# *Navigating uncertainty*

## *Australia agribusiness monthly*

**RaboResearch Food and Agribusiness**

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This report is based on information available as at 6/03/2025

# Commodity outlooks

## Climate

The BOM expects ENSO to remain in neutral to August 2025. Rainfall is expected to be within the typical range for the next three months for most of Australia.

## Sustainability

Australia's carbon markets are seeing growing demand from industrial emitters under the Safeguard Mechanism, as Safeguard entities take advantage of strong supply to build reserves ahead of expected future compliance obligations.

## Wheat and barley

Global wheat markets faced challenges due to dry conditions in key areas and geopolitical factors, while Australian wheat prices were influenced by export pace and competition. Future prices depend on grain sales and recent rains may indicate another robust crop.

## 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 through large areas of Queensland and northern Australia will reduce the sale pressure some producers were facing with a poor wet season. This should help support Australian cattle prices over the next month as export volumes continue to push new records.

## Sheepmeat

Lamb and mutton prices are holding, despite ongoing high levels of production. There are some glimmers that China is improving but at the same time a possibility that the US is weakening. The autumn break will be key to determining producer stocking intentions and in turn domestic lamb prices.

## Wool

It was another positive month for wool prices, with the Eastern Market Indicator (+4%), and the Western Market Indicator (+3%) both rising month-on-month.

## Cotton

ICE #2 Cotton futures traded with volatility over the past 30 days, as market participants weigh up bearish macro factors and tariff risks against drought in the key US growing state of Texas.

## Farm inputs

Urea prices declined an eye-watering 12% in Australian dollar terms month-over-month, as Indian demand failed to meet market expectations. The question is, where next for markets given uncertainty regarding Chinese export policy and global demand?

## Dairy

Pressure continues to build on Australian milk production as unfavourable seasonal conditions continue to impact a wide range of regions. Despite a strong start, production is down marginally so far this season. The key to the new season will be a favourable autumn rainfall to provide a solid feed base.

## Consumer foods

Reports from the Australian Bureau of Statistics showed that Australian household wealth increased in Q4 2024 which is positive news for the consumer economy. However, growth in household wealth slowed in the back half of 2024 on the back of a cooling property market.

## Interest rate and FX

RaboResearch has revised up its 12-month AUD/USD forecast to 0.6500 but sees some scope for near-term weakness in the exchange rate. We continue to forecast RBA rate cuts in May and August this year.

## Oil and freight

Oil prices are set to face pressure from increased OPEC+ supply in April. The futures curve points to sub-USD 70/bbl prices by year-end and RaboResearch sees prices averaging USD 71/bbl in Q2.

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# Climate

## Neutral ENSO expected until August

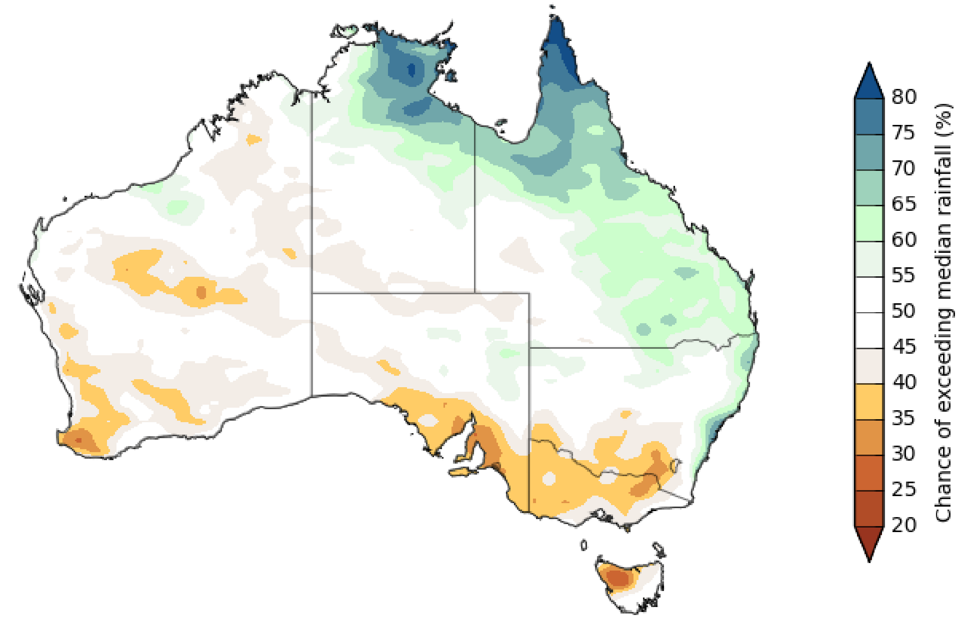
**Australian sea surface temperatures (SSTs) during February 2025 were the warmest on record, however the El Niño-Southern Oscillation (ENSO) remains neutral.** Australia's Bureau of Meteorology (BOM) and other international models have a neutral ENSO outlook from now to at least August 2025. The Indian Ocean Dipole remains in neutral, while the Southern Annular Mode is currently positive and expected to return to neutral.

**Australia's national rainfall was 47% above average and temperature was 2.41C above average in March.** While Queensland experienced its third-wettest March, rainfall for southern areas, particularly in South Australia and Tasmania, was below average. Below-average rainfall over the first three months of 2025 brings a dry start to the beginning of seeding for most cropping regions.

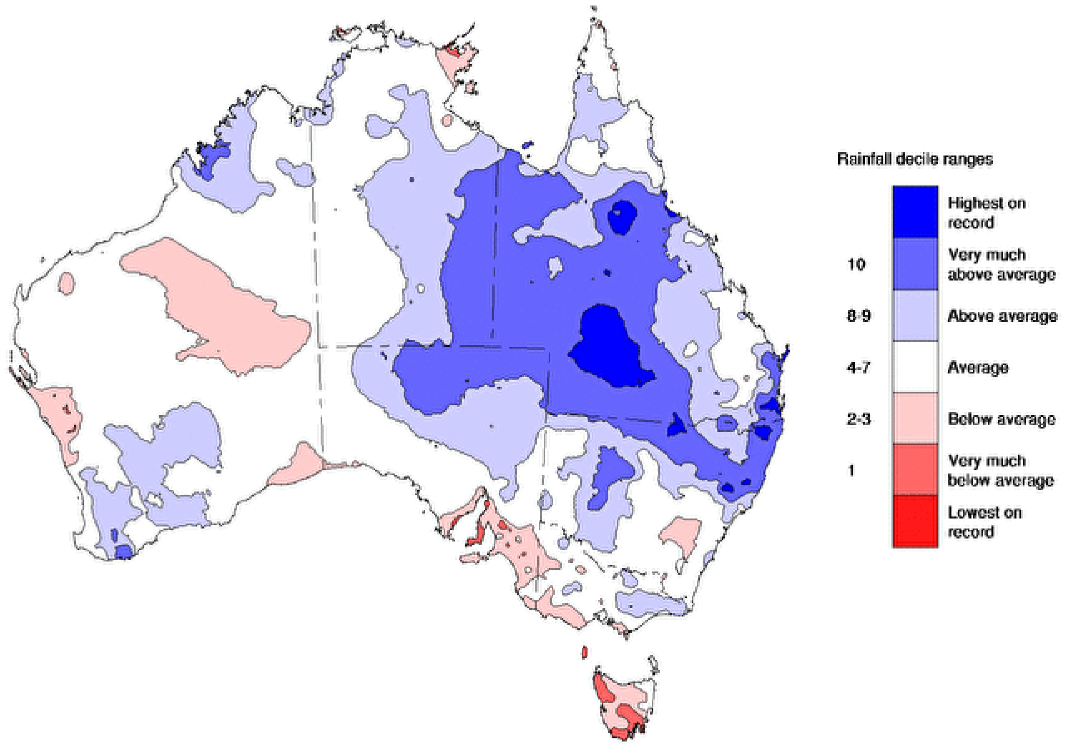
The BOM forecasts autumn temperatures to be warmer than average across Australia. **Rainfall is expected to be in the typical range across much of Australia from April to June,** with below-average rainfall expected in parts of southern Australia and above-average rainfall in far north Queensland and the Northern Territory. Murray-Darling Basin water storage levels decreased to 57% of capacity as of 12 March 2025, a 5% decline from the previous month.

