Sowing the seeds of success

Australia agribusiness monthly

RaboResearch Food and Agribusiness

May 2025

Rabobank

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This report is based on information available as at 1/5/2025

Commodity outlooks

Climate

Soil moisture across South Australia, parts of Victoria, and southern New South Wales remains well below average, but strong in the north. Rain forecasts for the coming three months are largely close to normal across much of the country.

Wheat and barley

Ceasefire talks in Ukraine, favourable weather, and currency fluctuations have influenced wheat prices in April, leading to a drop in CBOT and flat ASX. In the meantime, Australia begins its sowing period and monitors the key factors influencing local feed demand.

Canola

China imposed 100% tariffs on Canadian canola oil and meal, significantly impacting the market already strained by US-Canada tariff disputes. This led to a sharp drop in prices and raised questions about future marketing strategies amid global soybean supply pressures and weather conditions.

Beef

Rains in late March and early April have positively impacted cattle markets, with restocker cattle prices lifting 10% to 16% in April as producers were able to hold onto their cattle. We still expect prices to remain relatively steady around current levels given large numbers and good demand.

Sheepmeat

Finished lamb prices lifted in April. While shorter weeks – due to public holidays – make it harder to compare, higher prices and lower yardings might be the indication that lamb supplies are starting to contract. If this is the case, prices may rise further as buyers compete for more limited supplies.

Wool

Wool prices have found good support since last September, however both the Eastern Market Indicator and the Western Market Indicator declined month-on-month. This largely appears to be a result of the Australian dollar pushing higher.

Cotton

ICE #2 Cotton futures traded with heavy volatility in April, with US trade policy the primary driver. Meanwhile, funds reduced their short-position slightly, but the position still remains sizeable.

Farm inputs

Urea, phosphate, and potash prices rose across the board on a month-on-month basis. For urea, India's recent tender pushed prices higher. Meanwhile, for phosphate prices, higher production costs and rising global demand continue to keep prices trading above historical averages.

Dairy

Global dairy commodity prices remained mostly steady through April. Fundamentals of the market are largely balanced, with limited milk supply growth combatting a fragile demand recovery.

Consumer foods

Consumer confidence among Australian households has slipped in recent weeks. This downturn sentiment is unsurprising given global economic uncertainty and softer equity markets.

Interest rate and FX

RaboResearch maintains the forecast of an RBA rate cut in May and a terminal cash rate of 3.60% in August. The outcome of tariff negotiations and Chinese stimulus announcements will be important for setting further direction on interest rates.

Oil and freight

Oil prices hit a four-year low in April due to increased supply from OPEC+ and expectations of lower global growth driven by US tariffs. Freight rates have fallen as attempts by US importers to front-run the imposition of tariffs subside.

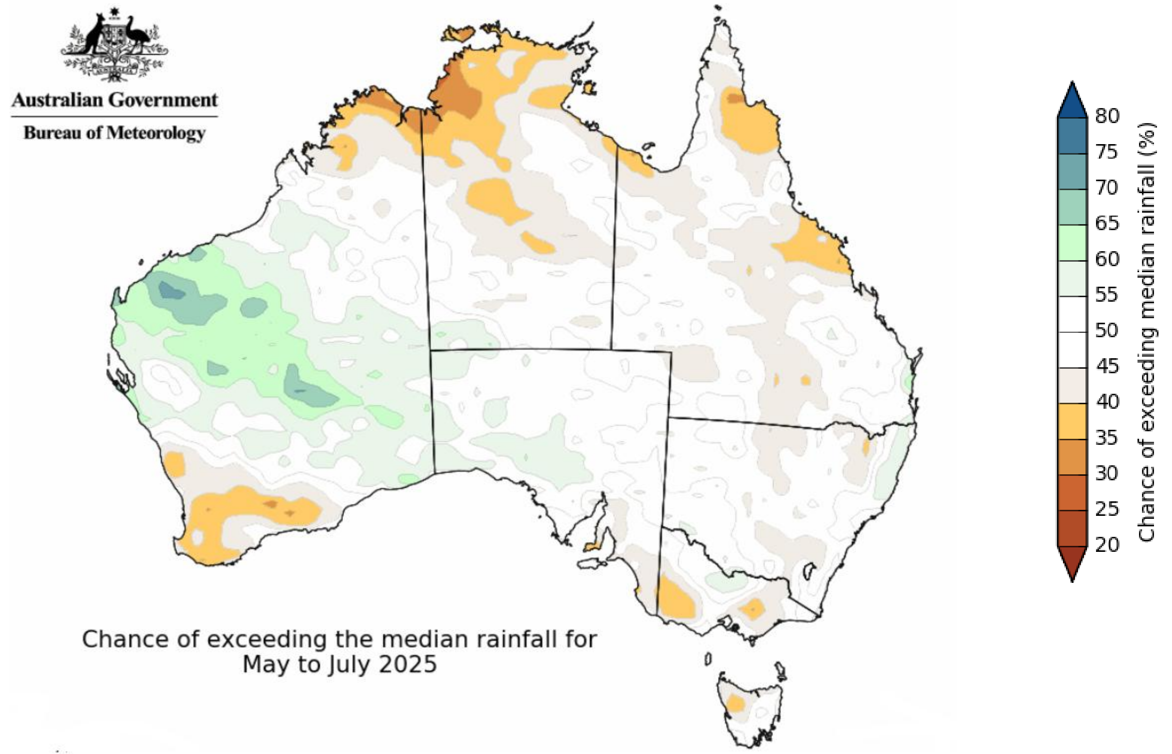
Climate

Soil moisture low in the southeast, but strong in the north

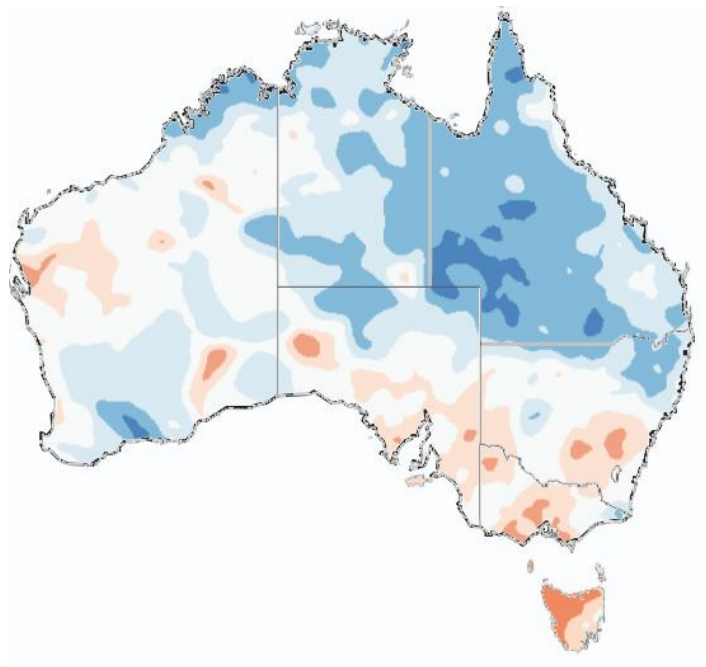
Soil moisture across south Australia, parts of Victoria and southern New South Wales remains well below average, which is suboptimal for winter crop planting and pastures. In contrast, conditions in much of the key cropping regions of Western Australia, northern New South Wales, and Queensland show a beneficial moisture profile. The three-month rainfall outlook predicts mostly near-normal rainfall for much of the country, which is expected to partially normalize the moisture differences between the south-east and the rest of the country.

Neither El Niño nor La Niña is forecast until at least September, according to Australia's Bureau of Meteorology (BOM) and many international models.

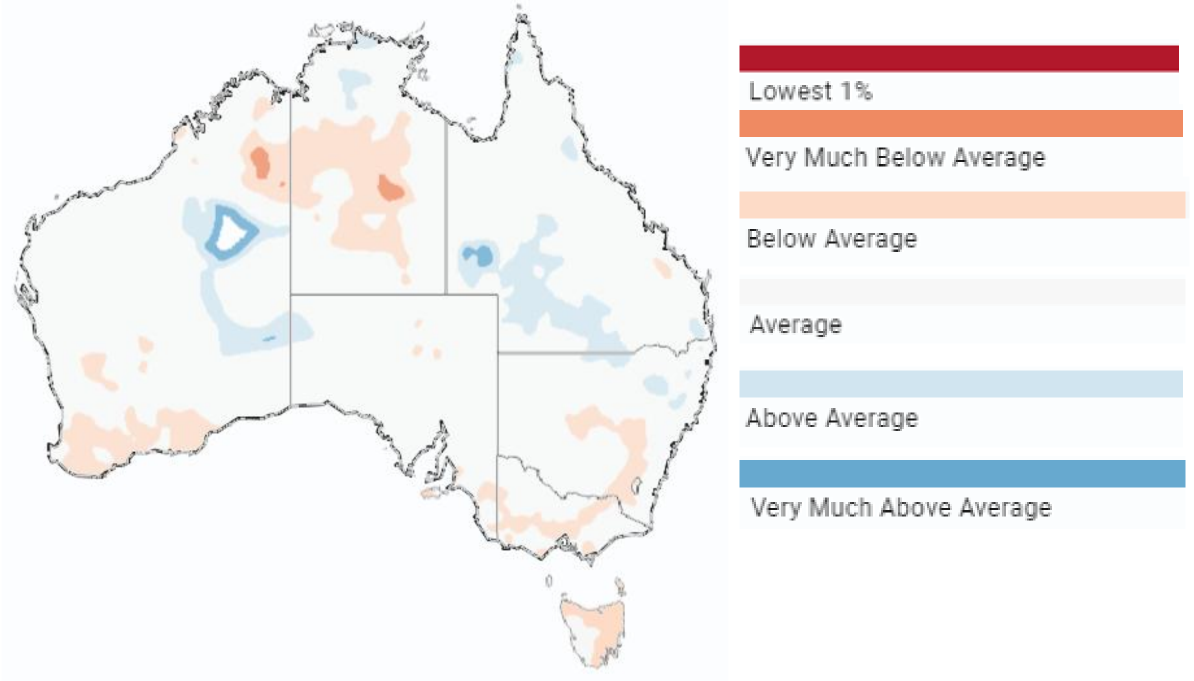
April to June 2025 rainfall outlook



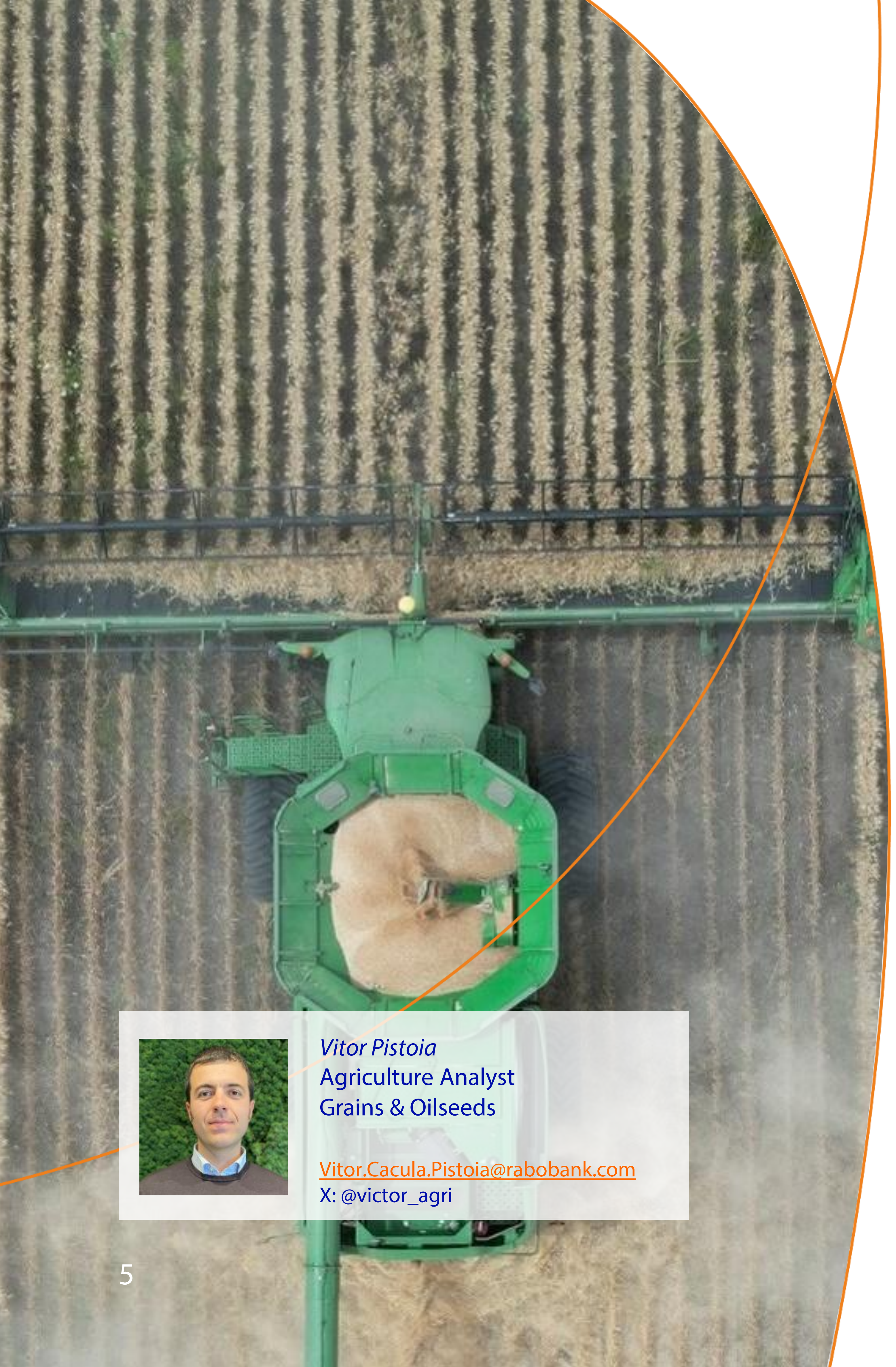
Soil moisture as of 22 April 2025



Soil moisture forecast for June 2025



Source: *BOM, RaboResearch 2025*



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Wheat and barley

Impact of weather and a potential peace deal in Ukraine on wheat prices

Ceasefire talks regarding the Ukraine war and favourable weather conditions in key producing regions have softened wheat prices during April. Much-needed rain arrived in the US plains and southern Russia, while Ukraine's growing areas are still in need of more rainfall. Meanwhile, currency fluctuations following the US "Liberation Day" on 2 April – when President Trump imposed tariffs on nearly all imports – have helped to buffer ASX wheat prices from global headwinds. The ASX January 2026 contract remained almost stable, dropping 0.7% MOM to AUD 352/tonne.

On the other hand, CBOT spot prices fell 6.3% MOM to AUD 296/tonne, and the CBOT December 2025 contract dropped 5.7% to AUD 327/tonne. MATIF followed along, with the spot price down 3.3% MOM to AUD 368/tonne and the January 2026 contract also down by 2.1% to AUD 381/tonne. **The large MATIF premium over CBOT, ranging from AUD 30 to AUD 60/tonne, is expected to remain until US tariffs exemptions and the EU wheat 2025/26 crop become clearer by July.**

There is still plenty of wheat spring sowing to be done in the Northern Hemisphere. The short-term weather forecast indicates neutral rainfall and slightly above-average temperatures. Most forecasts predict an EU wheat crop of 125m tonnes to 128m tonnes and a Russian output of 79 to 83m tonnes. These volumes align with long-term production figures, suggesting **that if everything goes as planned, global wheat stocks are likely to see just a small year-on-year drop, and markets should not overreact.** The large CBOT wheat net short position serves as the barometer.

Locally, Australia is full in sowing mode. With plenty of time for weather forecast changes, Australian prices are expected to follow international markets and their own export pace in the next couple of months. Due to tepid global demand for wheat, there is an increasing chance of a larger year-on-year carryover. This surplus of wheat puts downward pressure on local prices, leaving little room for the local wheat prices to rise.

Recently Australian feed barley has lost competitiveness versus CBOT corn, but the strong export pace during Q1 2025, combined with robust demand from the animal protein sector is likely to support a floor for feed grains. In April, the national average port price for feed barley was AUD 332/tonne, while APW was AUD 354/tonne. By December 2024 the figures were AUD 302/tonne and AUD 348/tonne, respectively.

