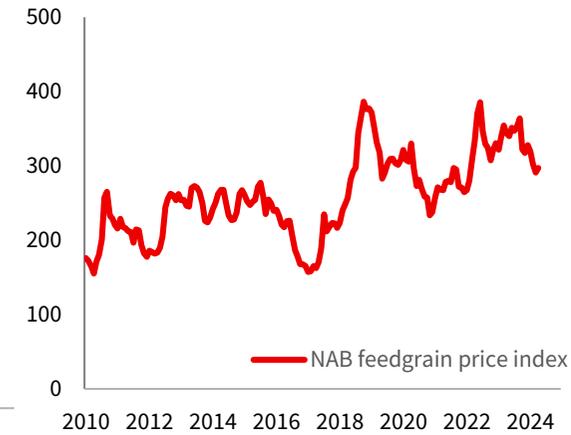
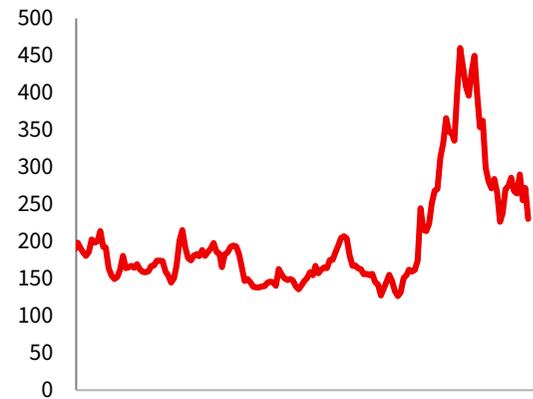
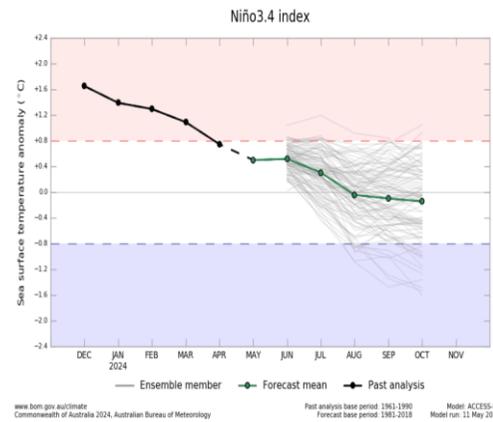
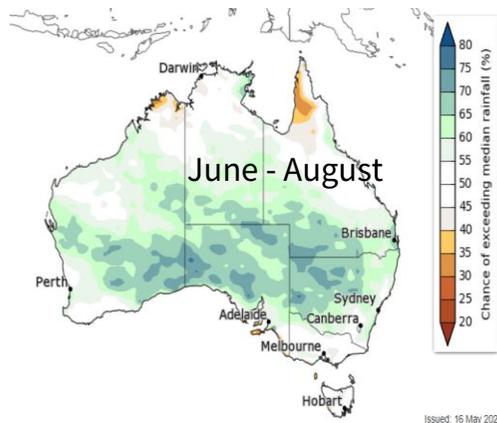
We continue to expect that the RBA will remain on hold in the near-term with its understanding that rates are restrictive enough to bring inflation back to target. We see little probability that the RBA cuts prior to November.

Currency

We continue to see the AUD appreciating against the USD in the second half of 2024 and into 2025.

The outlook depends largely on the US Federal Reserve; we expect the Fed to begin cutting rates from September.

Seasonal conditions and farm inputs



Rainfall is on its way for much of the country...

In April, national rainfall was 26% below the long-term (1961-1990) average according to the BoM. In April, the north and east of the country saw above-average rainfall while elsewhere saw below-average rainfall.

Over June to August, rainfall is expected to be above average for much of inland Australia, particularly in inland New South Wales and southern Queensland. Low rainfall is expected in the north, where dry season typically occurs from May to September.

Source data: Bureau of Meteorology, Bloomberg, World Bank, Refinitiv

...and the El Niño event has ended

The El Niño event has ended as El Niño-Southern Oscillation (ENSO) levels returned to neutral. The BoM expects ENSO-neutral conditions to continue until at least July 2024. Forecasts still suggest a range of ENSO outcomes are possible over the next five months.

The Indian Ocean Dipole is currently neutral. Positive IOD conditions are expected by the BoM into winter, but weaker than what was previously thought.