*Source: BOM, RaboResearch 2025*

### *April to June 2025 rainfall outlook*




### *Rainfall deciles, March 2025*




*Pia Piggott*
Analyst

Pia.Piggott@rabobank.com
X: @pia.piggott



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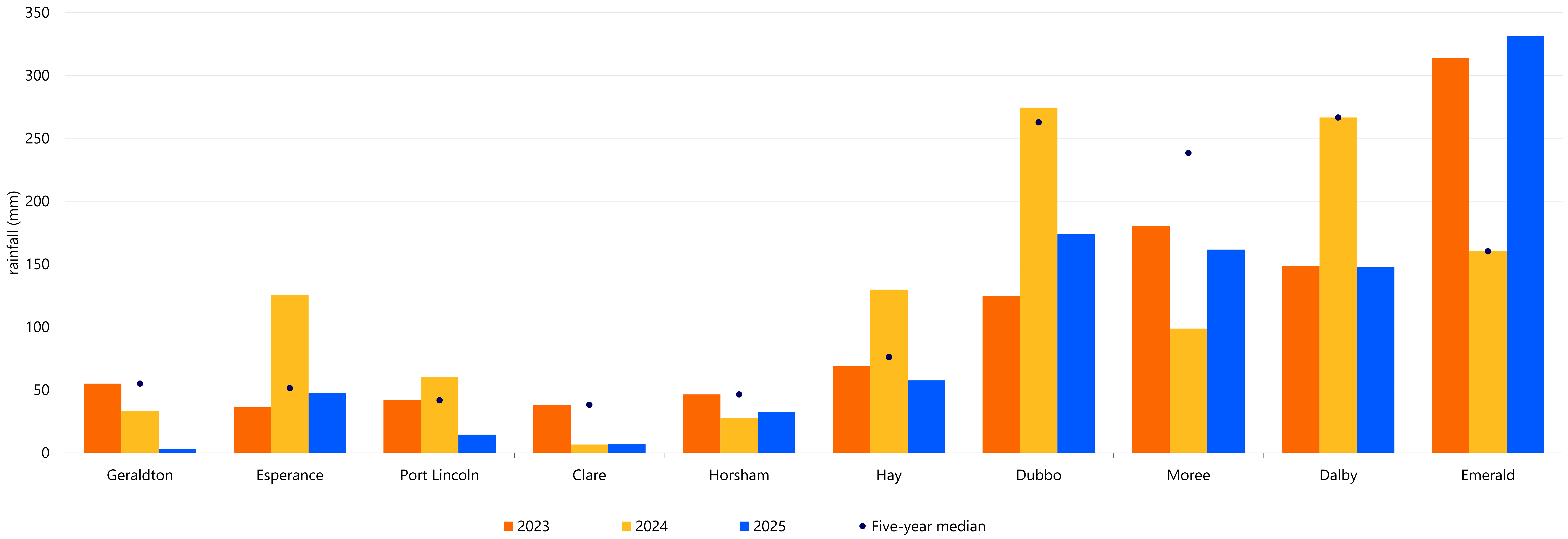
# Climate

## 2025 rainfall starts below average for key cropping regions

*Rainfall (January-March)*




***Source:*** *BOM, RaboResearch 2025*



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*Anna Drake*
Sustainability Analyst

Anna.Drake@rabobank.com
X: @itsadrake


# *Sustainability*

## Carbon markets enter a new phase

**The Clean Energy Regulator (CER) has published its latest quarterly carbon market report for Q4 2024.** The report offers a look at the dynamics influencing Australia's carbon market, particularly in terms of how the Safeguard Mechanism is impacting demand for Australian Carbon Credit Units (ACCUs).

The Safeguard Mechanism is a core pillar of Australia's climate policy and essentially applies a declining cap to very large industrial emitters. If these Safeguard facilities do not achieve the required reductions through direct abatement, they must manage their excess emissions, which can be done by purchasing an equivalent amount of ACCUs.

Australia's carbon market has been transitioning towards Safeguard facilities being the main source of demand for ACCUs, instead of government and the voluntary private sector, following reforms to the scheme in 2023.

**With the vast majority of carbon credit supply generated from land-based projects, the performance of carbon markets can influence how landholders choose to manage eligible carbon removals.**

The CER's report found high levels of activity in the ACCU market in 2024. Holdings by Safeguard facilities have grown significantly in anticipation of the first compliance deadline under the reformed scheme of 1 April 2025, as well as expected obligations in future years. Around 60% of ACCU holdings are estimated by the CER to be held by Safeguard-related entities.

The report also found that 153 of the 215 covered facilities had emissions higher than their baselines. **For many Safeguard facilities, direct emissions reductions can be capital intensive or face technological challenges so it can be more cost effective, particularly in the short term, to purchase offsets from the market.**

The building of ACCU reserves has been supported by strong supply, with 18.8 million ACCUs issued in 2024 and the CER expecting 2025 issuances of 19m to 24m. In terms of demand, the CER estimates that 9.4 Mt $CO_2e$ of excess emissions will require management for the 2023-24 reporting year.

**Over the longer term, as implementation of the Safeguard Mechanism progresses, factors like growing compliance costs and a lack of new ACCU project methods could lead to a more limited supply.**