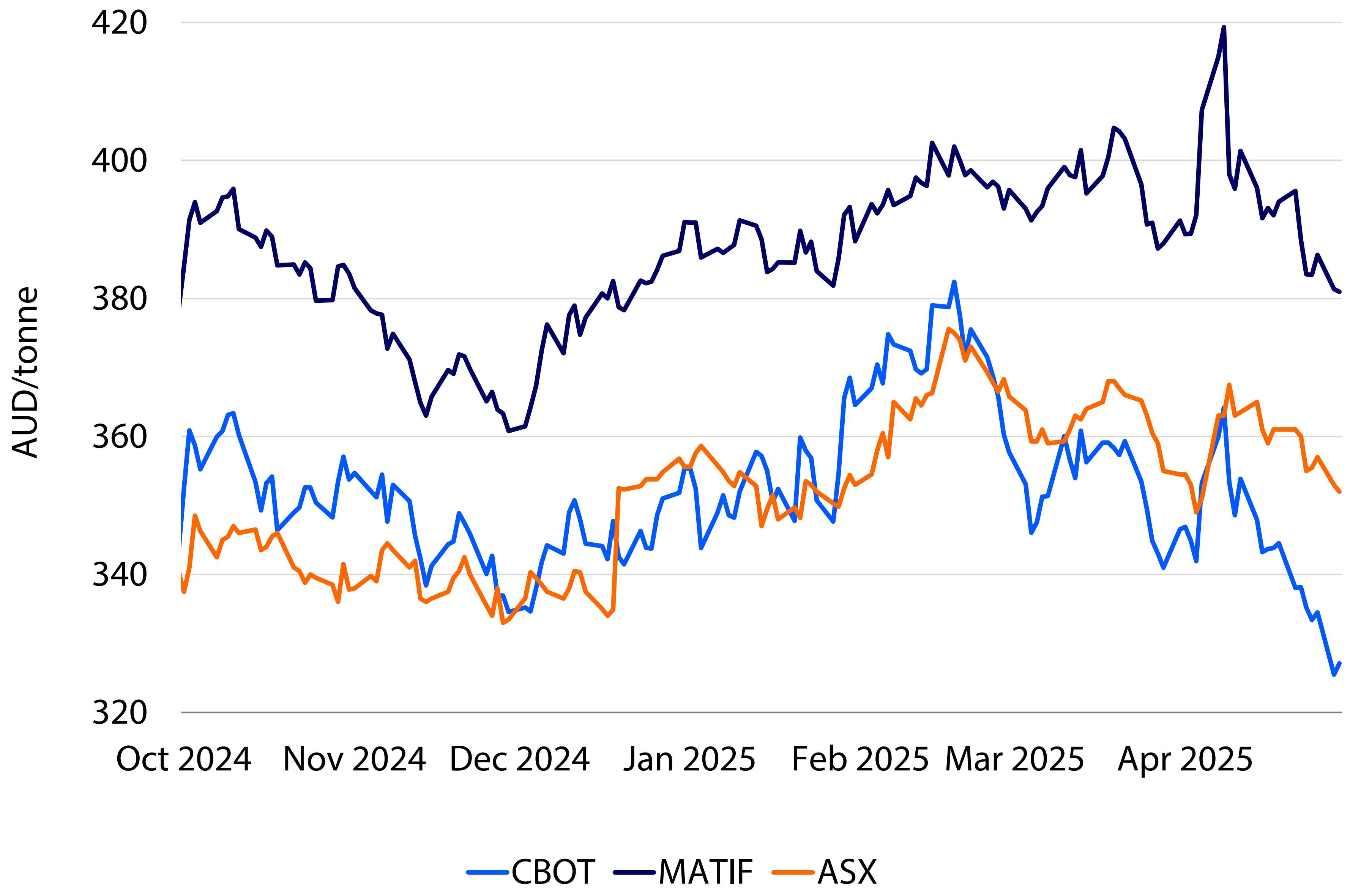
What to watch:

- **USDA report –** On 12 May, a new USDA WASDE report will be published, typically the first report with new crop figures. Key statistics to monitor include those related to the US, the EU, Russia, China, and India.
- **Brazil's corn harvest –** The early corn harvest in Brazil is approaching, and so far, rainfall has been positive for most producing regions. A figure exceeding 122m tonnes is likely, which could exert further pressure on the international feed grains market.

Wheat and barley

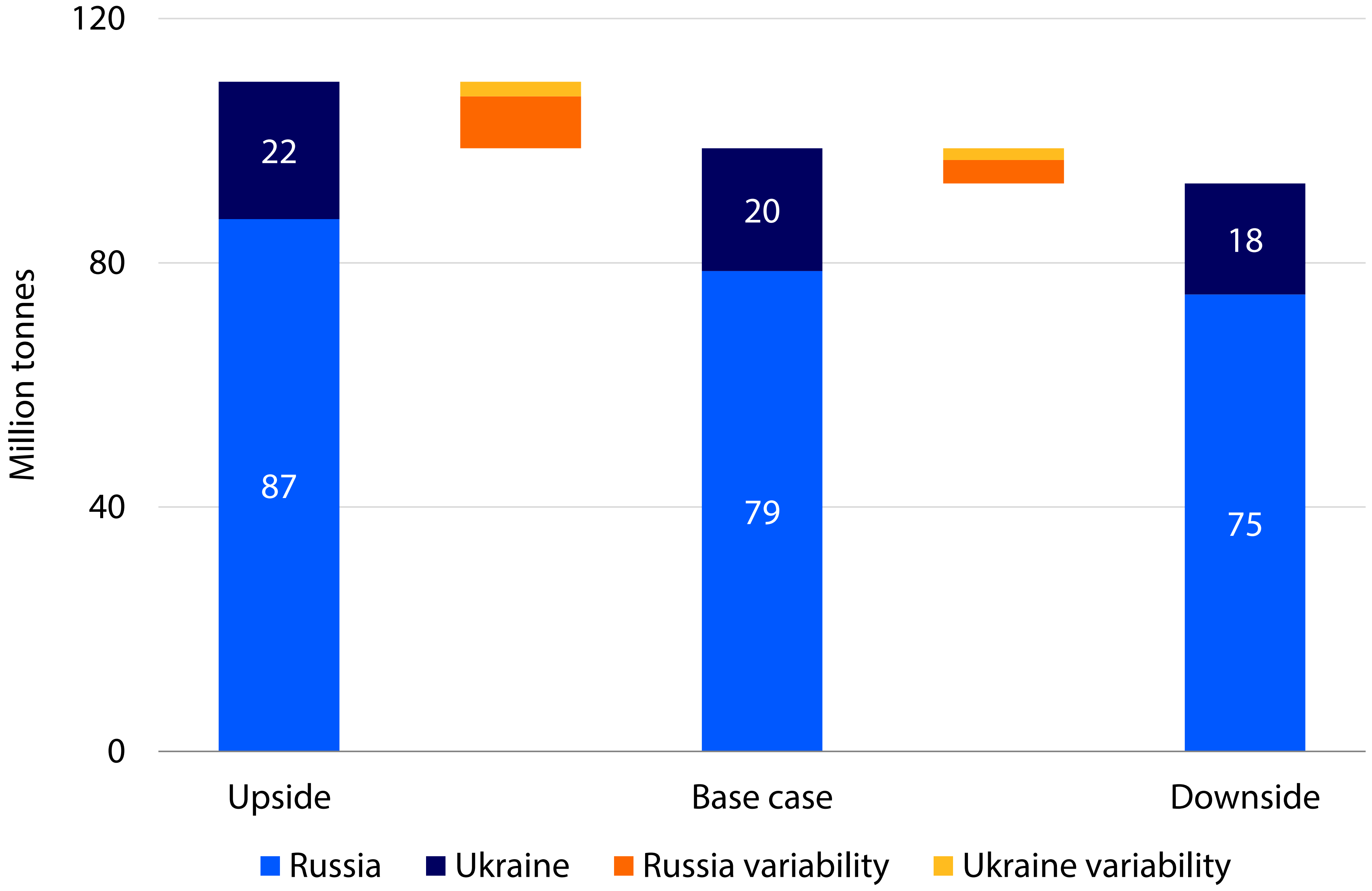
Robust Black Sea wheat production outlook limits price upside

New crop (2025/26) wheat prices are being influenced by geopolitics headlines and weather conditions

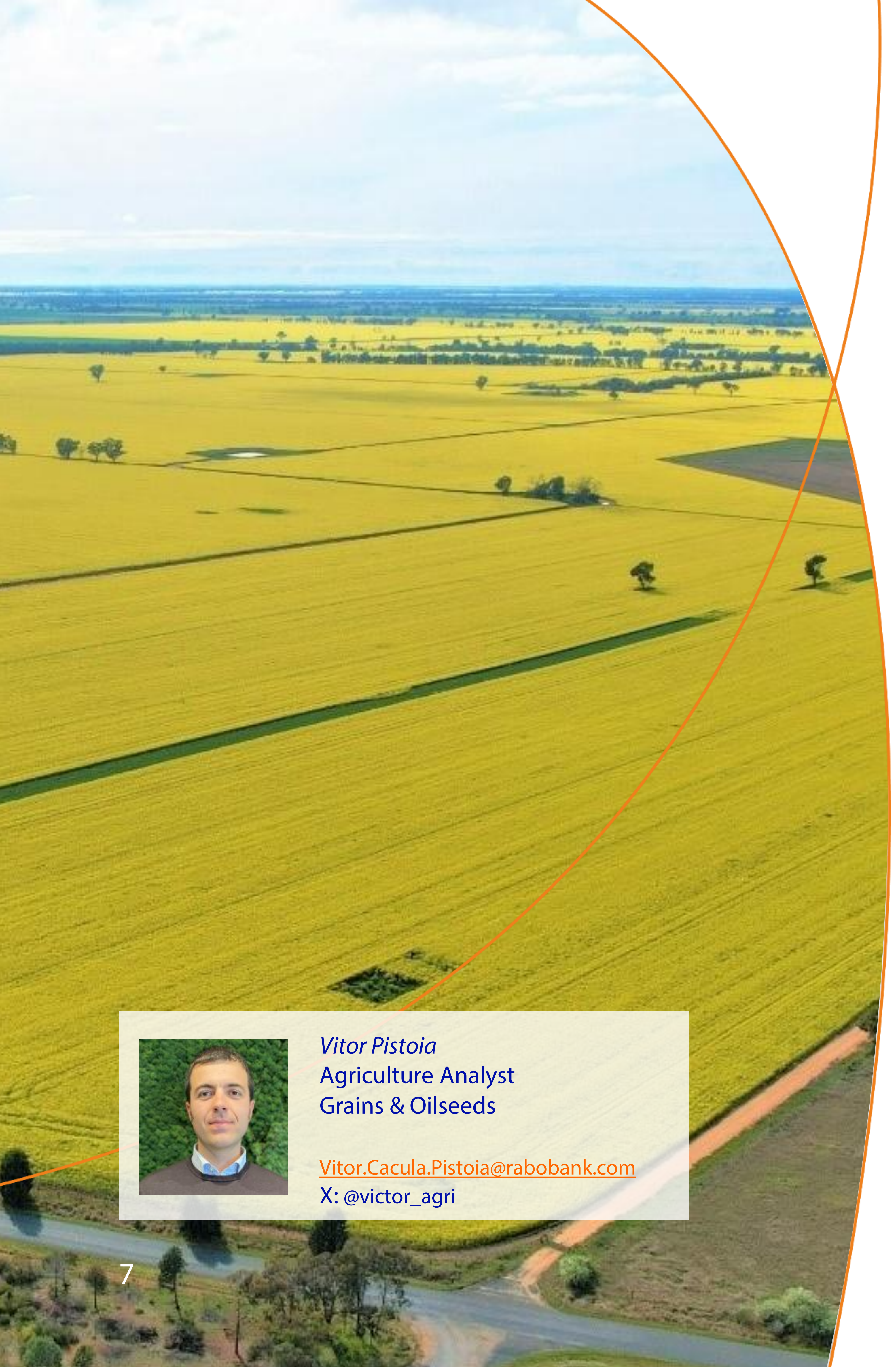


Note: *New crop contracts reflect the ASX January 2026 contract, while CBOT and MATIF reflect the December 2025 contract.*
Source: *Bloomberg, RaboResearch 2025*

Russia and Ukraine's wheat production scenarios for the 2025/26 crop



Note: *The base case scenario uses the average yield over the past eight years and the forecast cropping area for the 2025/26 season. The upside scenario uses the highest yield recorded in the past eight years, while the downside scenario uses the lowest yield.*
Source: *Argus, USDA, RaboResearch 2025*



Canola

Market fundamentals have eclipsed tariffs in April

The US "Liberation Day" tariffs had a minor influence on canola market fundamentals. **The US did not impose additional tariffs on Canadian goods, and the USMCA exemption remains in place, ensuring that the 25% US tariffs on Canada and Mexico will not be enforced for USMCA-compliant goods.** This keeps US-Canada trade of canola and coproducts duty-free. Additionally, no Chinese tariffs on Canadian canola seed have been imposed yet, alleviating concerns that Canada could lose competitiveness or access to its two main markets. Since their mid-March lows, ICE prices have shown a substantial recovery, with spot prices improving 31.6% to AUD 791/tonne and the Jan 2026 contract rising by 14.9% to AUD 750/tonne.

The Canadian food and agriculture bureau (AAFC) released a new forecast for the country's cropping area, reiterating the projection of a canola area at 8.76m hectares. This represents a 1.6% drop YOY, indicating that 2025/26 production could be around 18m tonnes, in line with recent years. The five-year average is 18.1m tonnes. **The current weather forecast for Canada indicates a neutral rainfall outlook for the prairies and a likely warmer-than-usual season, limiting chances of a bumper crop.**

As MATIF Canola prices continue to increase due to tight canola and sunflower stocks, the European crushing industry has adjusted its procurement, and Canadian canola imports continue to gain market share. **At the current pace, European imports from Canada might exceed 0.7m tonnes for the 2024/25 financial year, a stark contrast to 2023/24's imports of 0.1m tonnes. The EU may end the 2024/25 financial year with total canola imports around 7.5m tonnes, up 1.3m tonnes YOY.**

For the coming year, **the EU outlook indicates imports of at least 5m tonnes** based on current supply and demand, **to be adjusted by weather conditions and the extent to which canola crushing is replaced by other oilseeds due to a large price spread. For instance, CBOT Soybean spot prices finished April at AUD 600/tonne, 38% under MATIF Canola. From April 2023 to April 2025, the price difference averaged just 15%.**

What to watch:

- **Ukraine, Romania, and Bulgaria rainfall –** The Black Sea region is a crucial source of oilseeds for the EU, but current growing conditions are not optimal. Concerns are rising due to inadequate subsoil moisture levels, and recent cold spells have delayed spring sowing, including sunflower. A dry and hot finish for the 2024/25 crop partially explains the current canola prices.
- **Softening palm oil price –** Increasing palm oil supplies and stocks, along with headwinds for soybeans due to the US-China trade war, have brought palm oil prices almost on par with soybean oil. This new price balance favours palm oil utilisation in many countries, limiting further price increases in the global vegetable oil market.

