



NAB Rural Commodities Wrap

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Highlights



The NAB Rural Commodities Index increased by 0.4% month-on-month in June, rising for the third consecutive month. The index is now around levels seen in February 2023.

The small gain in the index was largely driven by the increase in the price of wheat. After rising nearly 11% in May, the rally slowed in June which saw the price of wheat increase around 3.5% month-on-month in monthly average terms. The continuation of issues with global supply, particularly in the northern hemisphere, supported prices. Lamb prices also rose notably in the month, up 8.0% on May in monthly average terms, as elevated slaughter rates began to ease off. Cattle prices slipped a little in the month, but the market remains supported by export demand.

Seasonal conditions were broadly supportive in June, with the BoM recording rainfall as 9.2% above the thirty-year average to 1990. Looking forward, the BoM remains on La Nina watch and four of the seven climate models it surveys suggest that sea surface temperatures could reach La Nina levels by October.

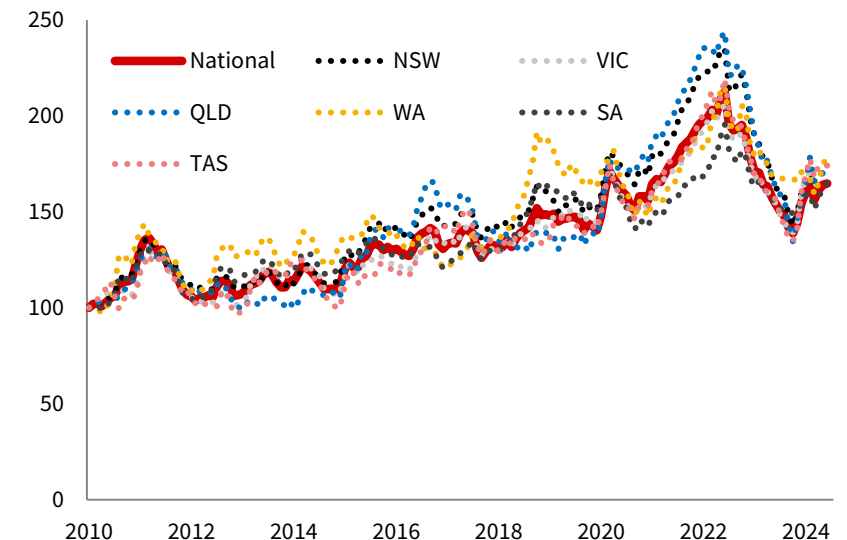
In the Australian economy, we now expect the RBA's first rate cut to take place in May 2025. From there we see the RBA cutting rates by 125bps over the subsequent year or so. While growth has slowed over the past year and the labour market has eased, progress on inflation has been slower than expected, seeing the RBA on hold for longer.

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NAB Rural Commodities Index

National and state index, Jan 2010 = 100



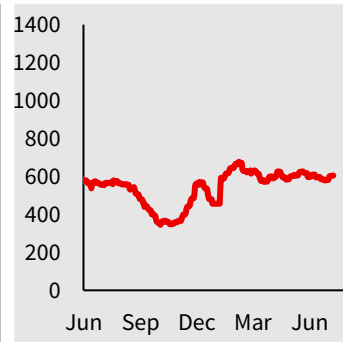
Source data: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg, Refinitiv

Outlook for major commodities



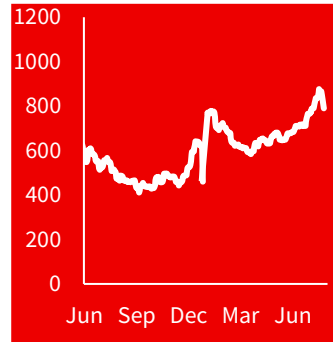
Wheat

The wheat price rally slowed a little in June but prices continued their upwards march, rising 3.5% month-on-month in monthly average terms. Ongoing issues with global supply due to unfavourable weather conditions supported prices.