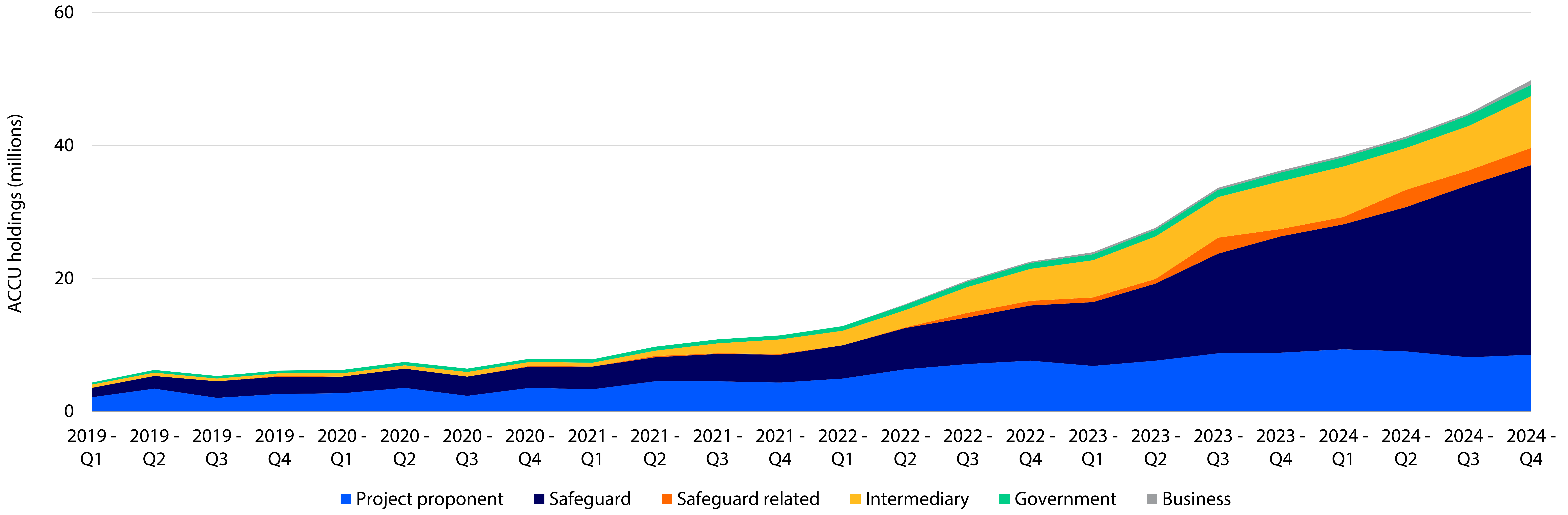
### *What to watch:*

- **The Science Based Targets initiative (SBTi) has launched a second version of its Corporate Net-Zero Standard for consultation –** The draft highlights potential changes in the requirements to set credible emissions reduction targets, including a focus on action, rather than ambition, and new options for addressing scope 3 emissions reductions.

# *Sustainability*

## Strong ACCU supply meets emerging demand from Safeguard facilities

*Industrial emitters build ACCU holdings to prepare for compliance obligations under the Safeguard Mechanism*




**Source:** *Clean Energy Regulator, RaboResearch 2025*



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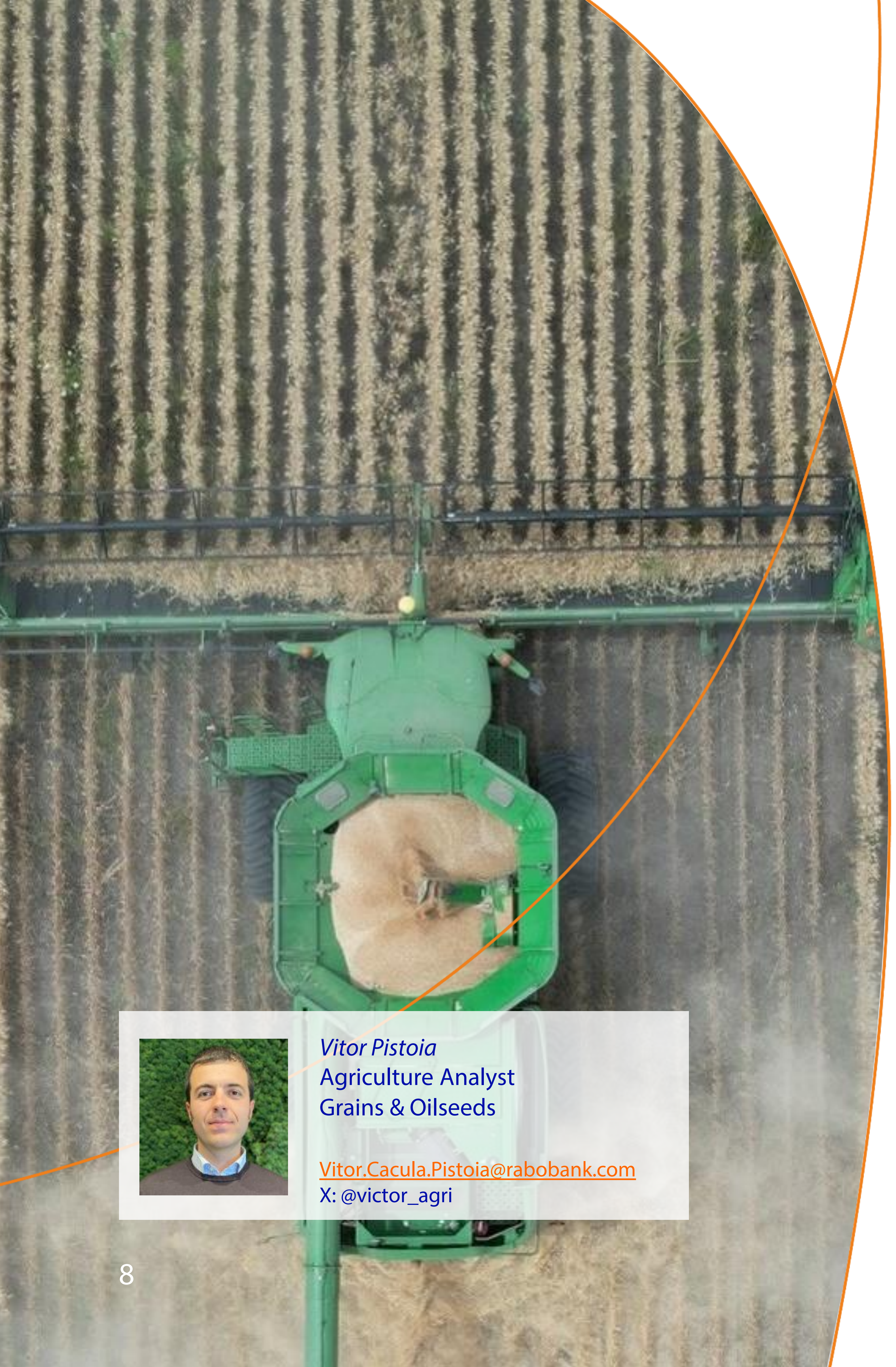


# Wheat and barley

## Today’s stocks decisions are tomorrow’s prices

**In March, global wheat markets faced challenges due to weather issues and geopolitical factors. Dry conditions in key areas like France and the US wheat belt raised concerns about the Northern Hemisphere's crop supply. Meanwhile, attempts for a new Black Sea navigation deal, though not yet finalised, helped ease the risk premium in wheat prices.** As a result, CBOT spot prices fell 1.8% MOM to AUD 308/tonne, and the CBOT December 2025 contract dropped 3.6% to AUD 341/tonne. Further, MATIF spot prices decreased 1.4% to AUD 376/tonne, while the December 2025 contract decreased by 4.9% MOM to AUD 388/tonne.

In Australia, wheat prices have been influenced by export pace and competition. **To maintain a flat YOY wheat carryover, an export program of 26.6m tonnes for the 2024/25 crop is needed. However, only 5.7m tonnes were shipped from October to January, falling 1.9m tonnes short of the theoretical point in time target**. With the Northern Hemisphere's new crop expected by July, Australian prices may face downward pressure if more exports are pushed into the second half of the year exporting program. **Historically, Australia's wheat exports from October to July have accounted for 85% of the annual exports volume.** Consequently, the ASX May 2025 contract dropped 1.5% MOM to AUD 342/tonne, while the January 2026 contract rose 0.7% MOM to AUD 354/tonne.