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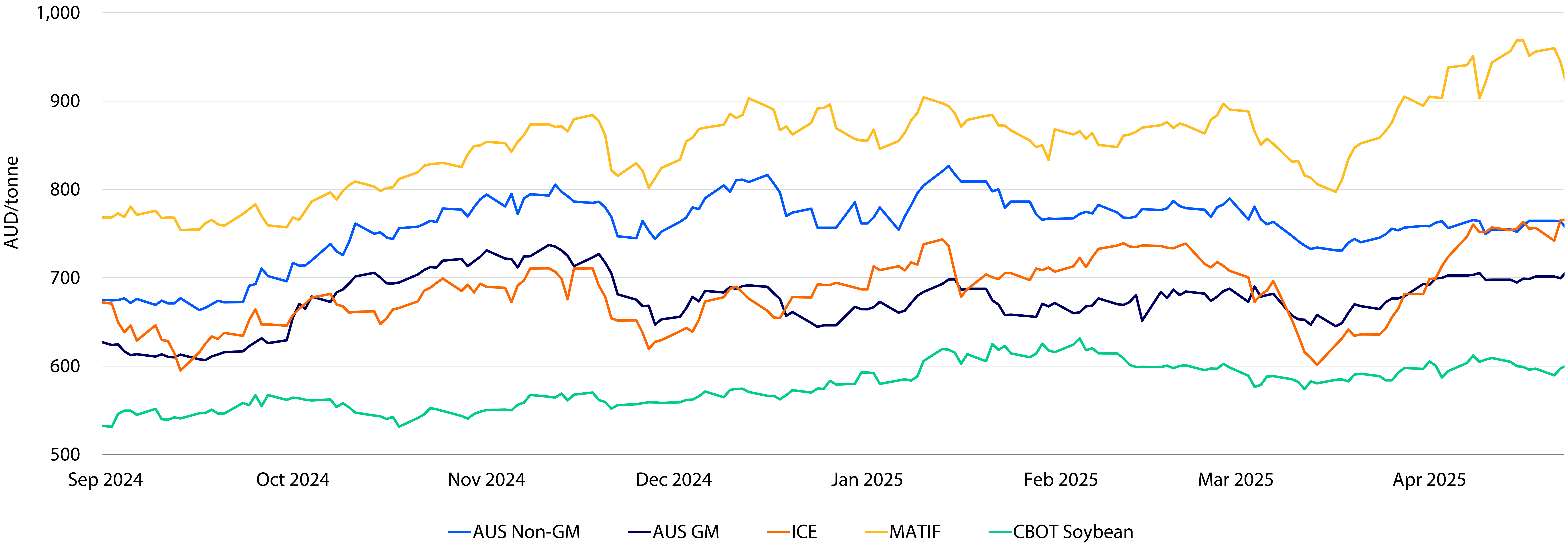
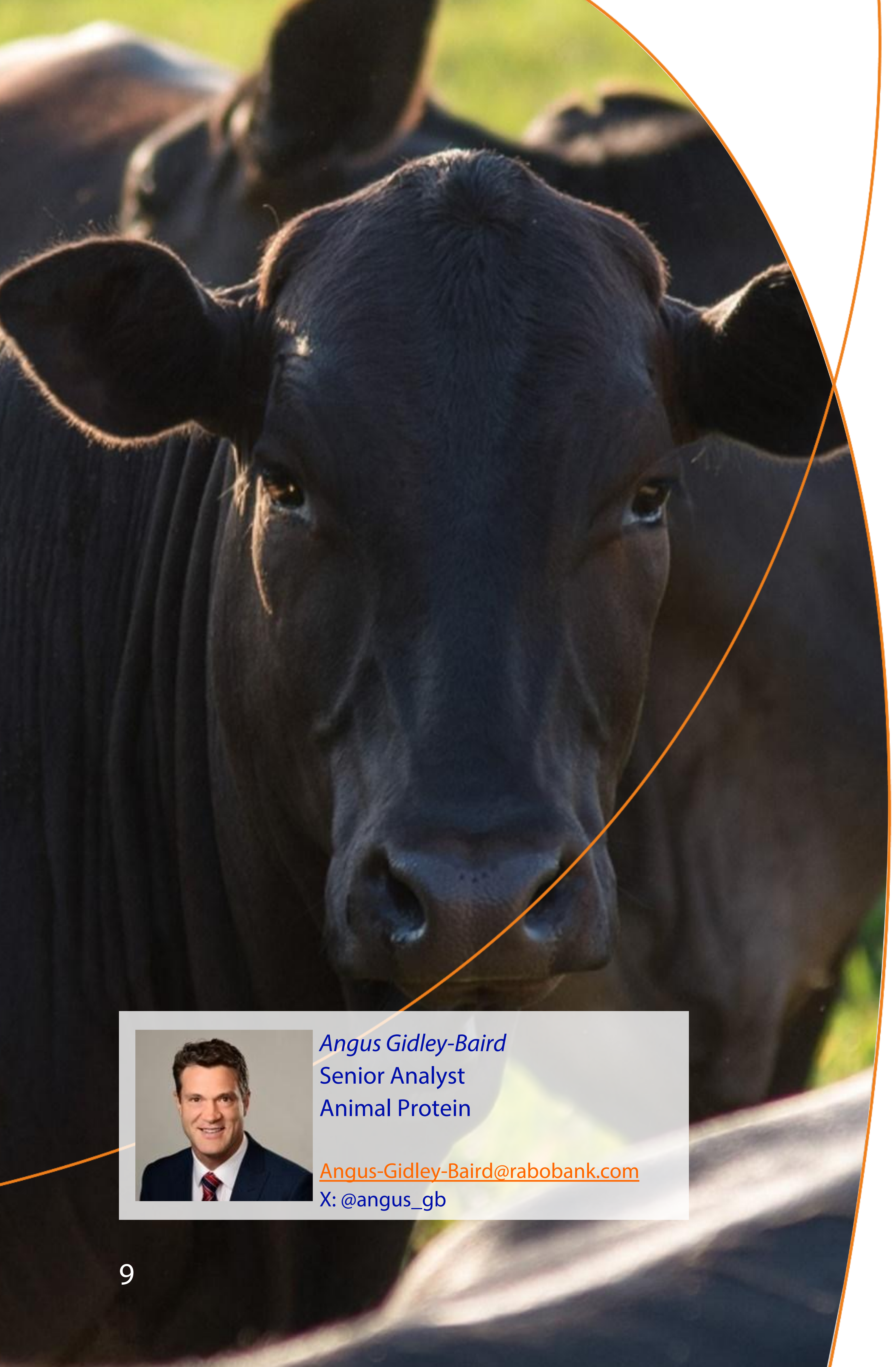
Canola

While most key oilseeds remained stagnant, MATIF Canola maintained its shine

Robust European prices continue to indicate strong demand support in 2025



Note: *Australian prices reflect the average port price.*
Source: *Bloomberg, RaboResearch 2025*



Beef

Rain boosts an otherwise steady market

National saleyard prices for cattle have seen almost two separate markets evolve over the month of April. Prices for heavy and finished cattle (heavy steers, processor cows, and feeder steers) rose during the first half of the month but eased off late in the month. Heavy steers finished April at AUc 364/kg on 26 April. Meanwhile, prices for restocker cattle (heifers and steers) have continued to rise through the month, with restocker heifers reaching AUc 325/kg on 26 April. The national young cattle indicator was AUc 377/kg on 26 April, up 9% over the month. We suspect that the rain in Queensland in late March and early May has allowed producers to hold on to stock with the intention of finishing them. This lower availability is lifting prices. **Further rain in northern New South Wales at the end of April will support producers' ability to hold stock, although forecast rainfall in southern Queensland and New South Wales for May is expected to be average to below average, which may cause restocker prices to ease a little toward the end of the month. Although heavy and finished cattle prices fell slightly at the end of the month. Despite the slight fall in prices, we believe that good global demand will keep these prices around current levels.**

Shorter weeks, due to public holidays mean national weekly slaughter data had not been updated since 11 April at the time of writing. Volumes in the first half of April remained strong, with numbers for week 15 exceeding 152,000 head – the first time above this number since late 2019. Year-to-date slaughter volumes are up 16% on 2024 volumes. National weekly slaughter volumes continue to track at high levels. All states showed year-to-date volume increases, with Victoria up 34%, New South Wales up 11%, and Queensland up 17%.

Full month export data was not available at time of writing. Records up to 21 April suggested export volumes for April would be higher than March, although two shorter weeks of slaughter due to public holidays are likely to impact production and export volumes. Volumes to key markets – the US, Japan, China, and South Korea – appear to be higher in April. By 21 April export volumes to the EU had already exceeded volumes for March and were tracking more than 20% higher than the same period in 2024, which is encouraging given that Australia does not have a trade agreement with the EU.

After higher volumes in February, live export cattle numbers dropped back down in March to levels similar to 2023. This may be a result of the rains through northern Australia in late March, which limited access to stock and allowed producers to hold on to stock. **We expect live export numbers to lift over the coming months.**

What to watch:

- **Chinese imports** – US exports to China had been in decline through 2024 given higher US prices and lower availability. With several US plants not receiving authorization to export to China this year, volumes have dropped further. Additionally, the escalation of Chinese and US tariffs has made US beef very expensive, and we are seeing reports that Chinese buyers are switching to Australian products. An increase in Chinese demand for Australian beef would be positive for the Australian cattle market given the large volumes of beef in the system.

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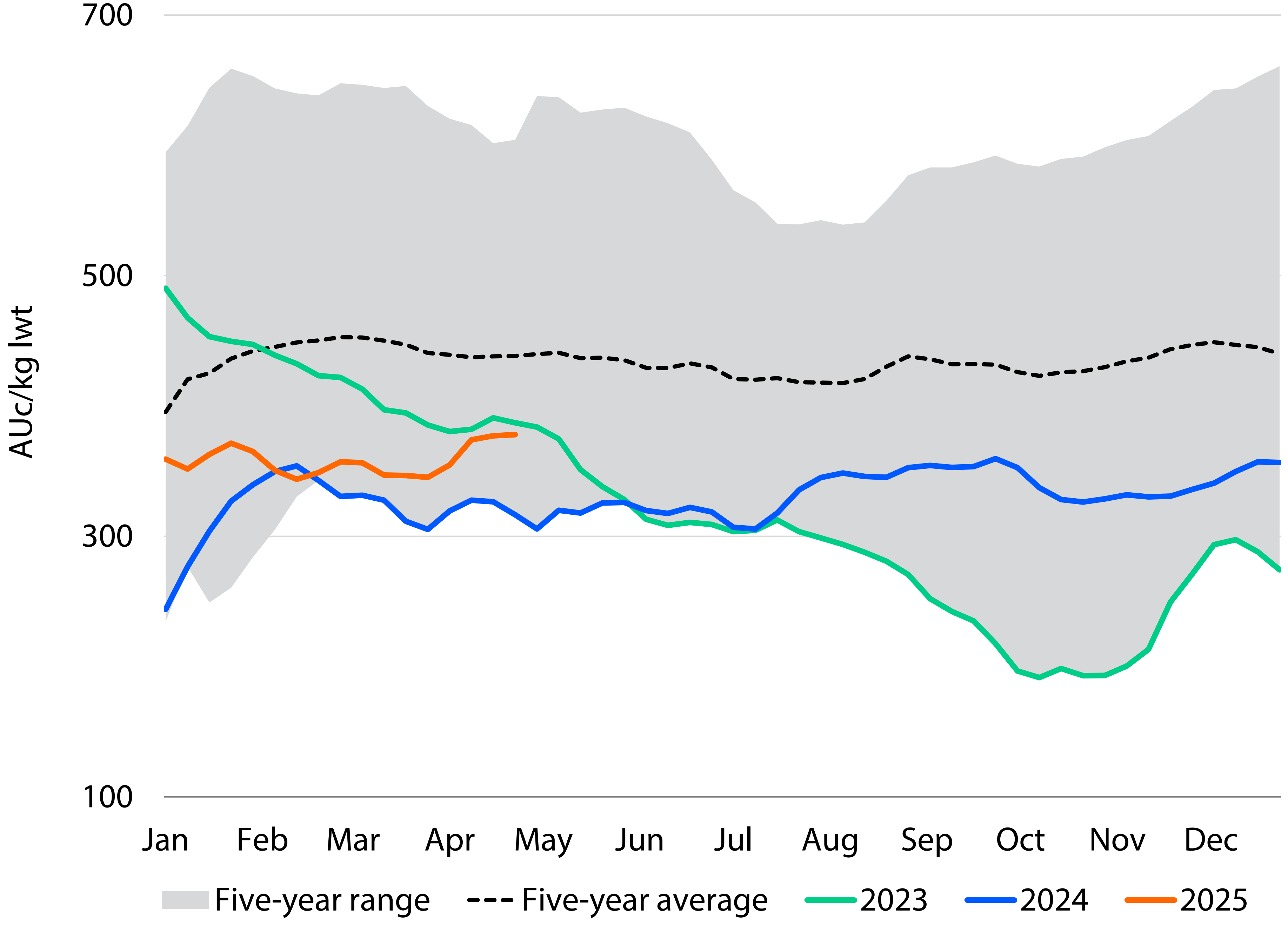
Beef

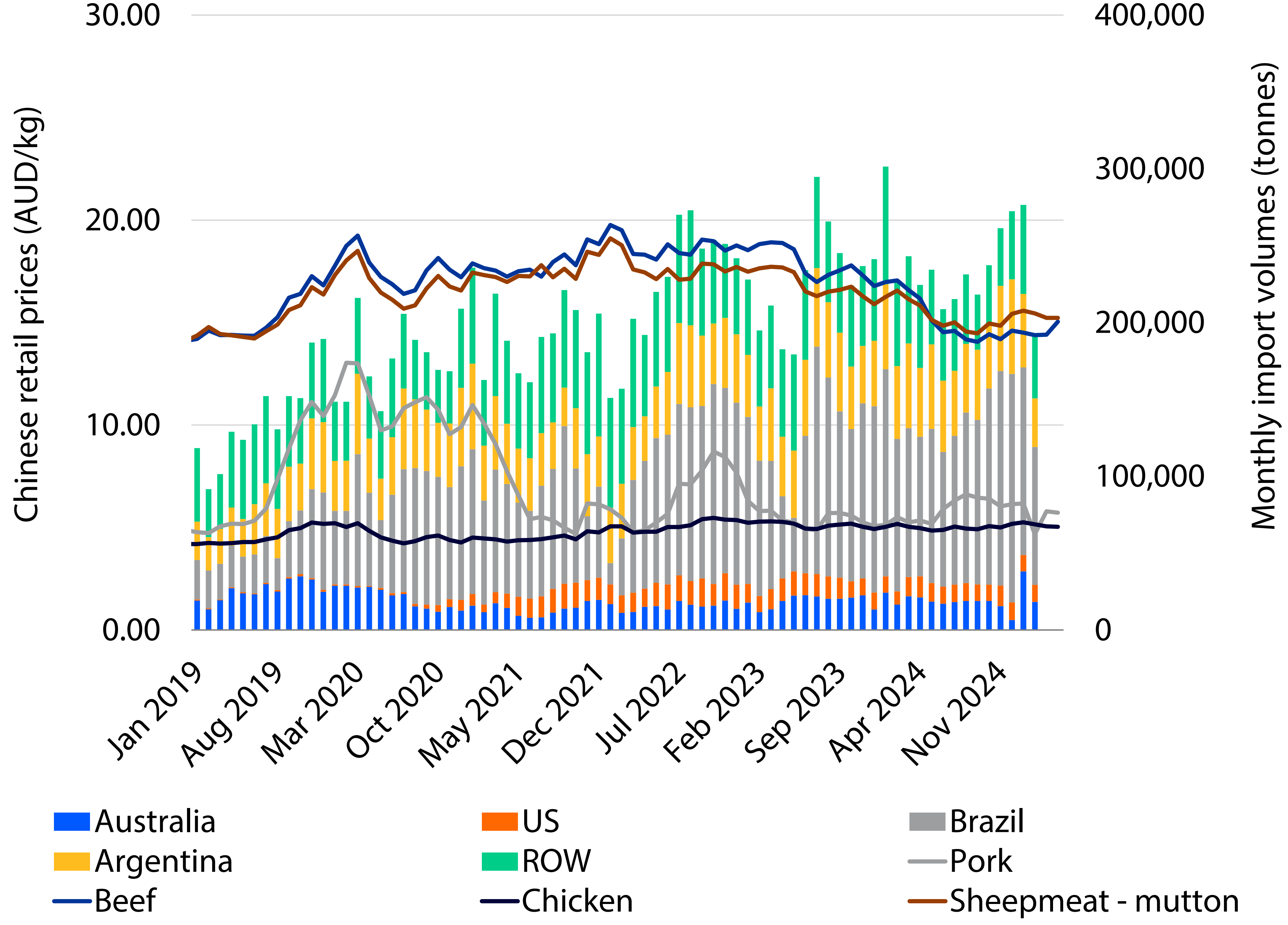
Australian restocker cattle prices rise with rain, while Chinese imports switch from US to Australian beef

NYCI takes a step up with rain in Queensland



Source: *MLA, RaboResearch 2025*

Chinese beef imports expected to see a shift to Australian beef



Source: *China MOA, BOABC Boyar, RaboResearch 2025*

Sheepmeat

Price upside as lamb availability is expected to decline

Prices for finished lambs – trade and heavy export lambs – saw a rise through the month of April. On 27 April, trade lambs were priced at AUc 821/kg, up 7% on a month earlier. Other categories also experienced price increases, although merino lambs and light lambs had the smallest month-on-month movement, with less than a 1% rise. Mutton prices lifted 20% MOM to AUc 504/kg – the highest levels since mid-2022. Although no clear signals exist at the moment, we are seeing stable prices in China, continued favourable prices in the US, and potentially lower lamb supplies, all of which could support the upward trend in prices. **We still believe there is potential for some upside to lamb prices – particularly for trade and export lambs – as we expect supply contractions in the coming months. However, the market is looking reasonably balanced at present and with forecast rainfall in southeastern areas expected to be average or below average in the coming months, we predict limited producer buying activity, which may restrict any upside to prices.**

Shorter weeks, due to public holidays mean national weekly slaughter data had not been updated since 11 April at the time of writing. Lamb slaughter in mid April continued to track at historically high levels, exceeding 500,000 head a week. Similarly, sheep slaughter, although not at the high levels of late 2024, remained historically high for 1H, at over 200,000 head per week. In years like 2001, 2008, and 2019, which saw a contraction in lamb slaughter, weekly lamb slaughter volumes started to contract after Easter. **Given the high sheep slaughter in 2023 and 2024, we believe that lamb supplies will decline through May and June.**

Full month export data was not available at time of writing. Records up to 21 April suggest that April's lamb export volumes will be lower than March's and those of April 2023, with drops in volumes to the main markets of the Middle East and the US. Volumes to the EU appear to higher than last year for the month of April. Although the EU remains a relatively small market, accounting for 6% of total exports, this is an increase from 4% of total exports in 2023.