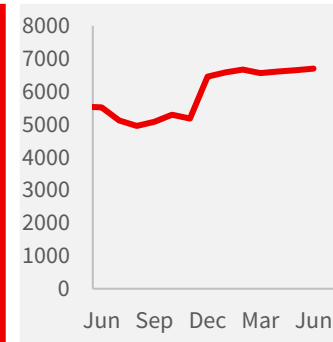
Cattle

Cattle prices softened in June, slipping 2.9% month-on-month in monthly average terms. Positive export conditions continued to support prices



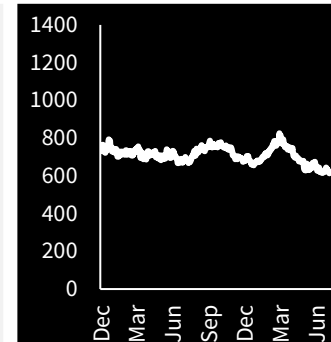
Sheep

Trade lamb prices rose for the third straight month in June, increasing about 8% month-on-month in monthly average terms. Wool prices in June lifted 1.8% month-on-month in monthly average terms, retracing their slip in May. Overall, prices remain soft and the market subdued.



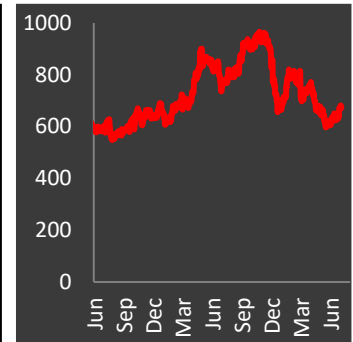
Dairy

Dairy prices ticked up 0.8% in June and rose across all categories except cheddar and whole milk powder. ABARES forecasts the farmgate milk price to fall a little over 5% in the coming year, as they are weighed on by relatively low export prices for dairy products



Cotton

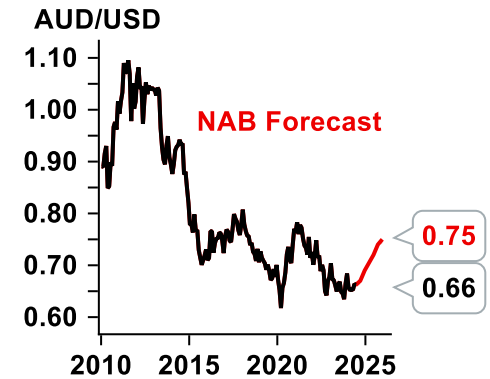
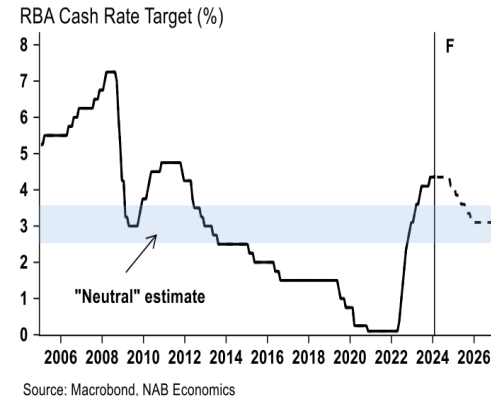
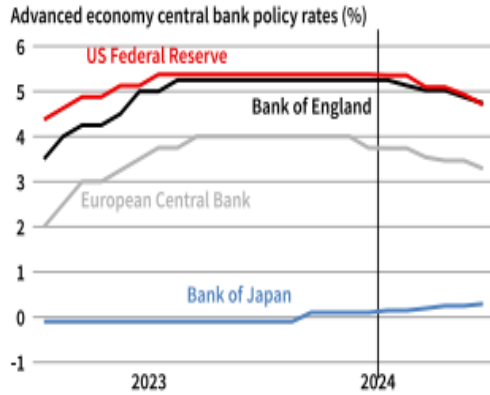
Cotton prices eased nearly 10% month-on-month in April in monthly average terms, after remaining flat in March.



Sugar

Sugar prices ticked down 1.1% in June over the month in monthly average terms, to be around \$618/t.

Economic update



Global economy

Inflation in advanced economies has peaked and labour markets are starting to cool. Recognising that, alongside the fact that monetary policy is in restrictive territory, major advanced economy central banks have started easing rates or are expected to do so soon.

We continue to expect soft global growth of 3.0-3.1% between 2024 and 2026. Risks to the outlook include the extent of central bank easing, geo-political tensions and further tightening of supply chains.

Australian economy

We see economic growth as having remained soft in Q2. Our outlook for growth in the Australian economy is broadly unchanged. Growth is expected to remain below trend this year but improve to trend over 2025 and 2026.

Pressure in the labour market continues to ease, though the unemployment rate remains low at 4%. We expect this to rise to around 4.5% by the end of 2024, reflecting a cooling in labour demand amid still-strong population growth.

Interest rates

We now see the RBA on hold at the target cash rate of 4.35% for the rest of the year and are pencilling in a first cut for May 2025. From there we see an easing of 125bps over the subsequent year or so, taking the target cash rate to 3.10%, in mid-2026.