**Export pace also affects feed barley prices.** Last years’ strong yields kept prices stable for most of Q4/2024, which combined with a surge in CBOT corn improved Australian feed barley competitiveness. **From October 2024 to January 2025, barley exports totalled 2.7m tonnes, 0.2m tonnes above the necessary pace to maintain a flat carryover YOY.** Feed barley average for the main port zones rose 3.1% MOM to AUD 323/tonne.

Despite fluctuations in overseas markets, future wheat and barley prices in Australia will likely depend on grain exports during the first half of 2025. **With a significant amount of grain to be marketed and recent rains indicating another large crop in Queensland and Northern New South Wales for 2025/26, prices could be influenced accordingly.**

### *What to watch:*

- **Canadian cropping area –** Due to tariffs on Canada's canola products from China and the US, canola prices have decreased, impacting profitability. Most seeding occurs from mid-April to mid-May, and last-minute changes in cropping areas are anticipated. Wheat and oats areas are likely to expand and replace canola to a certain extent.
- **Black Sea crops –** After an unusually warm winter in many parts of the Black Sea region, crops are ahead of their usual cycle, increasing the risk of damage from potential late frosts. Soil moisture levels are also unsatisfactory, particularly in Ukraine, Southwest Russia, and Eastern Romania.
- **US shipping –** The US proposal to impose charges on Chinese-built and Chinese-operated vessels at US ports could make US grain cheaper in the short term, given the limited availability of non-Chinese bulk carriers.

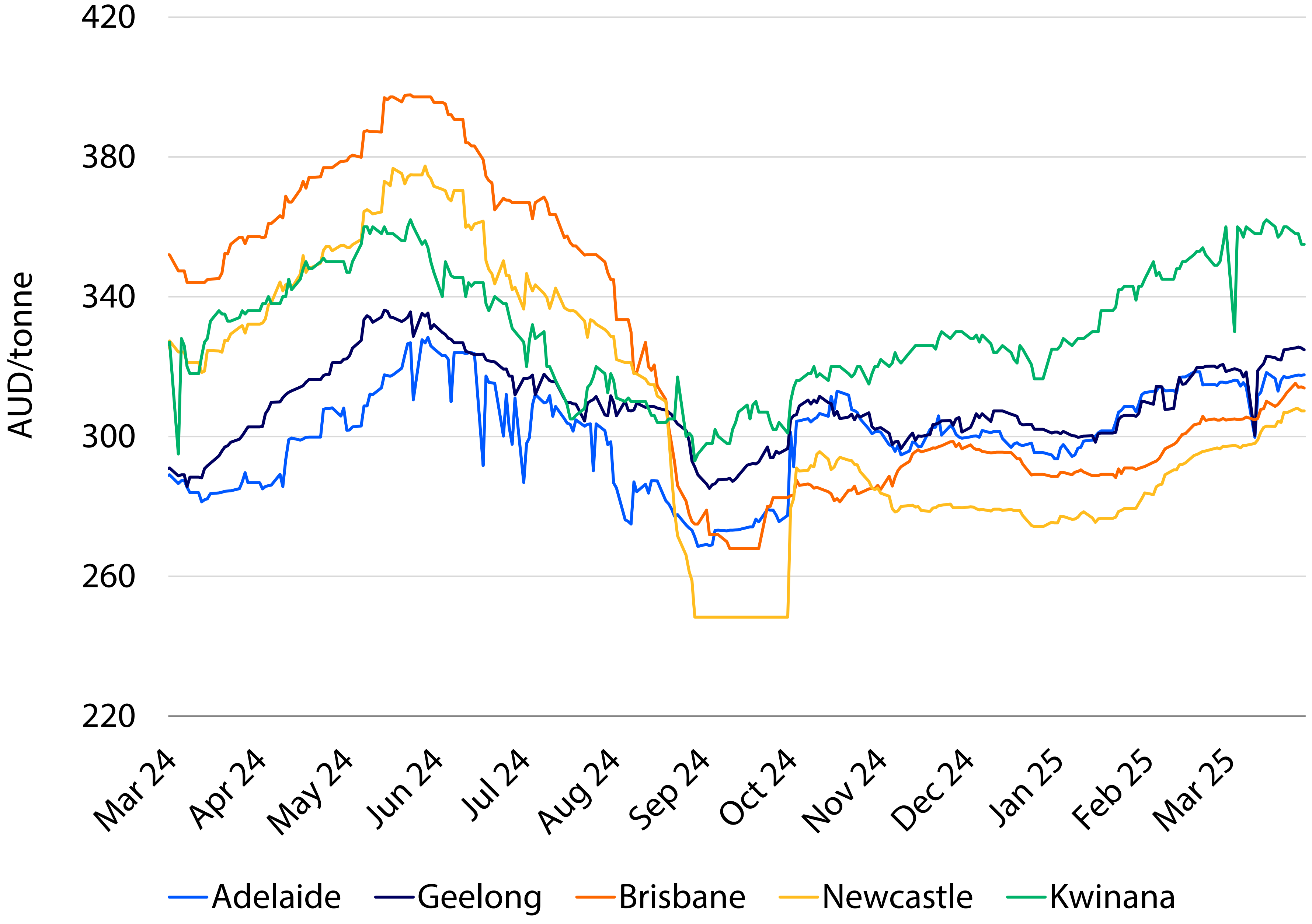
*Vitor Pistoia*
Agriculture Analyst
Grains & Oilseeds

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

# Wheat and barley

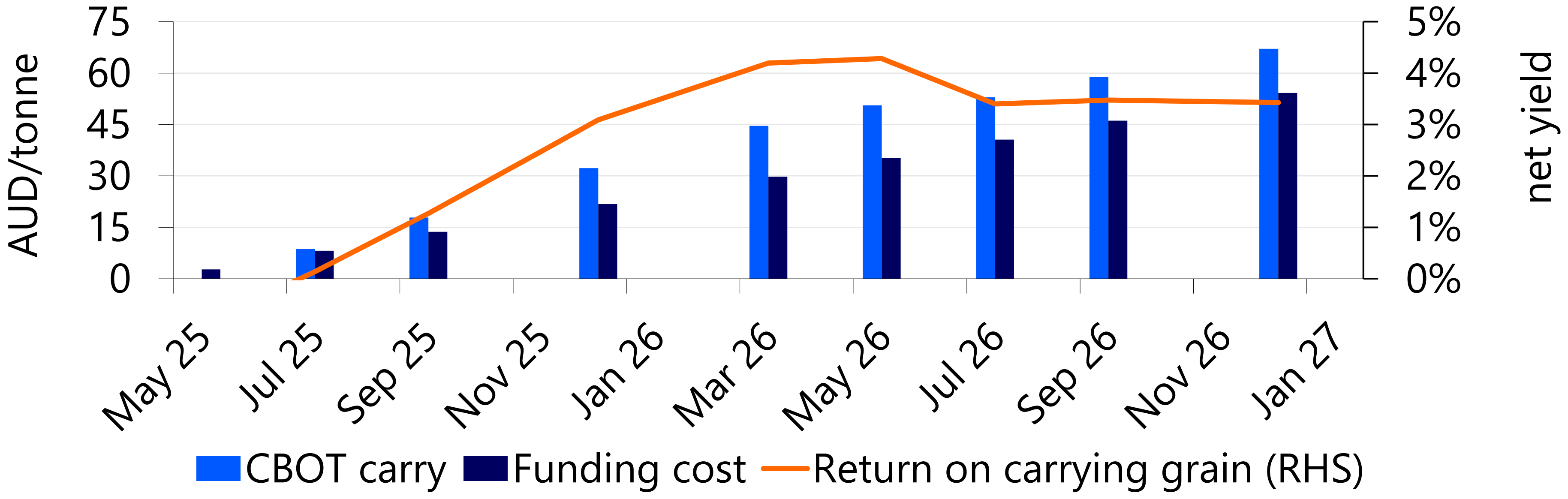
## Prices are influenced by export flow and new crop outlook