Sheep live export volumes out of Western Australia are down 67% YOY for the first three months of the year, totaling 74,376 head.

What to watch:

- **Lamb numbers** – We have been monitoring lamb saleyard and slaughter numbers for a couple of months, anticipating that supplies might start to contract given the high sheep slaughter volumes over the last two years. Although the last couple of weeks of April were shorter due to public holidays, which naturally led to lower saleyard and slaughter numbers, national lamb yardings have dropped. For the month of April, they are just 5% higher than the five-year average, compared to being 9% higher in March. The other states are making up for a large reduction in Victoria – down 22% on the five-year average. Although slaughter numbers remain high, the higher prices for trade and heavy lambs may just be the indication that the market is starting to tighten up.

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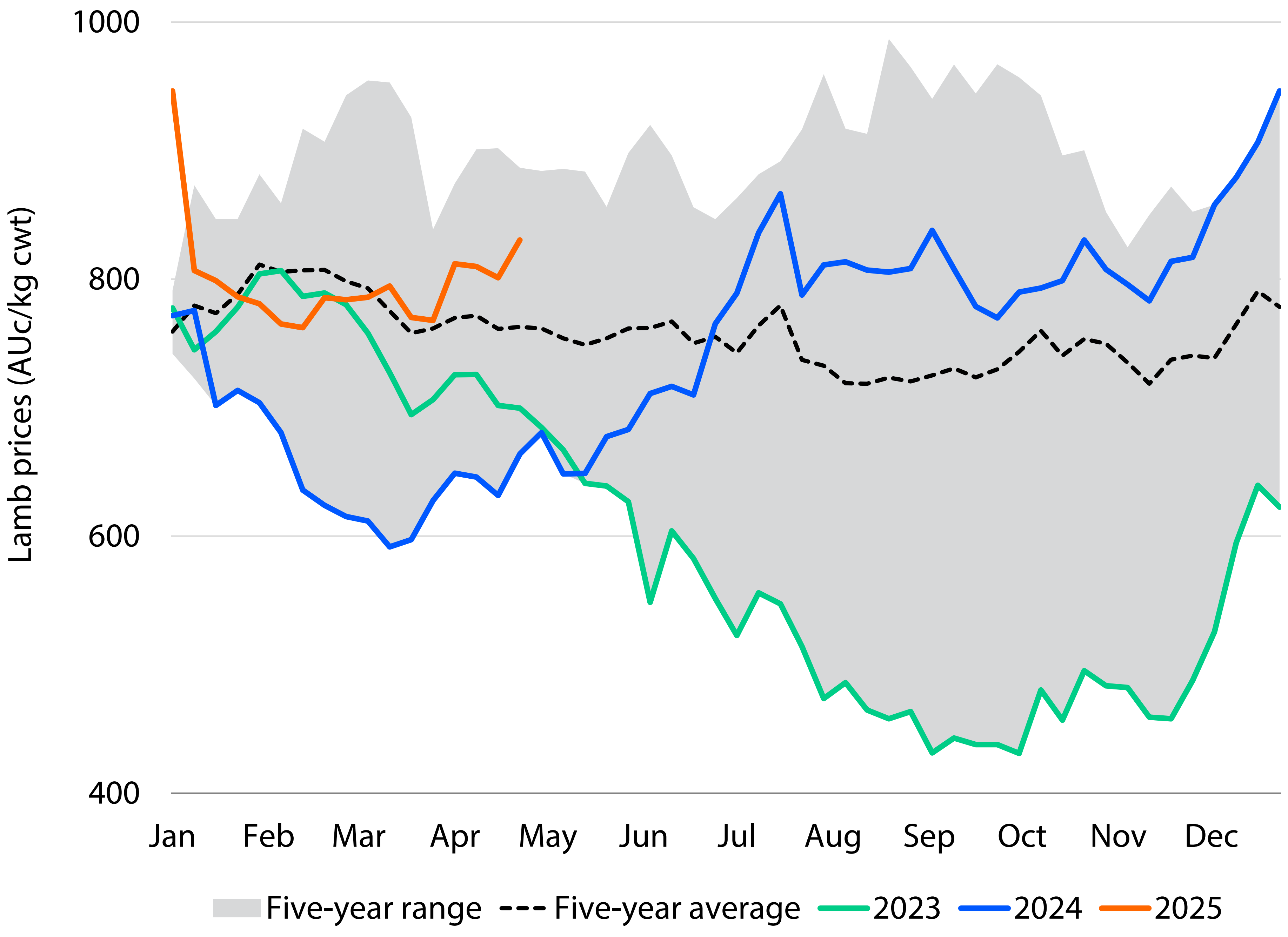
Sheepmeat

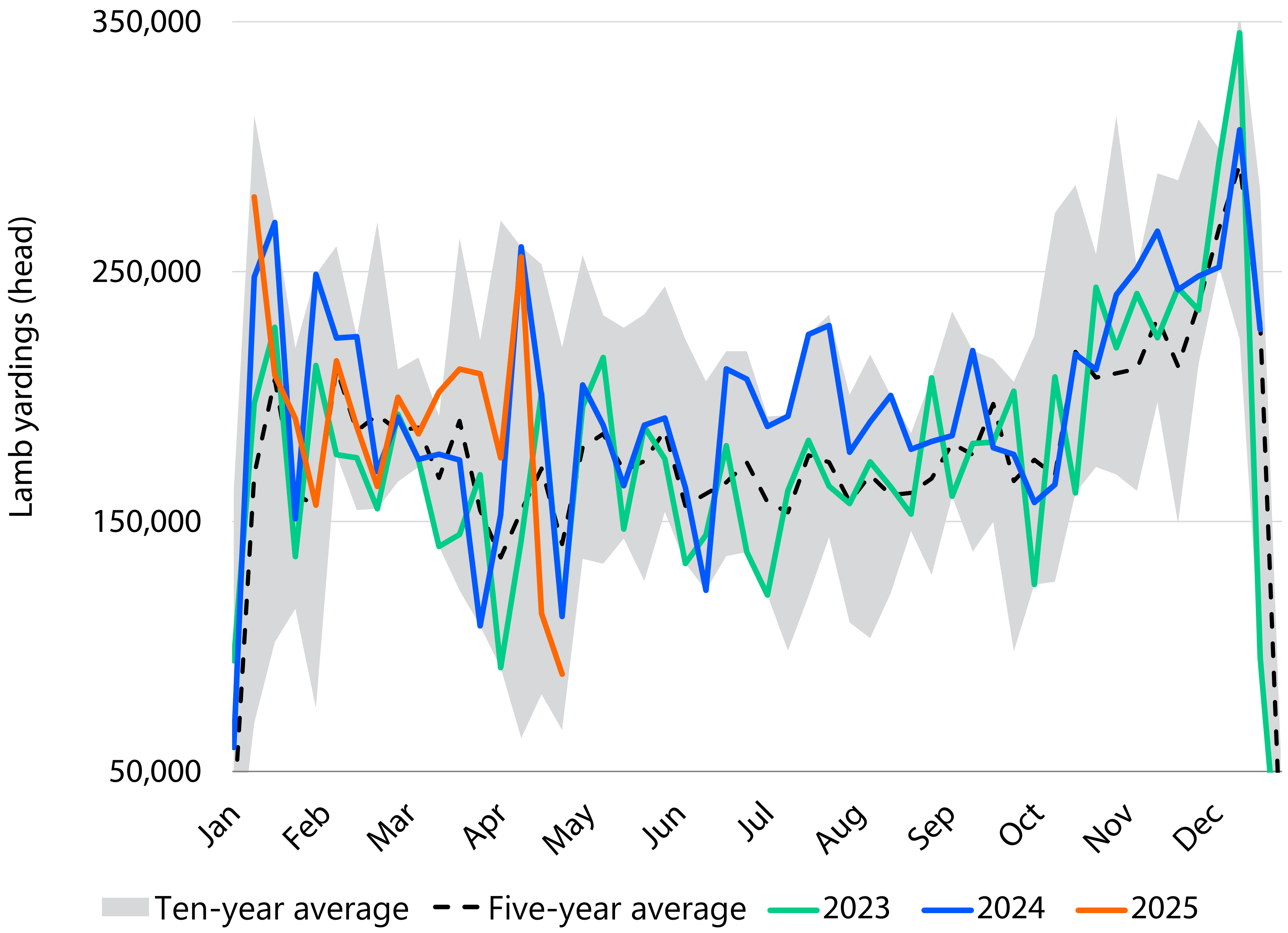
Lamb prices step up as yardings drop, is this just shorter weeks or the start of lower numbers?

National Trade Lamb Indicator (NTLI) steps up

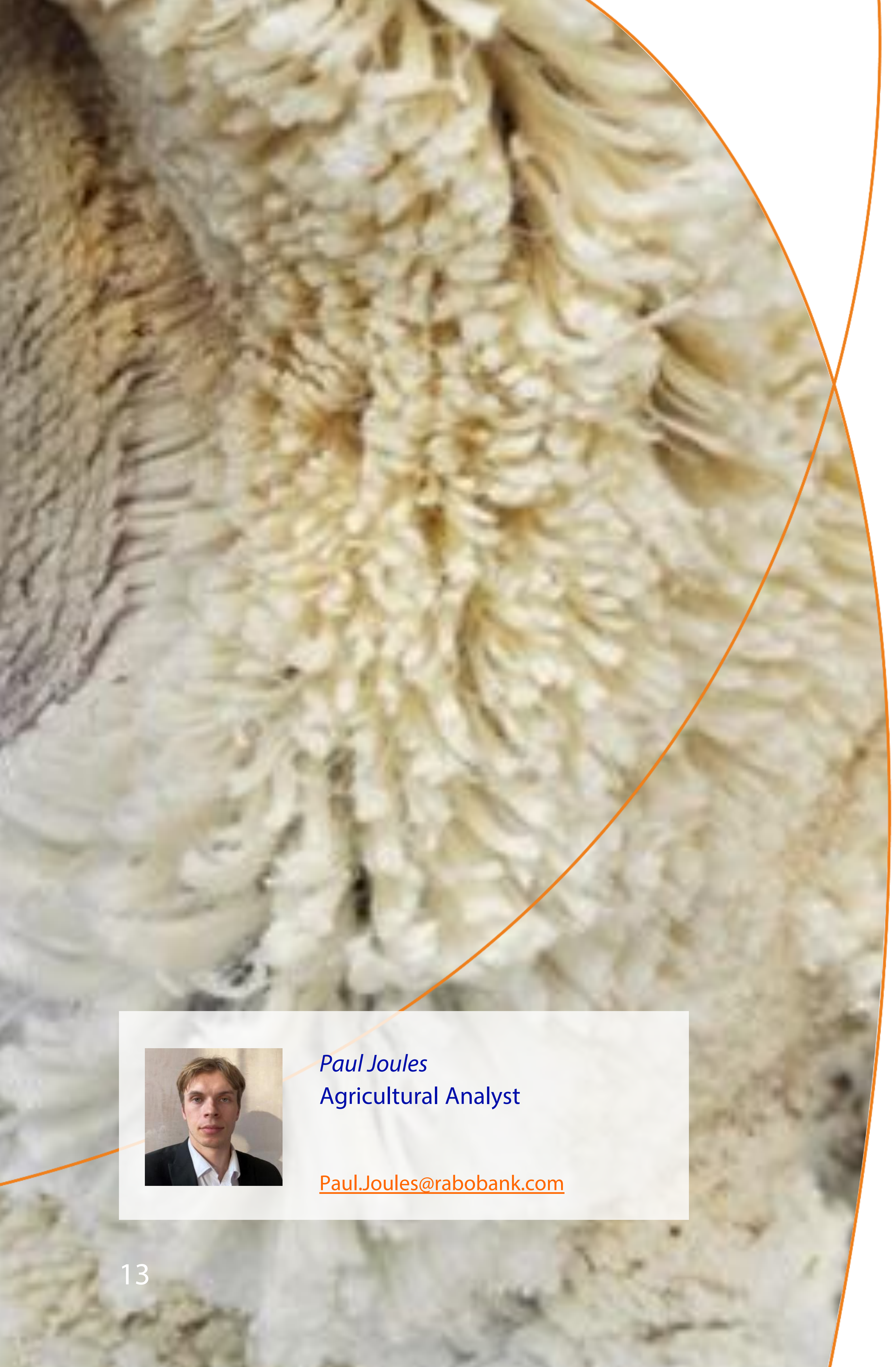


Source: *MLA, RaboResearch 2025*

Lamb yardings drop, shorter weeks or lower numbers?



Source: *MLA, RaboResearch 2025*



Wool

Australian wool exports kick off the year in sluggish fashion

Wool prices retracted in April, with both the Eastern Market Indicator falling by 1% and the Western Market Indicator by 2% MOM. Much of this decline seen across wool prices can likely be attributed to the recent strength of the Australian dollar, with the AUD/USD exchange rate up 1.3% month-on-month. This change in the FX rate may well deter some international buyers in the short term, and this could be reflected in overall import demand. Despite the recent uptick in the AUD, RaboResearch maintains the view that the Australian dollar will not exceed USD 0.65 over the course of the next 12 months, which is below the five-year average for the AUD/USD exchange rate. We view this FX rate level as relatively supportive for medium-term demand.

In terms of the latest export data (February), we can see that total import volumes of Australian wool are lower year-on-year, with total volumes down around 7%. Chinese volumes are down 6.9% MOM. Early 2025 Australian wool export data (January and February) shows a poor start to the year in terms of volumes, with total wool exports down 12.8% YOY. Nearly all of our exports to wool trading partners are down compared to the first two months of last year, with exceptions being Lithuania, the UK, South Africa, and Mexico. RaboResearch maintains the view that recent hand-to-mouth buying from key importers could lead to a pickup in demand later in the year, assuming inventory levels are running lower.

The fast-evolving US trade policy adds a new layer of uncertainty to the wool demand picture. Although most of the US's key trading partners received a 90-day pause following the initial reciprocal tariff agreement, China did not. This is concerning from a wool demand perspective, as it threatens both Chinese economic growth and Chinese clothing exports to the US. However, China's attempts to stimulate the domestic economy, such as widening the tax rebates for tourists, could offset this to some degree. Recent measures appear to be having some impact, with clothing and textile sales rising modestly year-on-year in December.

What to watch:

- **Wool prices** – Wool prices declined month-on-month, with demand uncertainty playing a role. However, the key driver appeared to be the strength of the Australian dollar. Should the Australian dollar continue to push higher, this could deter international buyers in the short-term.
- **China's domestic demand strategy** – In response to US-China trade uncertainty, China has implemented a new tactic to boost domestic demand by widening the tax rebates for tourists. The market will be keeping a close eye on retail sales volumes to see if this measure, along the wider stimulus package, positively impacts domestic clothing sales.