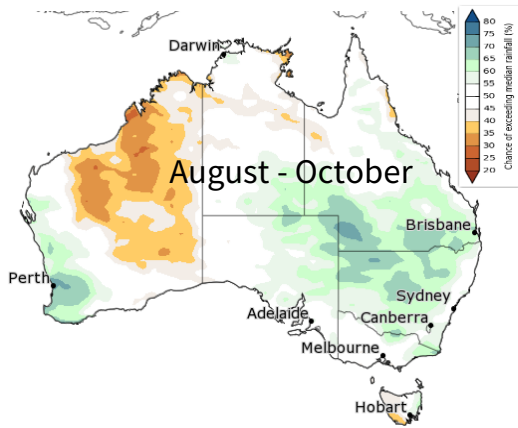
Economic growth has slowed significantly over the past year as the effects of monetary policy have flowed through, but progress on inflation has been slower than we (and the RBA) had expected.

Currency

We continue to see the AUD appreciating against the USD in the second half of 2024 and into 2025, reaching US69c by the end of this year and US75c by the end of 2025.

A slowdown in the US economy, and rate cuts from the US Federal Reserve later this year, should support the appreciation.

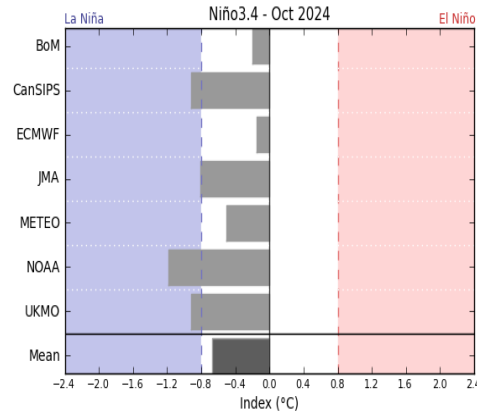
Seasonal conditions and farm inputs



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

Across Australia, rainfall in June was 9.2% above the thirty-year average to 1990.

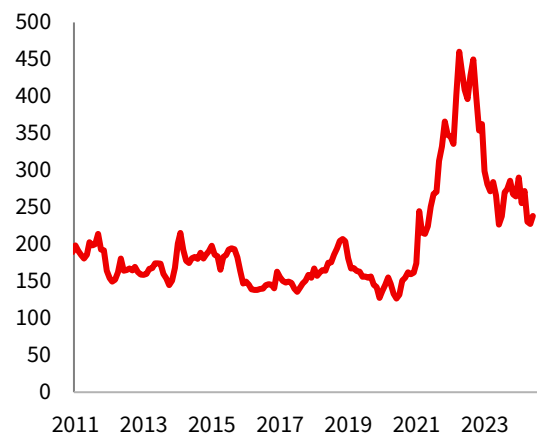
A typical amount of rainfall is expected for most of Australia from August to October. Some above-average rainfall is likely in south-west WA and inland NSW. Above-average maximum and minimum temperatures are expected across most of Australia from August to October.



...and ENSO will likely remain neutral until spring

The El Niño-Southern Oscillation (ENSO) is currently at neutral and will likely remain so until spring. Some of the climate models are suggesting that the La Niña threshold could develop by October.

The Indian Ocean Dipole is currently neutral and is expected to remain so until the end of winter. Some climate models are suggesting that a negative IOD event could develop over the spring.

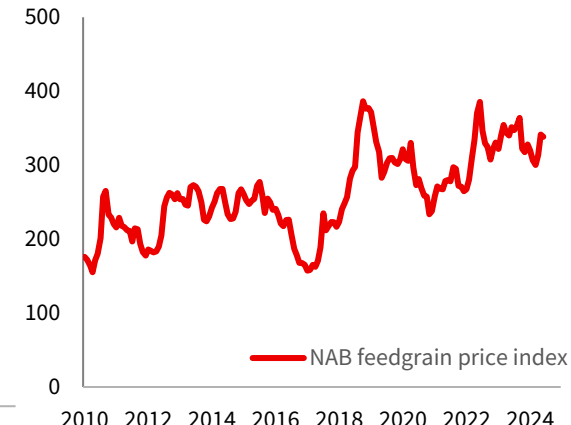


2011 2013 2015 2017 2019 2021 2023

Fertiliser prices ticked up over the month

Fertiliser prices rose around 4.7% month-on-month in June in monthly average terms.