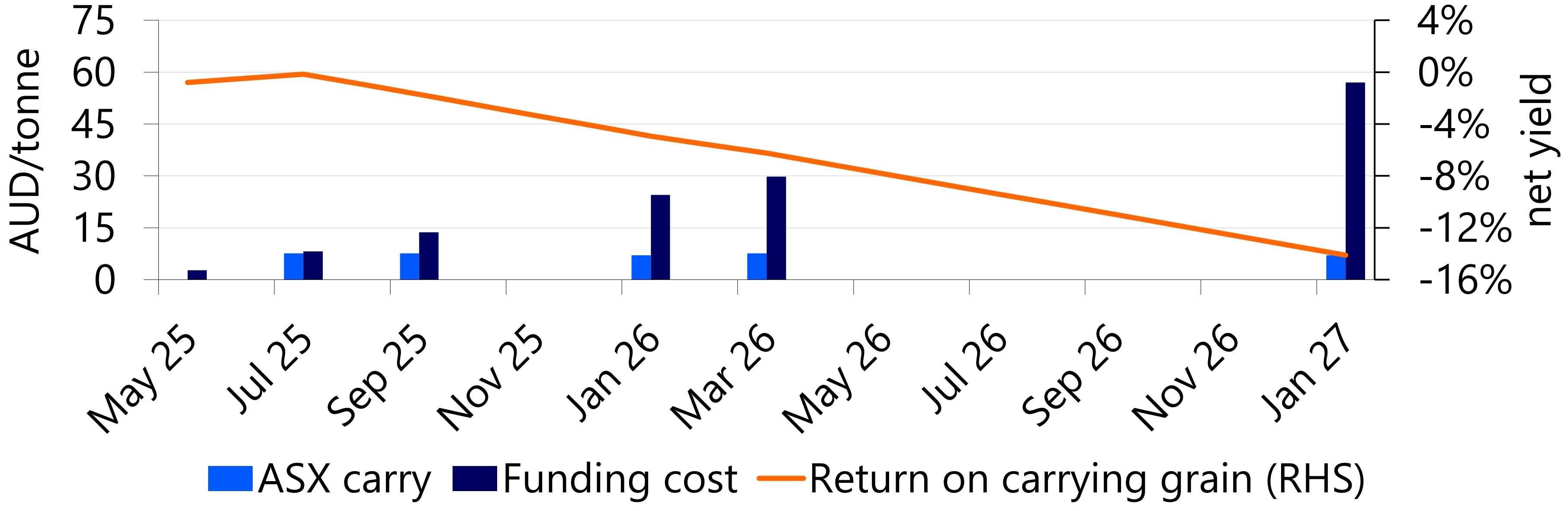
### *Australian feed barley spot port prices have gained momentum due to a strong barley export pace*




**Source:** *Bloomberg, RaboResearch 2025*

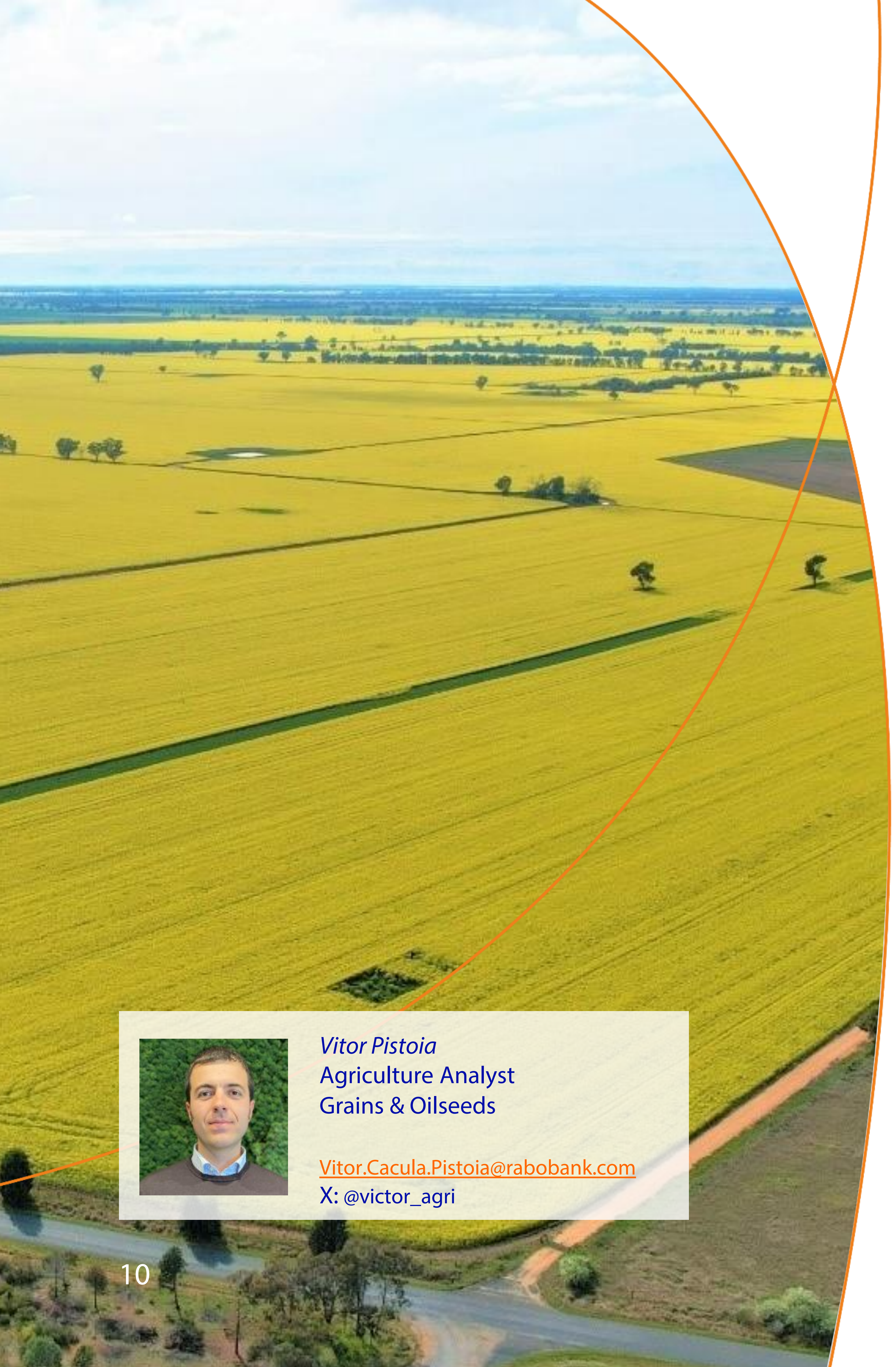
### *Wheat future curves suggest different strategies for old and new crop*




**Note:** *Future curves based on spot price of 31 March 2025. Funding cost is an assumption based on RBA cash rate and grain storage costs.*

**Source:** *Bloomberg, RaboResearch 2025*



# Canola

## It is all about tariffs, margins, and the weather

March brought another significant shift in the market. **China imposed 100% tariffs on Canadian canola oil and meal in retaliation for Canada's tariffs on Chinese steel, aluminium, and electric vehicle imports. Over the past five years, China accounted for 14% of Canada's canola oil exports, and 34% of Canada's meal exports.** China's tariffs on Canada pose another challenge for the market, which is already under strain due to ongoing US-Canada tariff disputes. In the past five years, Canada has exported 76% of its canola oil and 66% of its meal to the US.