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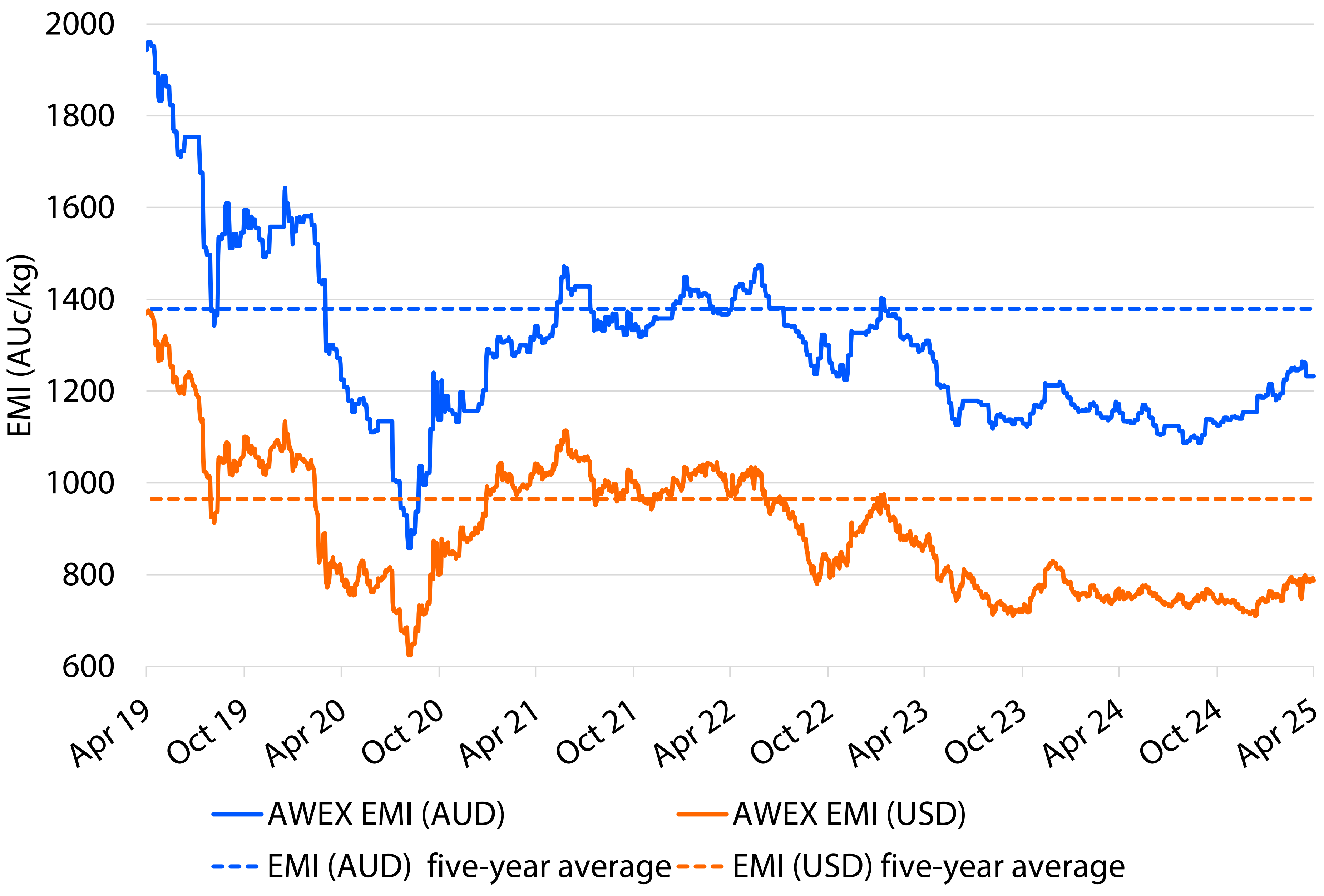
Wool

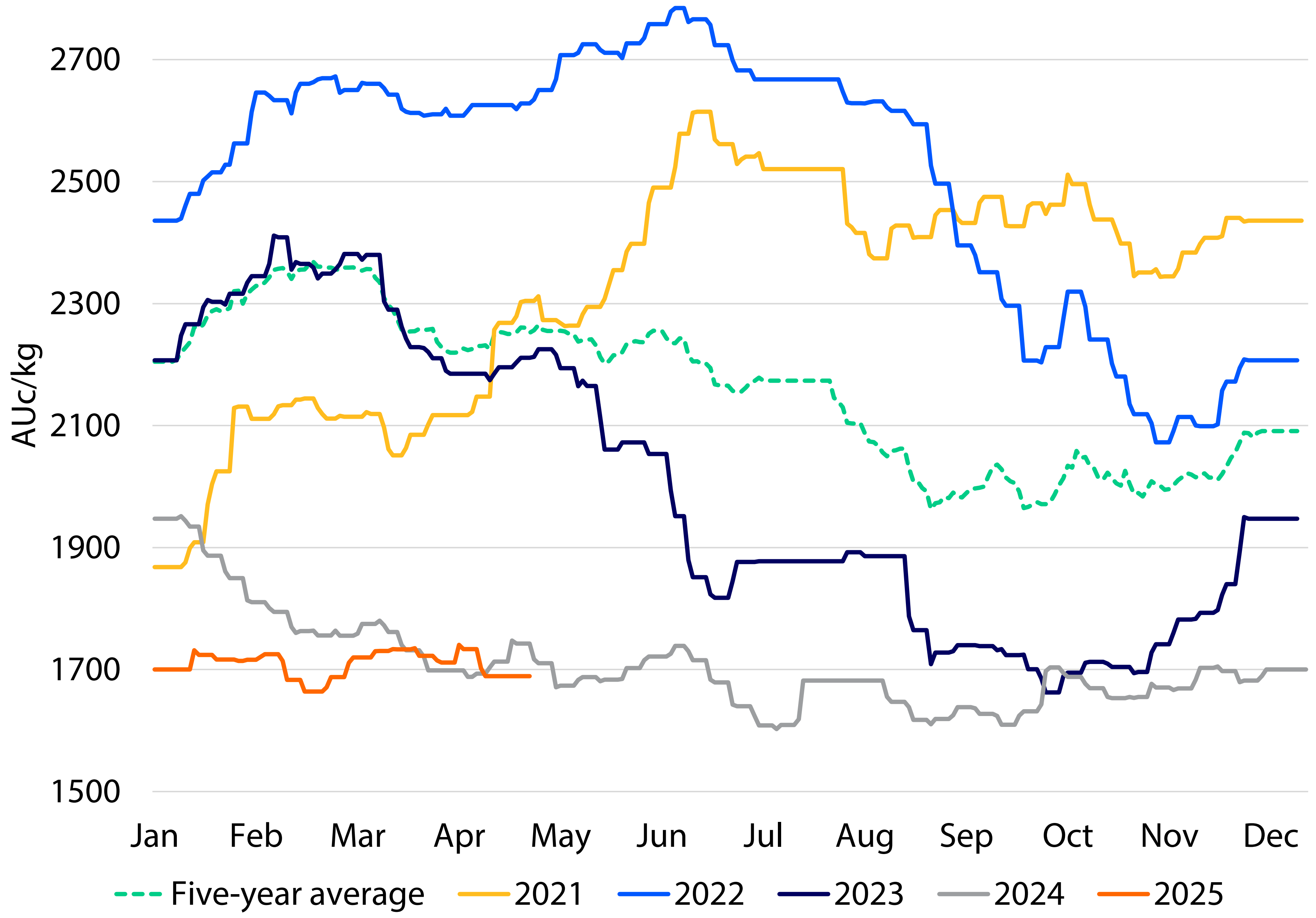
The rising Australian dollar appears to be one of the key contributors behind the drop in Australian wool prices

EMI prices retract slightly, following the recent rally



Source: *Bloomberg, RaboResearch 2025*

17-micron prices declined 2% MOM



Source: *Bloomberg, RaboResearch 2025*

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Cotton

US trade uncertainty is influencing cotton futures

ICE #2 Cotton futures increased 2% MOM, but it was a bumpy road. US futures initially fell by 10% in the four days following Trump's sweeping tariffs announcement on 2 April. Soon after, most countries received a 90-day pause, however China remained firmly on the tariff list. From a US cotton export perspective, this was the biggest concern. For reference, 30% of US cotton headed to China in 2024, so a tit-for-tat trade war would mean US cotton exporters would be heavily reliant on smaller importers such as Pakistan, Vietnam, Turkey, and Bangladesh. It's therefore no surprise to see futures trading with volatility off the back of Trump's announcements.

In recent days, Trump suggested that a trade deal between the US and China isn't too far away. Unsurprisingly, US futures found support on the back of this. The situation is fast evolving and will likely continue to be a source of cotton market volatility in the months to come. Two key demand factors hover over Australian cash prices as a result of US trade uncertainty:

1. Displacement of US cotton volumes: Australian cotton volumes could displace some US volumes, but Brazil will likely also absorb some of that demand. If a trade deal is reached between the US and China, this displacement might not happen.

2. Impact on cotton demand: A US-China trade war could slow cotton demand. If a trade agreement isn't reached, there would be clear concerns for Chinese economic growth, which could impact the textiles industry.

US production prospects continue to look lacklustre, with dryness continuing in the Delta as we move into the planting window. This appears to be offsetting the recent upward revision of the Brazilian 2025 crop by Brazil's National Supply Company (CONAB). Despite US issues, markets continue to look well supplied, so barring a weather event, volatility is more likely to arise from US trade policy.

What to watch:

- **Funds position** – Funds continue to hold a very sizeable net-short position, although it has fallen slightly from its record level. The risk of short-covering still remains, and the uncertain US political landscape adds potential for volatility.
- **Australian cash prices** – Despite the volatility witnessed overseas, Australian cash prices have held relatively firm, staying modestly below the AUD 600/bale level. However, we did see some FX induced volatility in recent weeks. Should the Australian dollar continue to rise against the US dollar, we could see cash prices fall.

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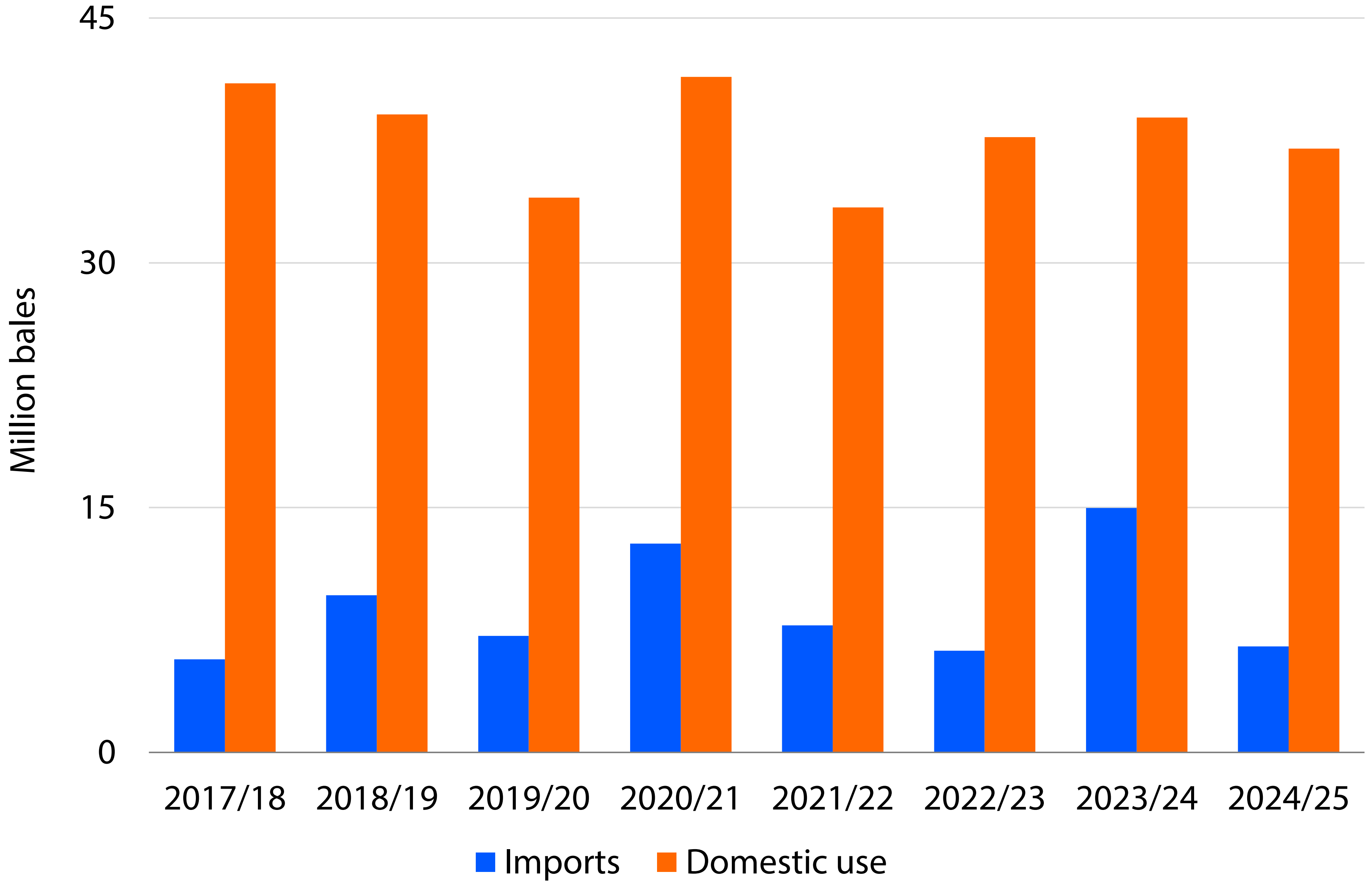
Cotton

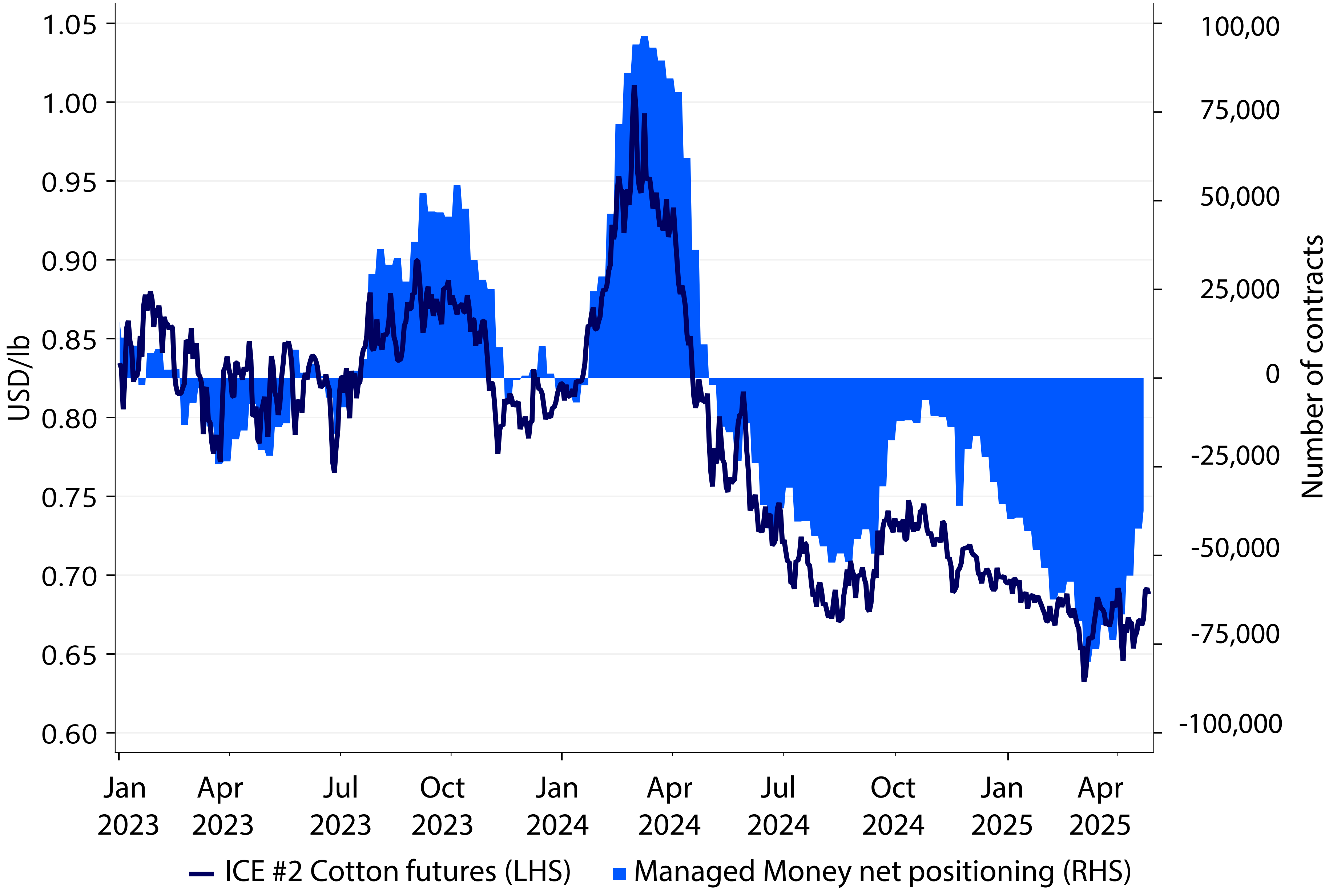
US/China trade concerns adds volatility to ICE #2 Cotton futures