The prices of urea, diammonium phosphate (DAP), and natural gas all rose over the month. Fertiliser import prices are still well above pre-pandemic levels, though global fertiliser prices are expected to fall in 2024-25.

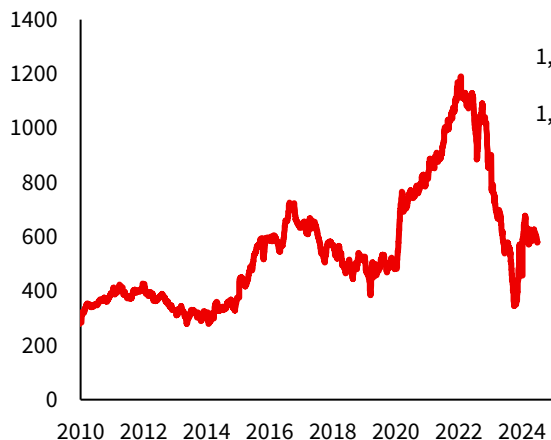


2010 2012 2014 2016 2018 2020 2022 2024

Feed grain prices were relatively unchanged

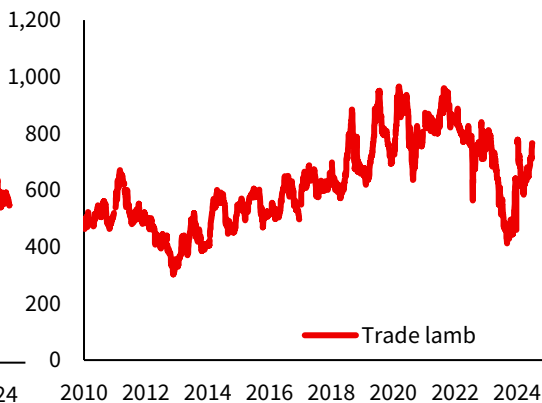
Feed grain prices slipped a little less than 1% over the month in June in monthly average terms. The tick down was driven by a slip in the price of feed wheat. Price for barley, oats, and sorghum all increased in the month.

Livestock



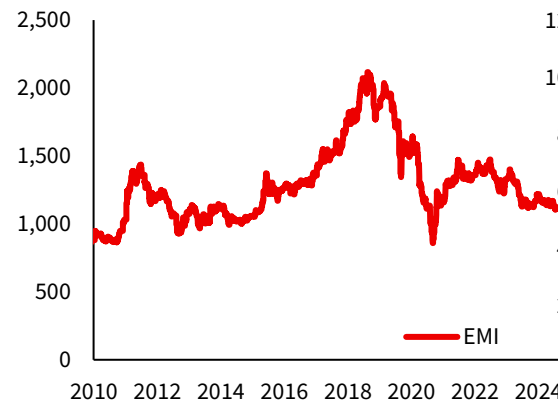
Cattle

Cattle prices softened in June, slipping 2.9% month-on-month in monthly average terms. Prices have been relatively stable in 2024 relative to the past few years. Increased supply due to higher slaughter rates does not seem to be weighing too heavily on prices, and positive export conditions continued to support prices.



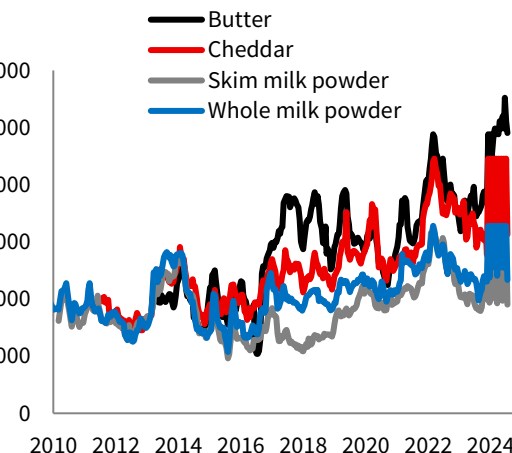
Lamb

Trade lamb prices rose for the third straight month in June, increasing about 8% month-on-month in monthly average terms. Lower supply supported prices as elevated slaughter rates began to taper off. Export demand from the Middle East and the US also supported the market.