**If both the US and China impose tariffs on Canadian canola oil and meal, where can these products be marketed now?** There is no easy answer, but the market has reacted strongly to the downside. ICE spot prices dropped 3.9% to CAD 611/tonne and the January 2026 contract fell 6.5% to CAD 604/tonne. MATIF also declined, where spot prices fell 1.4% to AUD 898/tonne. Australian prices followed suit, with non-GM average port prices dropping 1.2% to AUD 757/tonne, while GM port prices saw a slight increase of 1.0% to AUD 679/tonne.

The global 2024/25 soybean balance sheet is also exerting pressure on the vegetable oil and meal market. This season is expected to be the third consecutive year of expanding soybean supplies, outpacing crush growth. **As a result, ending stocks are projected to reach 118m tonnes, equivalent to a full US crop. This surplus limits the upside for the canola market, as some crushers may increase their use of soybeans and reduce canola to improve their margins.** CBOT spot soybeans are priced at AUD 598/tonne, presenting an interesting comparison to MATIF prices.

As key canola-producing countries begin their sowing period, weather conditions become a crucial price driver. **Most of Europe, the Black Sea region, and Canada are experiencing a lack of soil moisture, with only parts of continental Europe expected to receive above-average rainfall in the coming months**. Additionally, temperatures in the Northern Hemisphere are likely to be above average throughout the growing season, leading to higher evapotranspiration.

### *What to watch:*

- **Tariffs and counter tariffs –** Another round of tariffs is expected in April, with oilseeds potentially affected. Potential candidates include EU tariffs on US soybeans and Chinese tariffs on Canadian canola seed.
- **Canada's canola area –** A further reduction in the projected Canadian canola area is anticipated. The latest report from Agriculture and Agri-Food Canada indicates a year-over-year decrease of 0.2 million hectares, a 1.6% reduction.
- **US biofuel –** The combination of a large global soybean supply and local uncertainty regarding fiscal and environmental policies towards biofuel is creating headwinds for US vegetable oil prices, favouring exports. Clear governmental guidelines could reshape the outlook and impact crushers' profitability.

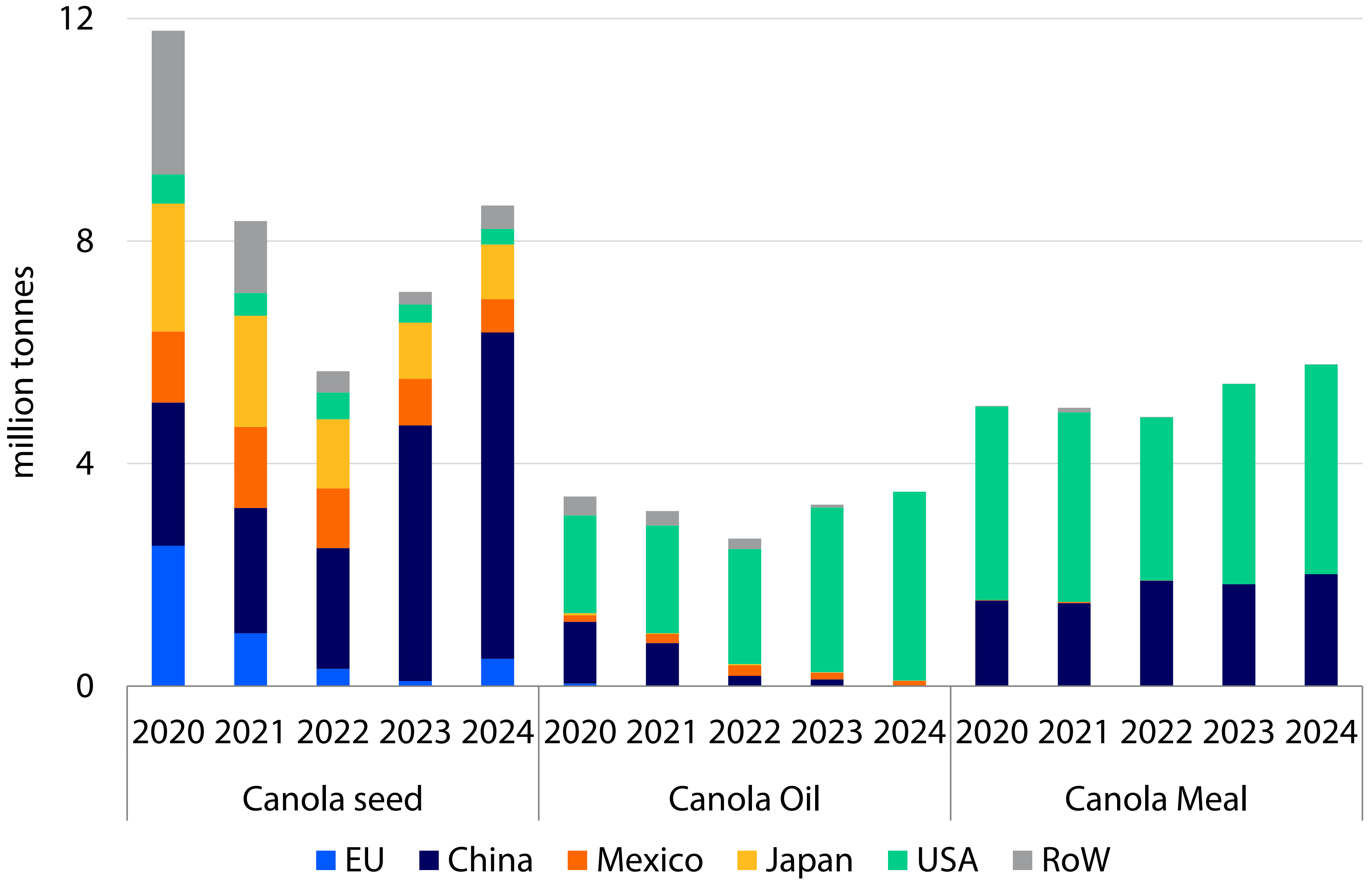
*Vitor Pistoia*
Agriculture Analyst
Grains & Oilseeds