China's domestic use and imports are already down in 2024/25, weakness could continue in 2025/26 amid tariff headwinds



***Source:** USDA, RaboResearch 2025*

Funds have reduced their futures exposure. Nonetheless, the short position remains significant



***Source:** Macrobond, RaboResearch 2025*

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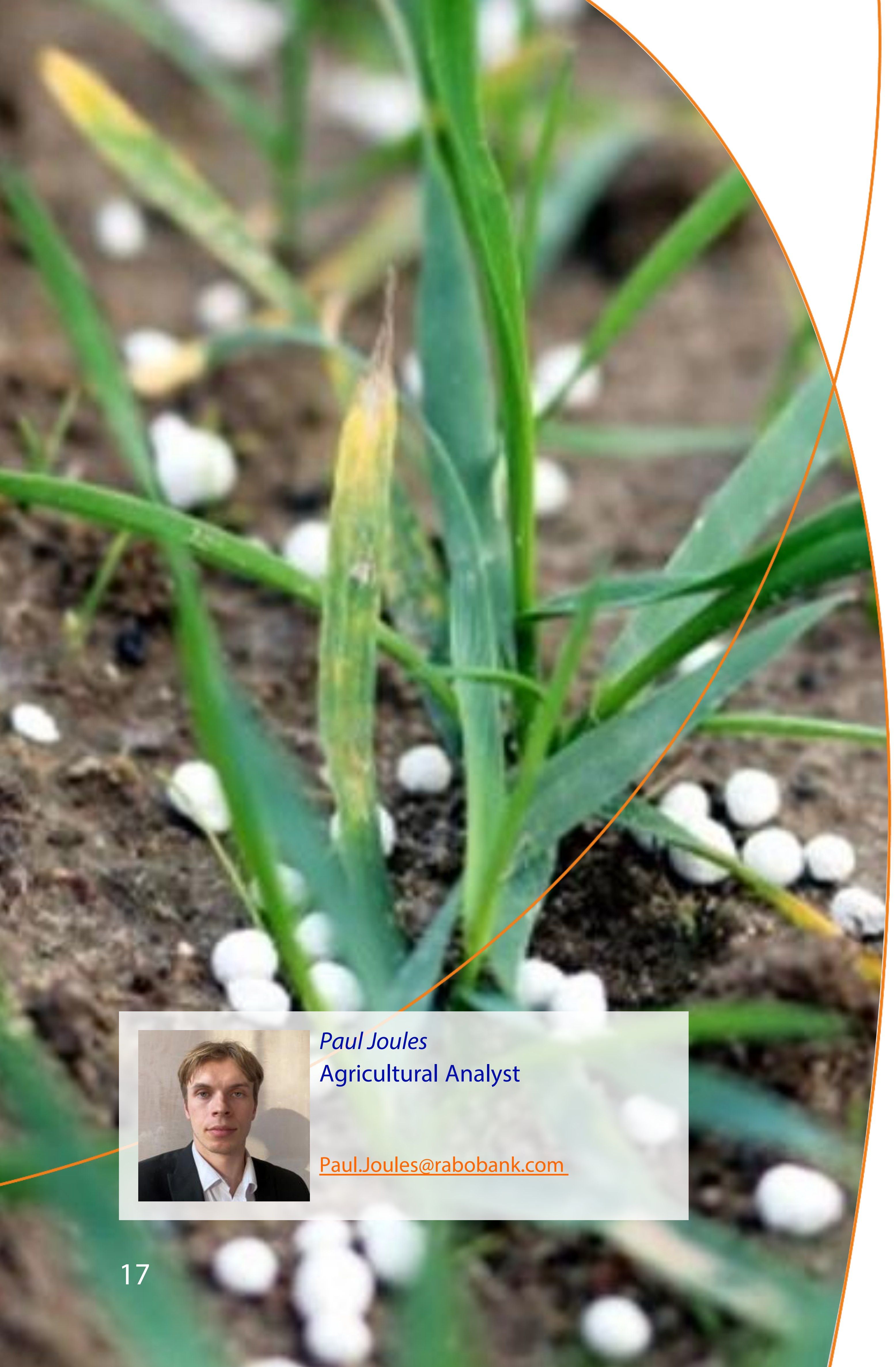

Farm inputs

Fertilizer prices rise month-on-month, despite Australian dollar strength

Fertilizer prices increased across the board over the past month in Australian dollar terms, despite the Australian dollar increasing 1.5% MOM.

For urea prices, China's absence from the international market continues to provide price support. RaboResearch maintains the view that Chinese exports could return in the second half of the year. If these volumes return, it could help to relieve the tight market situation. Another key factor influencing urea futures is natural gas prices. European natural gas prices have fallen to their lowest since July 2024. This decline is partially due to markets adjusting to an assumed reduction in Chinese demand off the back of a China-US trade war. As a result, RaboResearch has recently revised its TTF natural gas forecast lower. This could be another supportive factor for lower pricing going forward. However, as previously highlighted, the continued weakness in the Australian dollar limits downside potential, despite some signs of improving supply dynamics later in 2025.

Phosphate prices are currently trading 6% MOM higher in Australian dollar terms and are now 25% above the five-year average. China's export restrictions are playing a key role in supporting prices around current levels. The other key factors that are contributing to the tight supply and demand picture include an increase in global demand, and rising production costs for the primary sources of phosphorus pentoxide, which are driving up production costs sharply. The global supply and demand picture is tight, leading to elevated prices across a number of key regions. Due to this, RaboResearch sees the possibility of global demand falling, which should prevent prices from moving higher.

For potash, prices continue to look relatively affordable, despite the recent uptick. That said, we could see some upside in 2025, as attractive price levels could entice key importers, such as Brazil.

What to watch:

- **Chinese trade policy** – Chinese trade policy remains a key factor to watch. A return to more "normal" levels of urea and phosphate exports could support lower prices for these fertilizers in 2025. However, there is much debate within the industry regarding when this will happen.
- **Potash market dynamics** – One consideration for potash is the trade frictions between the US and Canada. At present, Canadian potash appears exempt from tariffs, but the Trump administration supports a proposed internal potash mine. If the US can reduce it's dependence on Canadian potash through more internal production, we could see trade barriers. Ultimately, that could mean Canadian potash would need to find new markets, potentially leading to cheaper potash in regions such as Australia.

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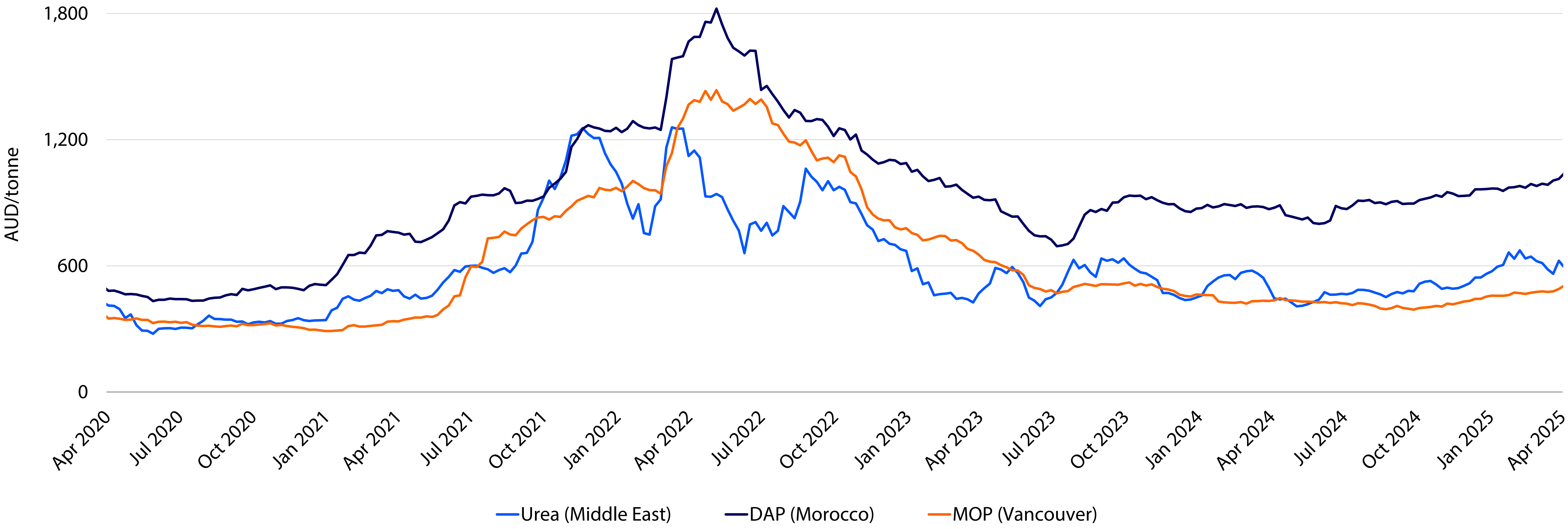
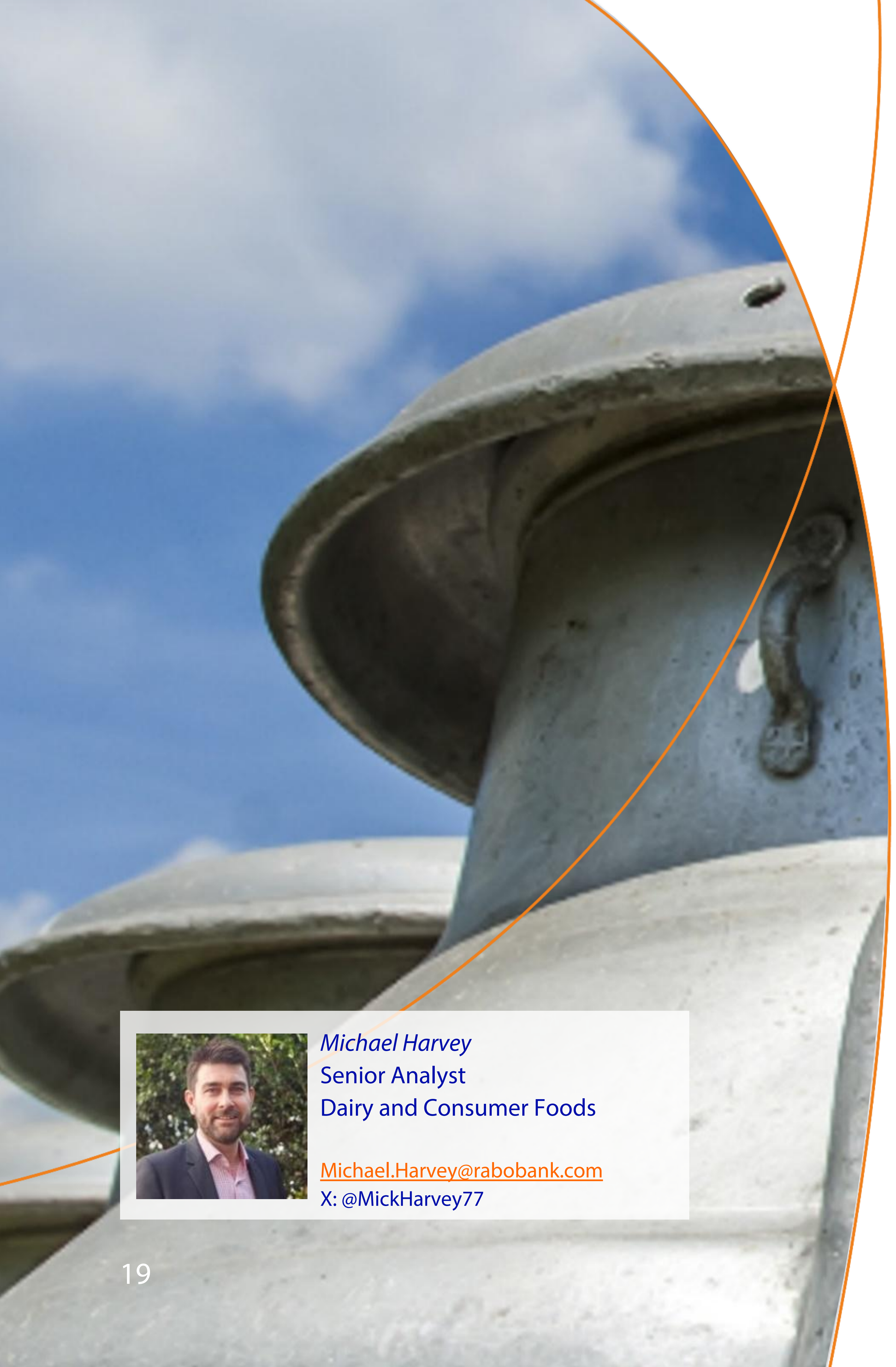
Farm inputs

Urea, phosphate, and potash prices all rise month-on-month

Urea prices found support following the recent drop as market attention shifts to India's recent tender



Source: *CRU, RaboResearch 2025*



Dairy

Northern Hemisphere seasonal peak fast approaching

Markets are heading into the critical milk supply seasonal peak in the Northern Hemisphere. In the US, milk production returned to growth in March, increasing by 0.9% YOY. Milk supply in California is still hampered by avian influenza, leading to a decline for six consecutive months. This decline is offset by growth in Texas, Wisconsin, and Idaho.

In Europe, milk supply is heading toward the peak on a softer footing. Milk supply was down 2% YOY in February. There have been declines in Germany and France and the Netherlands. Markets are closely watching the potential for a spike in bluetongue virus.

Closer to home, New Zealand's milk supply shows mixed results. Dry conditions are taking a toll in the North Island, but feed availability is better in other regions. As a result, milk production (milk solids) was up 0.8% YOY in March.

Australian milk production was flat year-on-year in March. Season-to-date, national production is down by 0.1%. In Victoria, the largest milk-producing state, production is marginally higher (0.2%) so far this season.

Farmgate milk prices in southern Australia have increased further. As the season draws to a close, this will be welcome news for dairy farmers who have been grappling with less-than-favourable seasonal conditions in many regions.

Corporate activity is on the rise in the Australian dairy processing sector. The Fonterra Australia sale process continues with both an Initial Public Offering and a trade sale still being explored. Meanwhile, China Mengniu is reportedly looking for a buyer of the Western Australian business, Brownes Dairy.

Global dairy fundamentals remain mostly balanced, leading to commodity prices remaining mostly range-bound at current levels through April 2025.

What to watch:

- **Upside: Disease watch –** Milk supply is growing in most export regions, and farm margins are being supported by high farmgate prices. However, there are limits to milk supply growth, and disease risks linger, which could further slow growth and support commodity markets.
- **Downside: Weakening consumer sentiment –** Dairy demand has been recovering from a softer period in 2023/24. An uncertain, and weaking global economic outlook could weigh on consumer sentiment and slow the recovery.