Wool

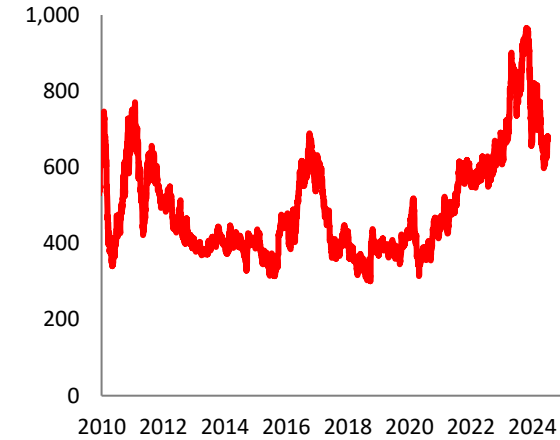
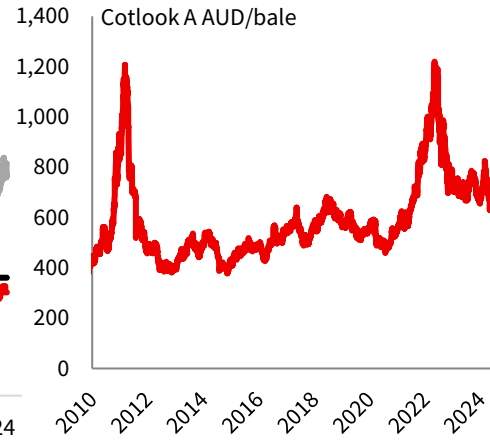
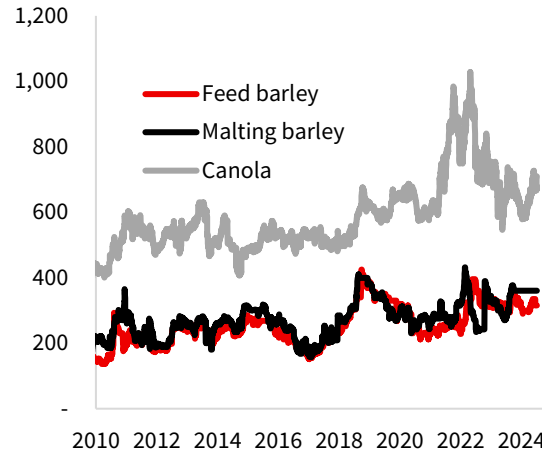
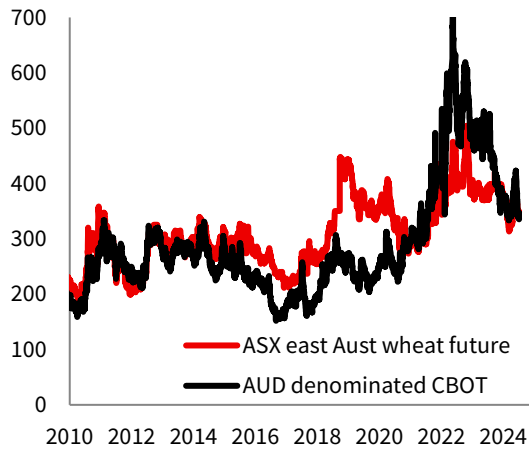
Wool prices in June lifted 1.8% month-on-month in monthly average terms, retracing their slip in May. Overall, prices remain soft and the market subdued. An improvement in economic conditions over the second half of the year, as well as lower domestic supply of wool, could support prices over the second half of the year.



Dairy

Dairy prices ticked up 0.8% in June and rose across all categories except cheddar and whole milk powder. ABARES forecasts the farmgate milk price to fall a little over 5% in the coming year, as they are weighed on by relatively low export prices for dairy products. Dairy export values are forecast to fall nearly 10% in 2024/25 on the back of lower export volumes.

Crops



Winter crop prices

The rally in wheat prices slowed in June but prices continued to rise, increasing 3.5% on average over the month. Unfavourable weather conditions in June in the northern hemisphere, particularly in Europe, weighed on global supply.

Canola and feed barley also saw some softer price gains of around 2% each.

Crop production

Crop production is expected to increase in 2024-25 after a mixed start to the season, which saw winter crop dry sown in parts of the south of the country. Some recent rainfall has helped but has not improved soil moisture greatly. Nevertheless, strong production is expected, and over 2024-25 ABARES expects wheat production to be 10% over the 10-year average (to 2023-24).

Cotton

Cotton prices eased a little further in June, slipping 1.6% on average over the month. World prices for cotton are expected to increase in 2024-25 as economic conditions improve, though Australian export values are expected to decline on the back of lower export volumes due to lower domestic production.

Sugar

Sugar prices ticked down 1.1% in June over the month in monthly average terms. While some difficult seasonal conditions in Brazil likely disrupted sugar production in the first half of June, sending prices higher, strong production there is still expected over the coming period which will weigh on global prices.



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