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

# Canola

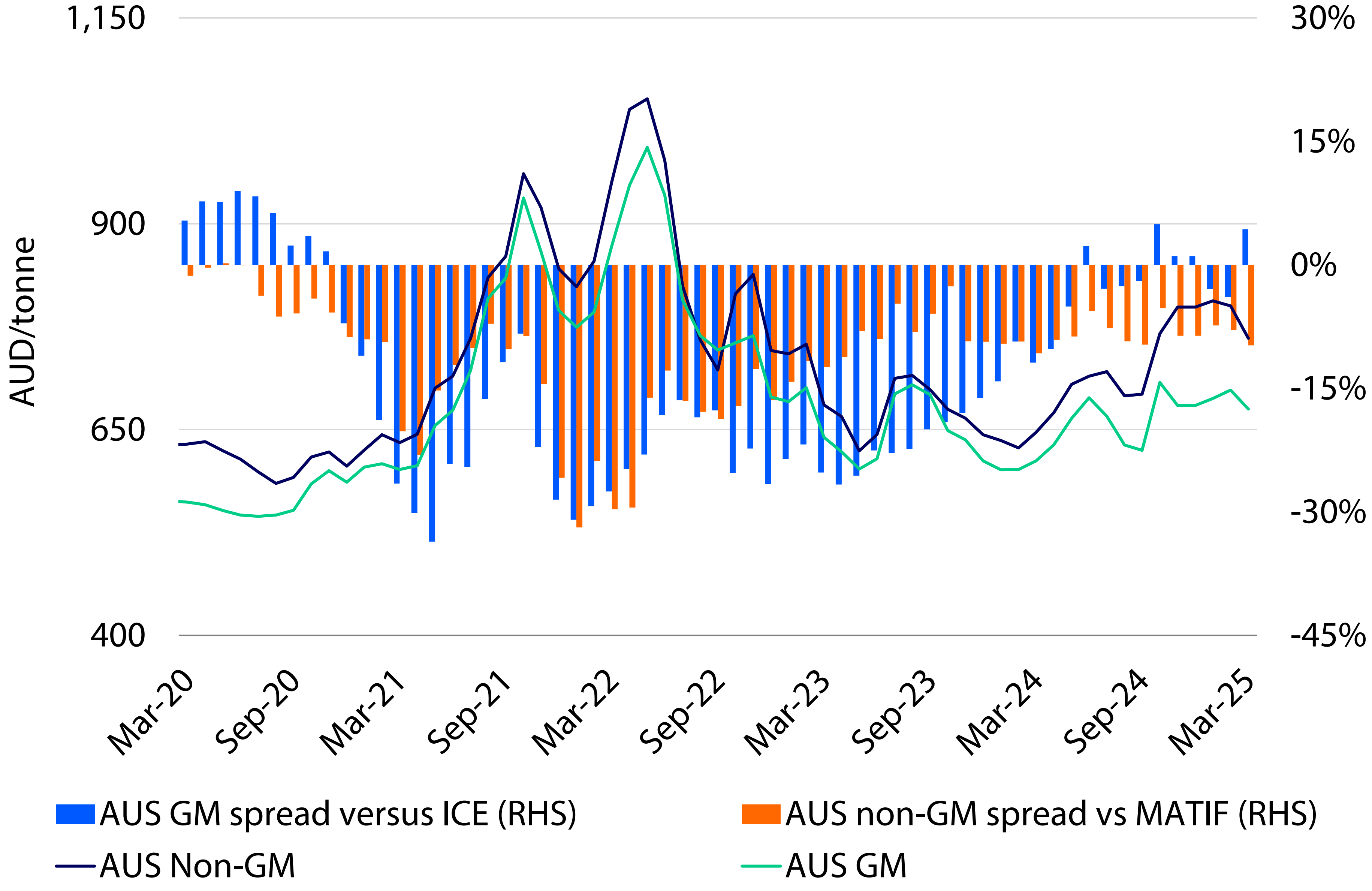
## Oilseeds trade is at the centre of geopolitics and tariffs in 2025

*Canada's top-two export markets for canola have implemented tariffs, which are expected to pressure GM canola prices worldwide*




***Note:*** *Calendar year exports volumes*
***Source:*** *Canola Council of Canada, UN Comtrade, RaboResearch 2025*

*Australia's canola competitiveness improved in recent months, but GM prices are lagging due to tariffs imposed for key competitors*




***Note:*** *monthly average port price*
***Source:*** *Bloomberg, RaboResearch 2025*



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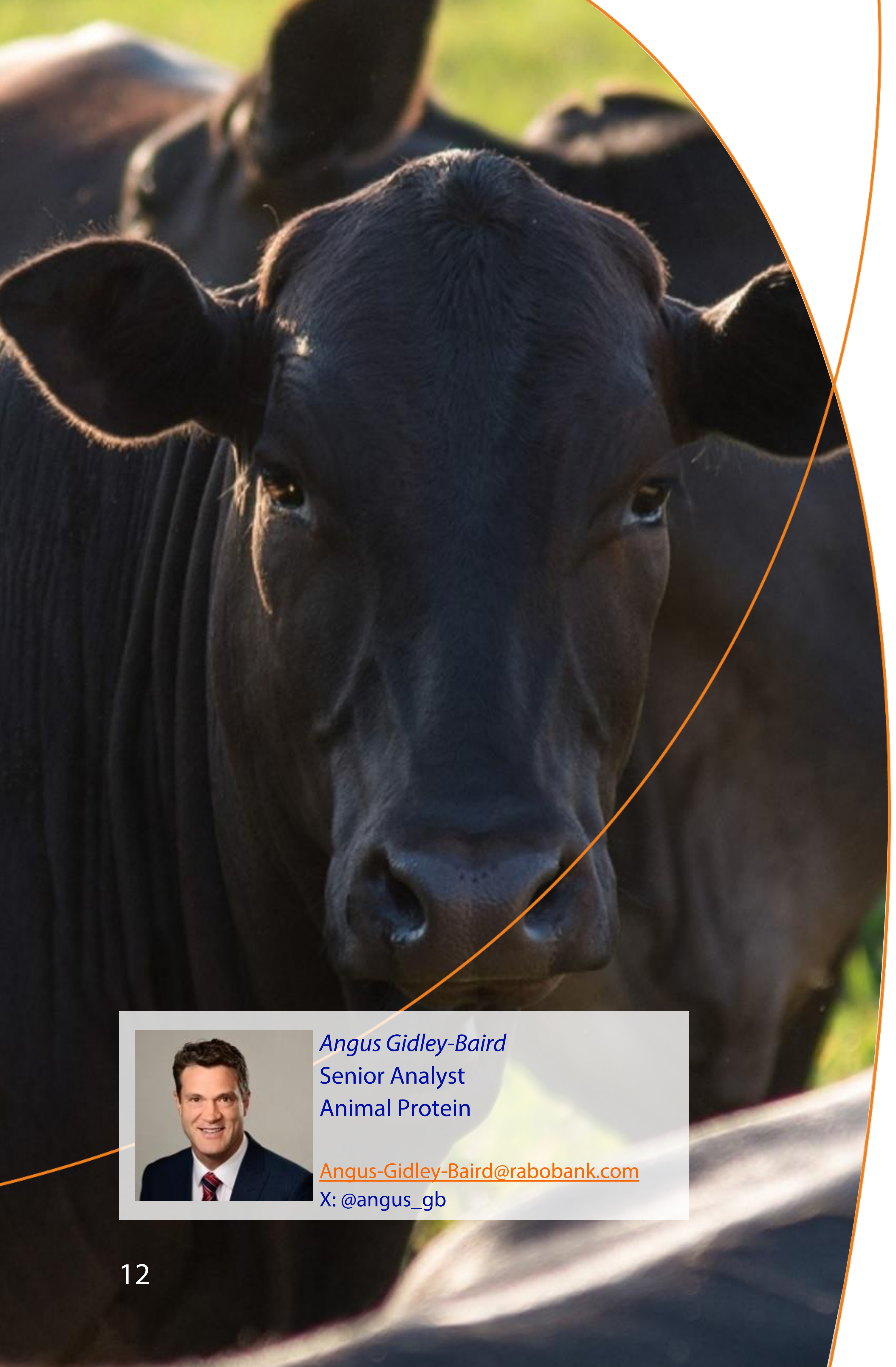