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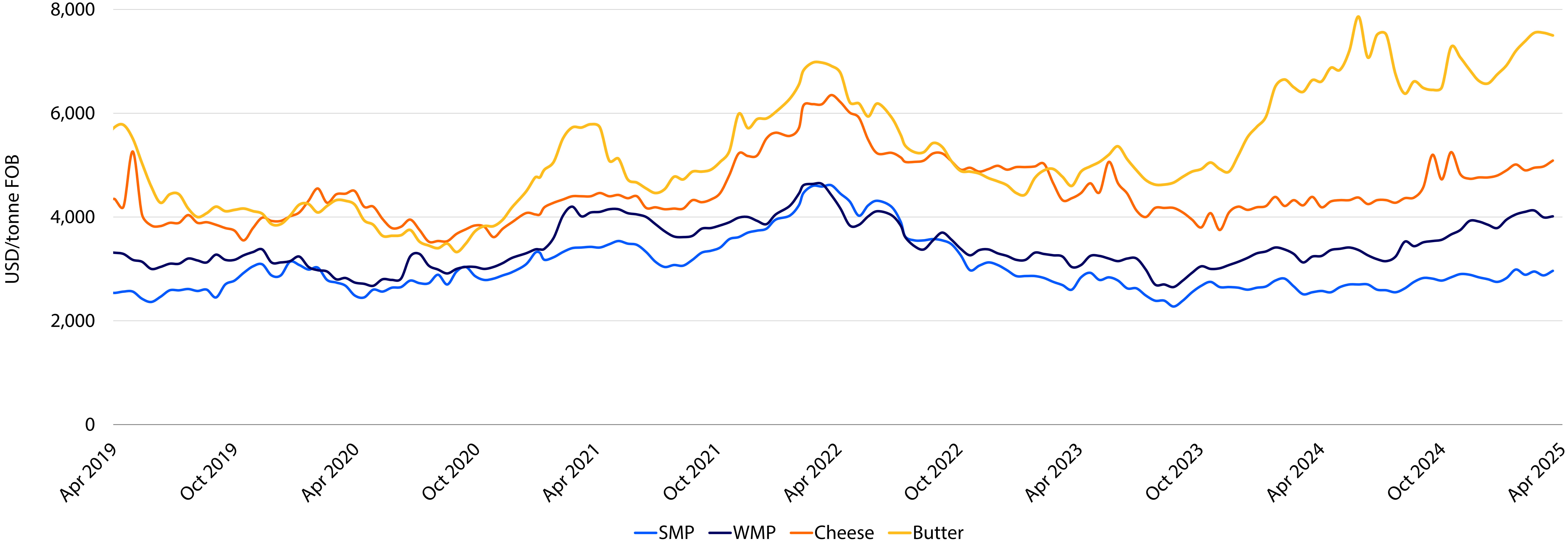
Dairy

Steady commodity prices movements in April

Oceania spot prices for dairy commodities



Source: USDA 2025

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Consumer foods

Election promises to provide modest support for households

The Australian election campaign is in its final stages. Both major parties have made a range of cost-of-living promises that will be welcomed by Australian households. These include modest tax cuts, housing purchase support, and reduced health costs.

Australian consumer confidence has slipped. The latest ANZ-Roy Morgan Consumer Confidence report shows a drop of 2.6 points to 84.2. This decline is attributed to market volatility following recent global tariff announcements. Furthermore, 47% of Australians feel worse off than a year ago, highlighting the ongoing income squeeze for many households.

Earnings results for Q1 2025 are starting to hit the market from fast-moving consumer goods (FMCG's) and quicks-service restaurant (QSR) chains. Early performance metrics show broad-based improvement in food categories as consumer demand rebounds from a weak base. For example, Nestlé reported better-than-expected Q1 2025 organic sales growth across its global business.

The broader demand recovery will remain fragile and vulnerable to deteriorating macroeconomic conditions. In China, the underlying consumer market conditions remain relatively soft but show signs of improvement.

Some commodity outliers continue to cause margin pressure for some food and beverage manufacturers. High commodity prices for coffee and butter are problematic for manufactures with exposure to these raw materials.

Although, cocoa prices have fallen from their 2024 highs, they remain elevated. The effects of the recent upswing are still making its way to consumers, negatively impacting consumer demand for chocolate.

What to watch:

- **First cocoa, and now higher coffee prices** – The global coffee market has been trending higher since 2H 2024. Since the start of 2025, global benchmark prices have increased by more than 20%. Production concerns stemming from dryness in Brazilian producing regions continue to underpin global pricing. This will likely cause concern for coffee roasters and importers. If these higher prices are sustained, consumers will eventually feel the impact.

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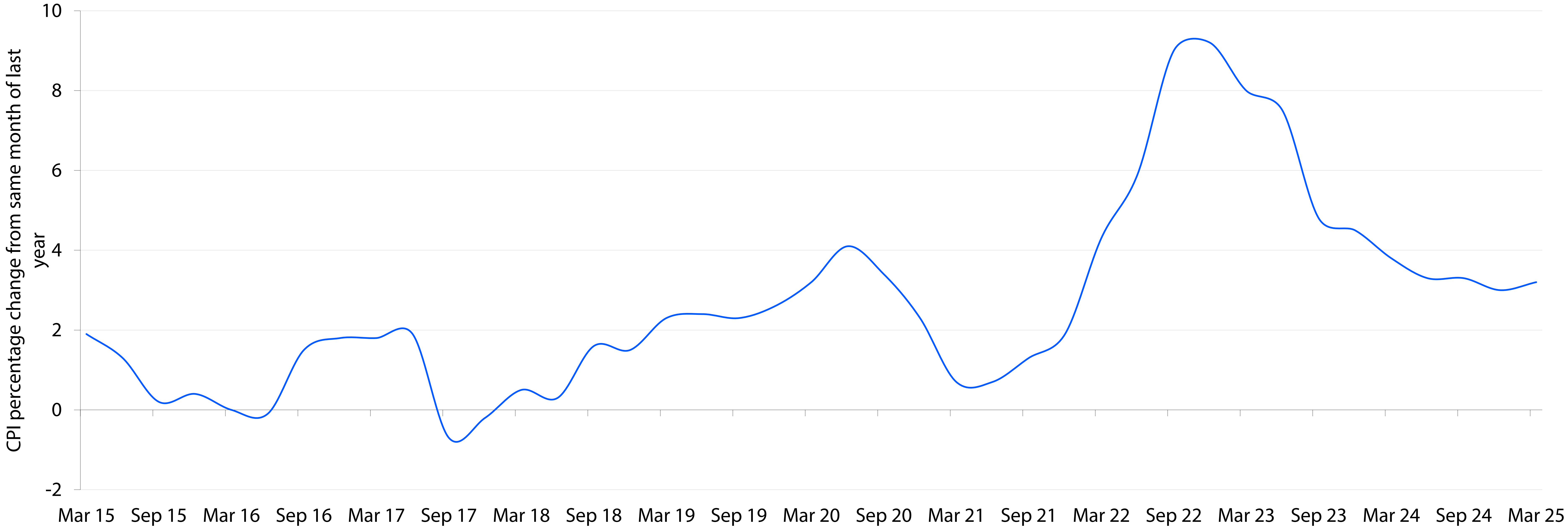
Consumer foods

A spike in lamb prices lifts food inflation

Australian quarterly CPI, percentage change from corresponding month of previous year, food and non-alcoholic beverages



Source: ABS, RaboResearch 2025

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Interest rate and FX

Wheeling and dealing

April started with a bang when US president Trump announced "reciprocal" tariffs for most US trading partners. However, much of the initial market reaction was gradually unwound over the course of the month.

Australia has been hit with a 10% tariff rate, which is the equal lowest of any country. Initially this appeared to be a relative win because it was lower than the rate applied to many others. However, all countries except for China have now seen reciprocal tariffs delayed for 90 days and will only pay the minimum 10% baseline rate in the meantime.

Australia has a free-trade agreement with the US and consequently does not impose tariffs on any US goods. This means that Australia doesn't have much to offer the US in the way of increased market access to secure a better deal on trade. The US would like to see a rollback of non-tariff barriers like biosecurity measures, but the Australian government has stated that this is not up for negotiation.

From a macroeconomic perspective, new barriers to accessing the US market are more of a nuisance than a major problem. However, the effect of US tariffs on the Chinese economy is a different story.

China is Australia's #1 export destination and import origin. Therefore, pressure on the Chinese economy is likely to impact Australia through the exchange rate, changes in demand for bulk commodity exports, and consequently, effects on economic growth and government budget balances.

Recently, many local banks have revised their RBA cash rate forecasts lower, citing the potential for tariffs to cause lower growth in China and, by extension, Australia. RaboResearch has preferred to take a "wait-and-see" approach before making revisions, because a Chinese domestic stimulus could result in *more* demand for our exports, and there is still an outside chance that the US and China may reach a deal on tariffs.

Consequently, we retain our forecast of a 3.60% cash rate by August this year, with a 0.25 percentage point cut in May.

What to watch:

- **Tariff negotiations** – Tariff negotiations conducted between now and early July are likely to be market-moving events. Australia will aim to maximise access to both the Chinese and US markets without making concessions on biosecurity measures.
- **Q1 Wage Price Index** – The Australian Bureau of Statistics will release updated Wage Price Index data for Q1 2025 on 14 May. This data is important input for the RBA to determine inflation pressures in the economy. A result of around 3% would likely be sufficient to prompt the RBA to cut the cash rate in May.

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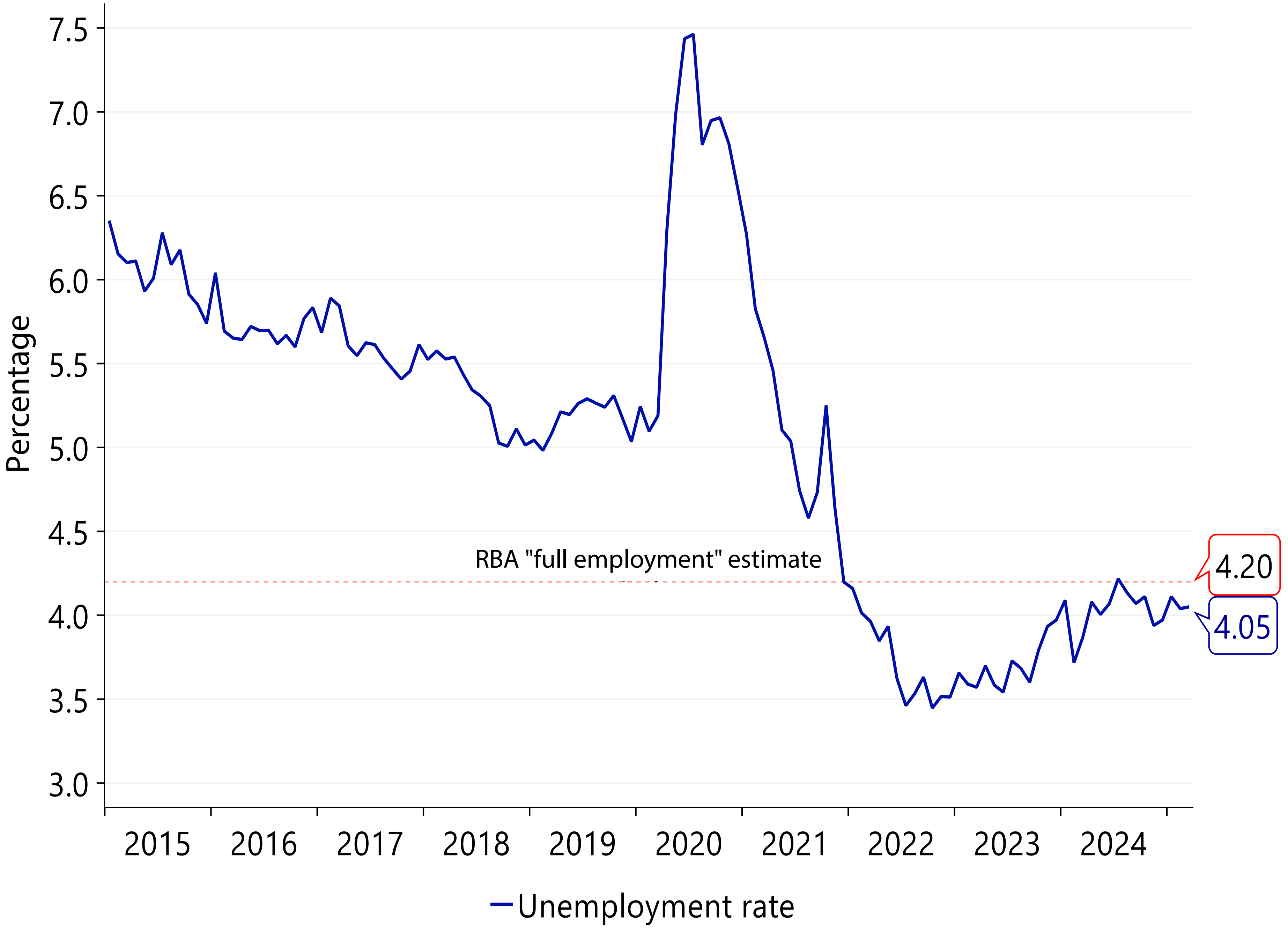
Interest rate and FX