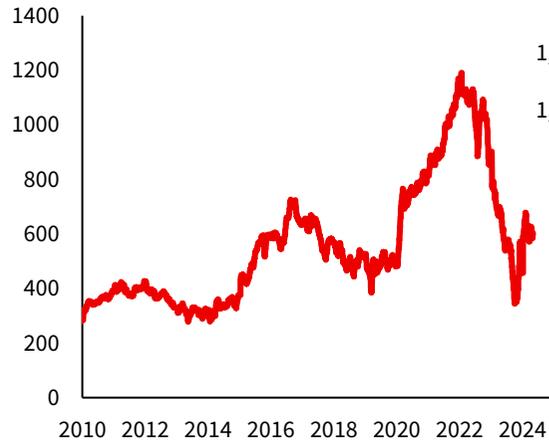
Fertiliser prices declined over the month

Fertiliser prices fell around 15% month-on-month in April in monthly average terms. Falls in the prices of urea, due to the falling price of ammonia, and diammonium phosphate (DAP) drove the fall; the price of natural gas increased slightly.

Feed grain prices ticked up in April

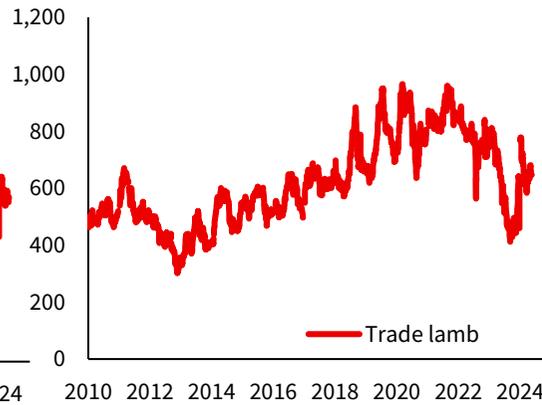
Feed grain prices increased about 2% over the month in April in monthly average terms. The increase was driven largely by an increase in price in feed wheat. The price of sorghum also increased, while the price of barley fell and the price of oats was unchanged.

Livestock



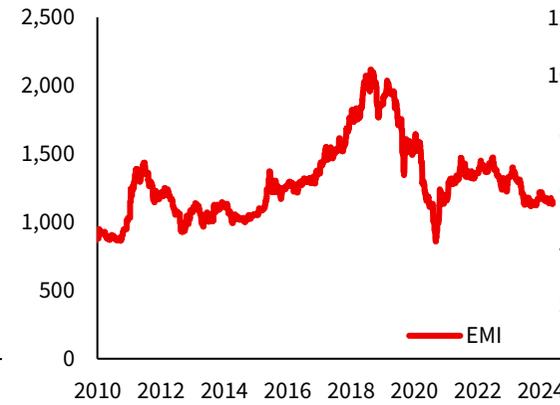
Cattle

Cattle prices were relatively flat in April, rising nearly 1% in monthly average terms. Relatively high rainfall across the east coast in early April boosted restocker demand. Export buyers were also active in the month, and export data from March shows strong from Japan, as well as ongoing demand from the US.



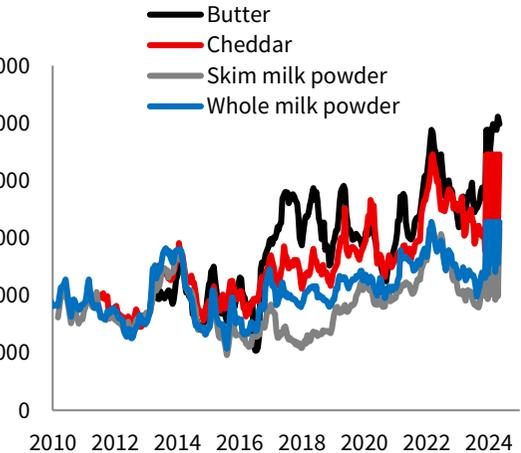
Lamb

Trade lamb prices rose about 6.5% month-on-month in April in monthly average terms, largely retracing their fall in March. Improved rainfall and expectations of favourable seasonal conditions drove restocker demand. Some processors were operating near capacity as slaughter rates were at record highs.