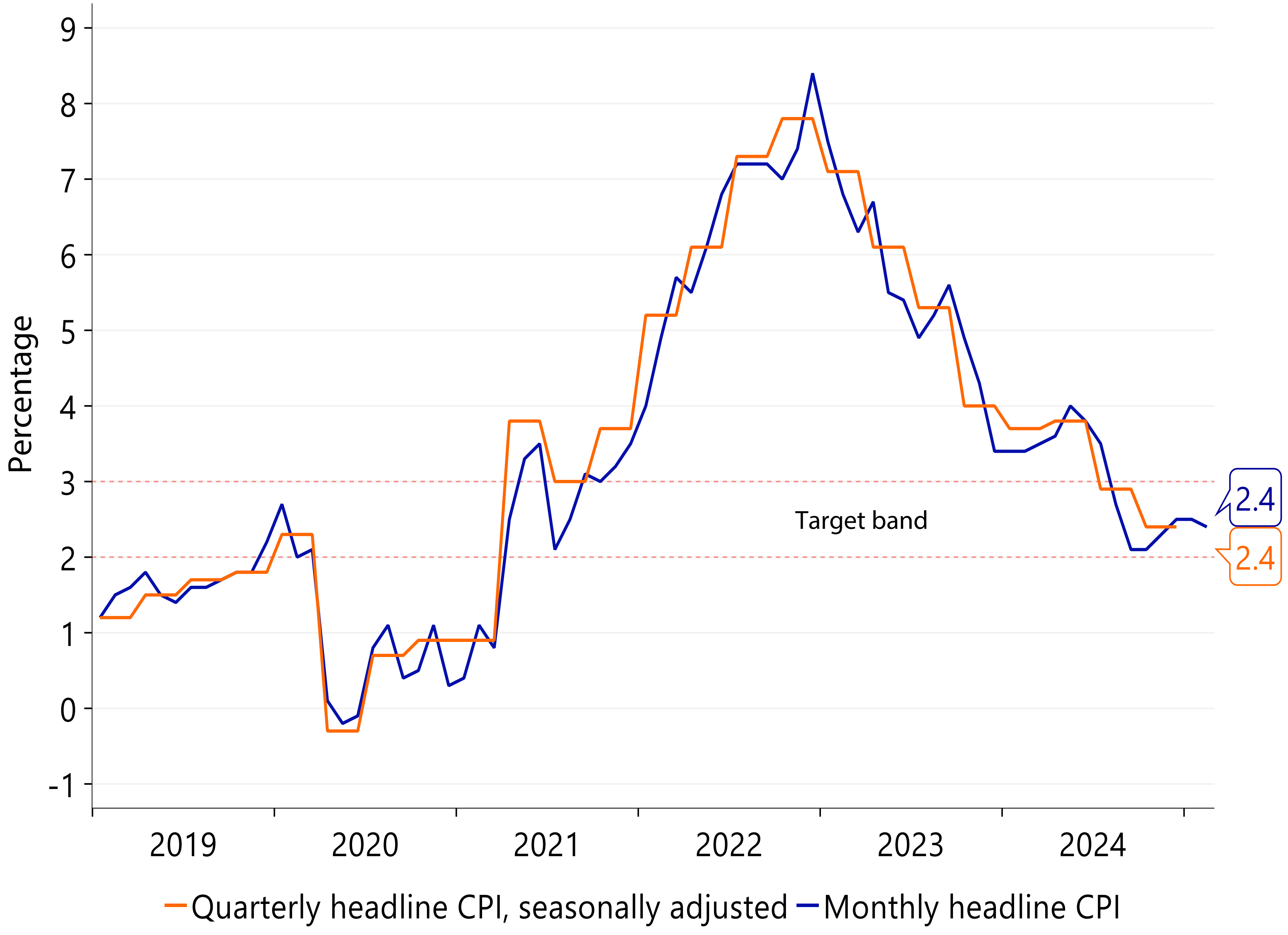
Tracking to target

Australian labour force indicators, 2015-2024



Source: *Macrobond, ABS, RaboResearch 2025*

Australian inflation indicators, 2019-2024



Source: *Macrobond, ABS, RBA, RaboResearch 2025*

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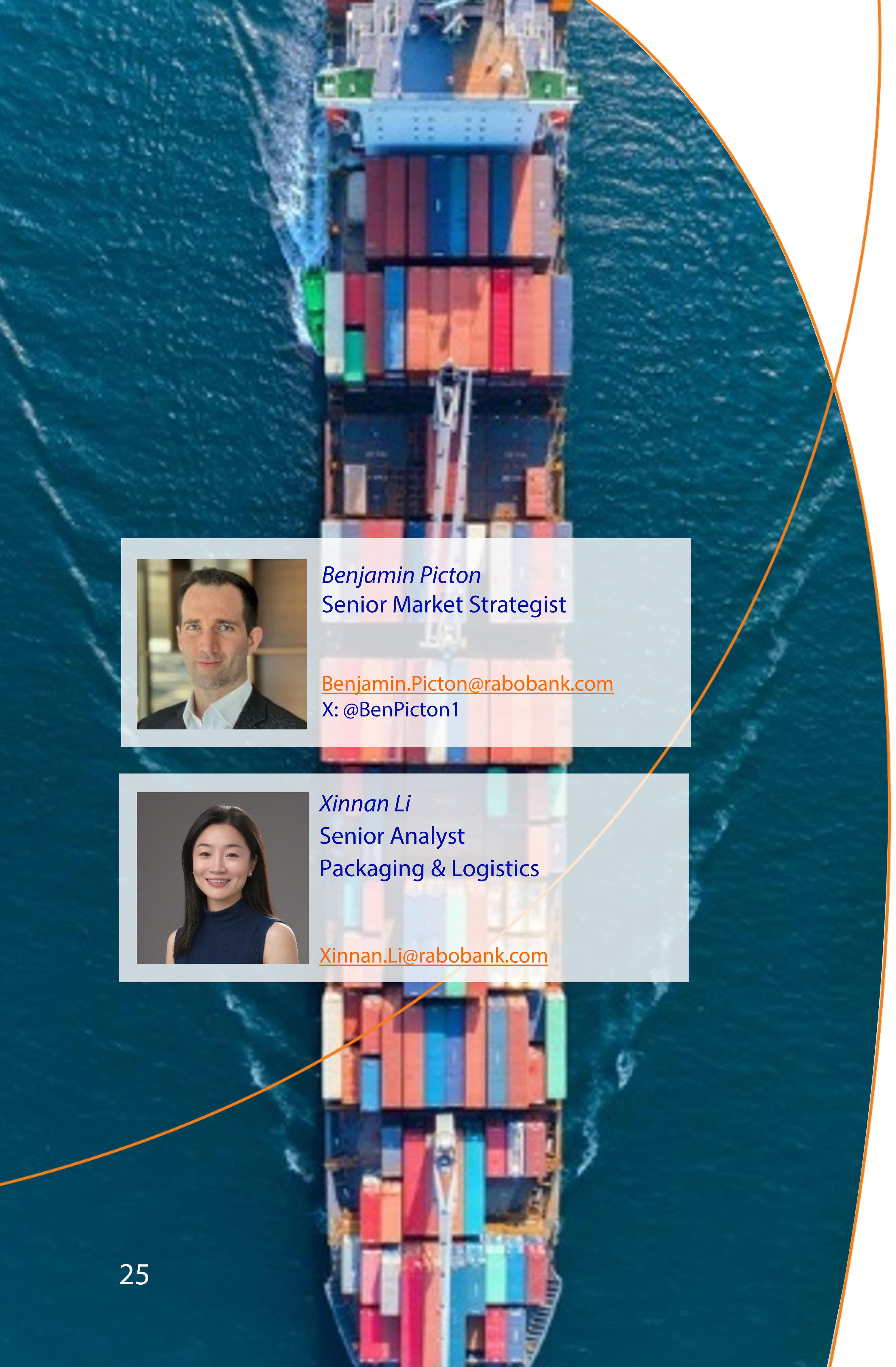

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Oil and freight

The rally in freight rates hits a tariff wall

In April, benchmark Brent crude oil prices fell to a four-year low due to increased supply from OPEC+ producers and weaker demand caused by US tariffs.

The International Monetary Fund (IMF) recently revised down its forecasts for global economic growth from 3.3% to 2.8%, and its global trade forecast by 1.7%. This suggests that demand for transport fuels is likely to remain weak in the months ahead as global commerce faces tariff-related headwinds.

Simultaneously, OPEC+ oil producing nations increased their daily output by 411,000 barrels in April. This significant rise in supply has further saturated an already oversupplied market, contributing to the decline in oil prices.

Given the geopolitical volatility and rapidly changing tariff policies, the landscape of global trade may be fundamentally altered. Front-loading of goods temporarily drove up global ocean shipping prices, before they receded to 2,000 USD/FEU. Tariffs have significantly reduced demand, especially on China-US routes as shippers seek alternative routes through nearby countries. We expect lower global trade volumes, directly impacted by tariffs and worsening economic conditions.

US pressure on the Houthis has driven container freight rates to levels not seen since late 2024. In addition, the US has introduced a phased approach to port fees for Chinese ships, scaling back its port fee plan. Key changes include 1) Fees assessed per voyage instead of per port, reducing congestion at larger ports; 2) Exemptions for smaller or empty ships, easing the financial burden on small operators and US agricultural exporters; 3) A three-year exemption for carriers that order US-built ships, despite these ships being three to five times more expensive.

The Baltic Panamax index (a proxy for grain bulk freight) has shown an impressive recovery since its low in March. However, US tariffs may negatively impact demand, potentially weakening the index.

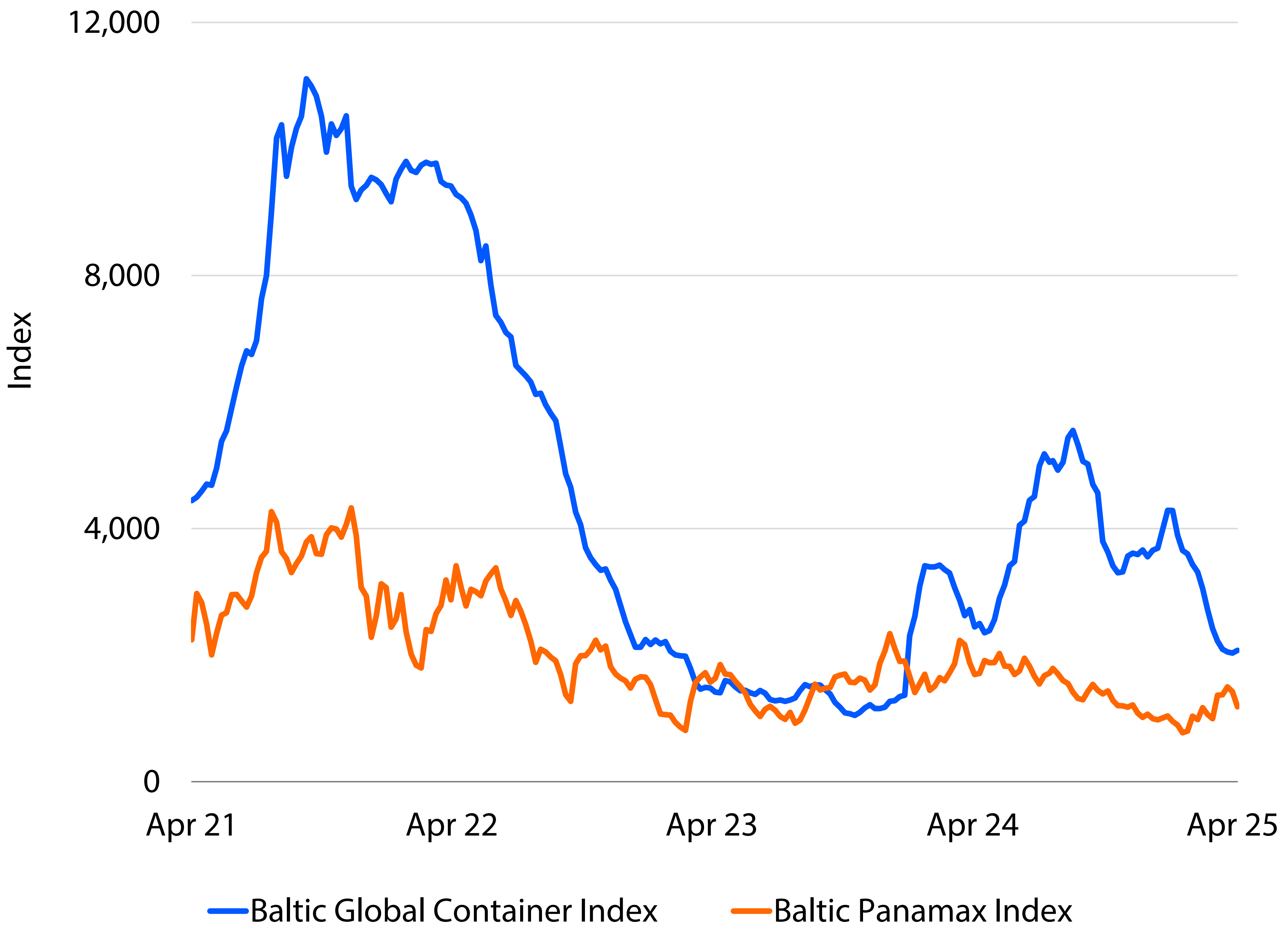
What to watch:

- **Tariff negotiations** – Tariff negotiations will be a key focus for energy markets due to their potential impact on global growth rates. If the Trump administration successfully negotiates deals with major trading partners that reduce trade frictions, oil prices may find some support in May.
- **US-Iran nuclear negotiations** – Officials from the US and Iran have recently held meetings to reach an agreement on the Iranian nuclear program. If these talks fail to produce an agreement, there is a chance that Israel and/or the US could launch military strikes against Iran, which might add additional risk premiums to oil prices.

Oil and freight

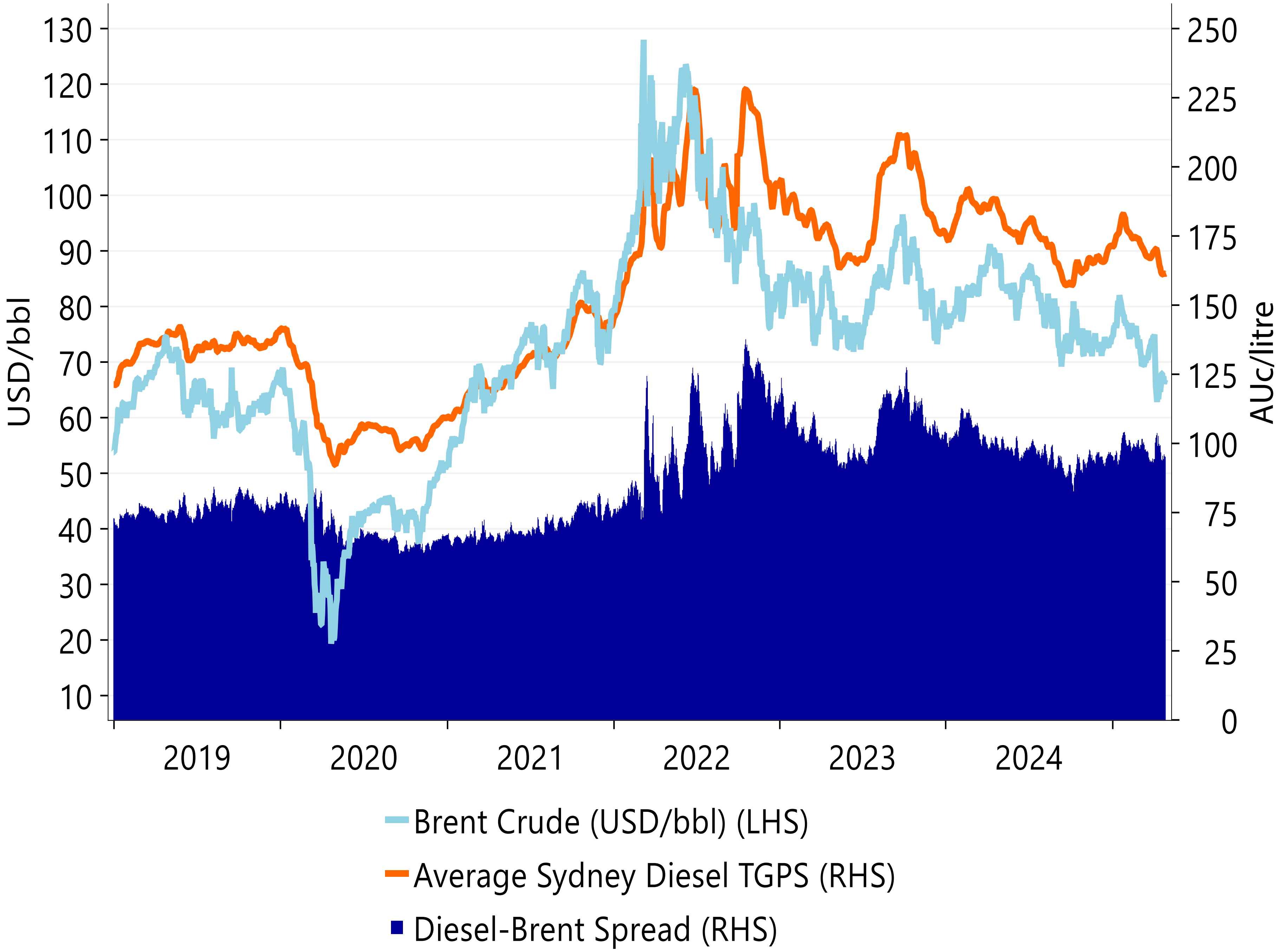
Freight rates collapse amid tariff pressures

Baltic Panamax Index and Dry Container Index, Apr 2021-Apr 2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus Sydney diesel prices, 2019-2024



Source: *Macrobond, ICE Exchange, AIP, RaboResearch 2024*

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Agri price dashboard

25/04/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	530	535	603
CBOT soybean	USc/bushel	▲	1,050	1,001	603
CBOT corn	USc/bushel	▲	479	451	603
Australian ASX EC Wheat Track	AUD/tonne	▼	327	337	603
Non-GM Canola Newcastle Track	AUD/tonne	▼	717	737	603
Feed Barley F1 Geelong Track	AUD/tonne	▲	330	325	603
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	700	654	584
Feeder Steer	AUc/kg lwt	▲	380	362	322
North Island Bull 300kg	NZc/kg cwt	▲	765	745	590
South Island Bull 300kg	NZc/kg cwt	•	710	710	535
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	809	780	637
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	870	835	615
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	835	810	590
Venison markets					
North Island Stag	NZc/kg cwt	•	920	920	860
South Island Stag	NZc/kg cwt	•	915	915	850
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	7,563	7,550	6,613
Skim Milk Powder	USD/tonne FOB	•	2,950	2,950	2,575
Whole Milk Powder	USD/tonne FOB	▼	4,113	4,125	3,250
Cheddar	USD/tonne FOB	▲	4,975	4,950	4,188

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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Agri price dashboard

25/04/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	80.6	77.4	88
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	66.9	65.7	79
Sugar markets					
ICE Sugar No.11	USc/lb	▼	18.2	19.4	19.4
ICE Sugar No.11 (AUD)	AUD/tonne	▼	627	667	630
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▼	1,232	1,245	1,172
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	395	382	293
DAP (US Gulf)	USD/tonne FOB	▲	660	623	570
Other					
Baltic Panamax Index	1000=1985	▼	1,392	1,456	1,878
Brent Crude Oil	USD/bbl	▼	67	74	90
Economics/currency					
AUD	vs. USD	▲	0.640	0.630	0.653
NZD	vs. USD	▲	0.596	0.573	0.594
RBA Official Cash Rate	%	•	4.10	4.10	4.35
NZRB Official Cash Rate	%	▼	3.50	3.75	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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