Wool

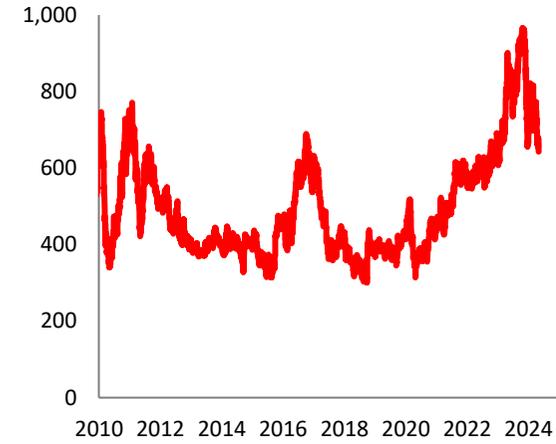
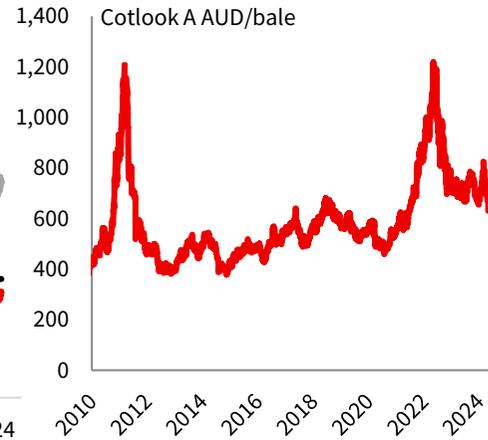
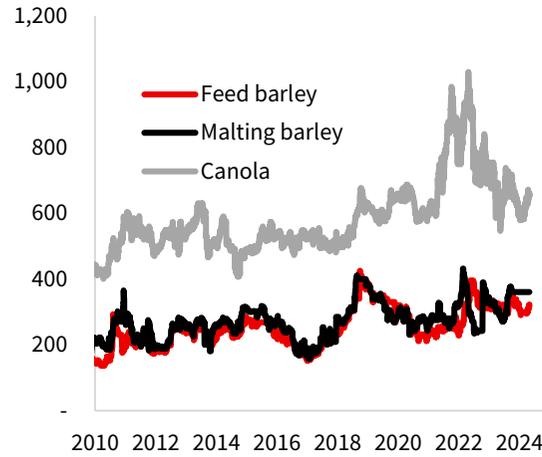
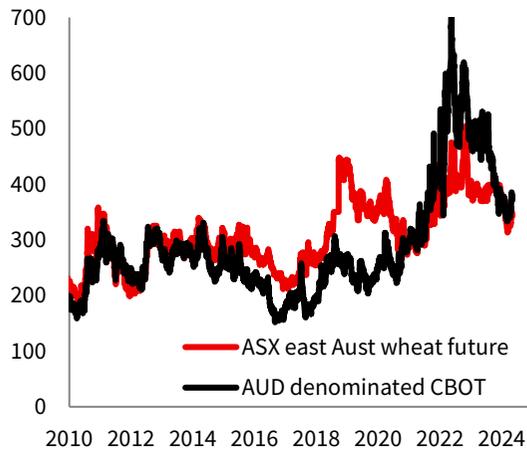
Wool prices were little-changed in the month, slipping 0.5% month-on-month in April in monthly average terms. Confidence among producers improved towards the end of April with strengthening demand from several large Chinese mills.



Dairy

Dairy prices were relatively unchanged in April, increasing 0.6% month-on-month in monthly average terms and retracing some of their March slip of 1.5%. Prices rose for skim milk (1.1%), whole milk (2.6%), and butter (2.1%), but slipped for cheese (-1.4%).

Crops



Winter crop prices

Wheat prices finally saw some upwards movement in April, improving 4% month-on-month in monthly average terms. Downgraded expectations of supply from Russia helped support global prices. Canola and feed barley also saw a price increases of around 4%. The price of malting barely remained flat.

Crop production

Favourable seasonal conditions continue and crop production should continue to increase over the next year. ABARES expects the volume of crop production to fall in 2023-24, due to the dry seasonal conditions last year, and to increase in 2024-25 despite the effect of relatively soft international prices.

Cotton

Cotton prices eased nearly 10% month-on-month in April in monthly average terms, after remaining relatively flat in March. Despite the easing in price over the month, cotton prices remain elevated relative to their decade average.

Sugar

Sugar prices slipped by nearly 5% month-on-month in April to be around \$697/t on average. Hot and dry weather saw favourable conditions for production in Brazil. In the upcoming season, the onset of monsoon season in India will impact production negatively, while the recent heatwave in Thailand could also affect the crop.



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