*Angus Gidley-Baird*
Senior Analyst
Animal Protein

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


# *Beef*

## Northern rain should continue to support cattle prices

National saleyard prices for cattle remained relatively steady again through March. Restocker heifers and steers dropped 5%-7% while heavy steers, feeder steers and cows rose 1%-2% from the end of the previous month. March was a turbulent month for rainfall. The dry conditions at the beginning of the month were forcing many producers to look at selling stock earlier, given reduced feed availability. Cyclone Alfred in early March only dropped rain in isolated coastal areas but widespread rain and flooding through Queensland and northern Australia in late March has restored confidence in cattle producers. That being said, areas of western Victoria, Southeast SA and southern WA still remain dry. The national young cattle indicator finished March at AUc 336.69/kg, down 4% on the end of February. **While we believe the Australian cattle market remains in relative balance, the widespread rain through northern Australia in late March will provide support for the producer side of the market. Although we do not believe it will stimulate any aggressive buying activity, it will help those producers with cattle to now hold cattle to finishing weights. This should continue to support cattle prices at current levels.**

National weekly slaughter volumes continue to track at high levels. **Week 12 saw 149,012 head slaughtered, the highest weekly volume since 2019.** All states showed year-to-date volume increases, with Victoria up the most (31%) compared to the same period last year.

Ongoing high production volumes saw export volumes for the month of February at historically high levels. Volumes for the first two months of the year are some of the highest levels in history, with February volumes up 25% year-on-year. The US remains the largest market, taking 30% of exported volumes. US domestic lean trim prices have stabilized in recent weeks but imported prices for Australian product have continued to edge higher, supported by the weakening AUD. Encouragingly volumes to other markets have also risen. Volumes to China are up 22% and volumes to South Korea are up 11% YTD. Interestingly, **Chinese-reported import volumes from Australia are up 38% for the first two months of the year but imports from Brazil are down 10%.** The attraction of the US market and the tariff-free quota volume may have been a big enough attraction for Brazil to divert Chinese volumes to the US. It will be interesting to see if this trend continues or if the 26.4% tariff that Brazil product now faces into the US pushes volume back to China. Australian live cattle export volumes are up 17% for the first two months of the year, with volumes to Indonesia up 261%.

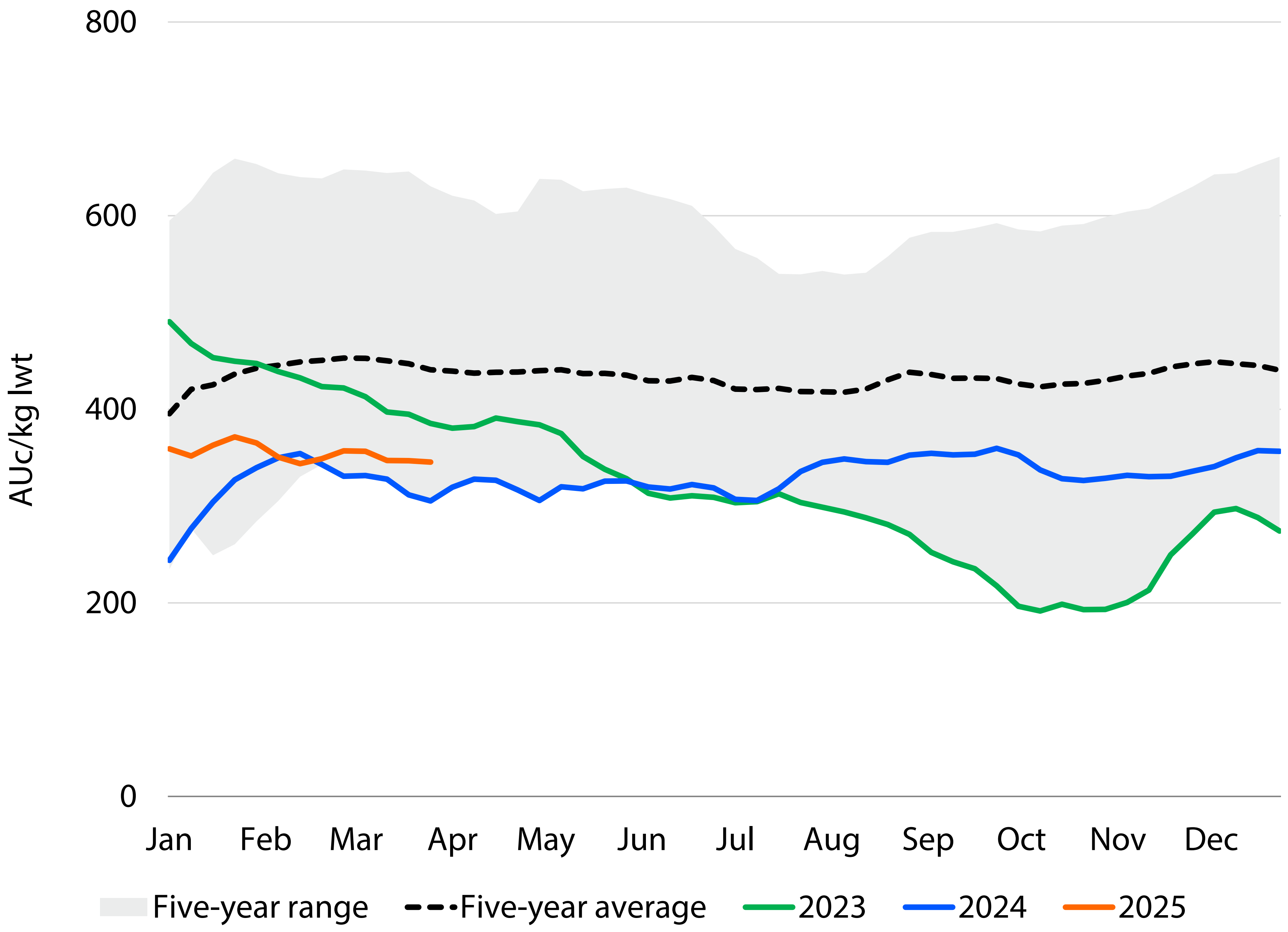
### *What to watch:*

- **US tariffs** – The US administration is calling April 2 "liberation day" where they have indicated they will be imposing a range of new tariffs. Although nothing is clear at the time of writing and indications in late March were that they might go "lenient" on some reciprocal tariffs, the Australian beef industry has a large exposure to the US market and could be affected. In 2024, an estimated 23% of Australian beef produced was exported to the US. Current beef supplies in the US are low, retail prices are high, consumer demand is strong and domestic livestock prices are high. These conditions might suggest that if a tariff is imposed, the consumer end of the supply chain will absorb the costs but at the same time the large volumes of cattle and high production in Australia could mean the costs get transferred up the chain to the producer end.

# *Beef*

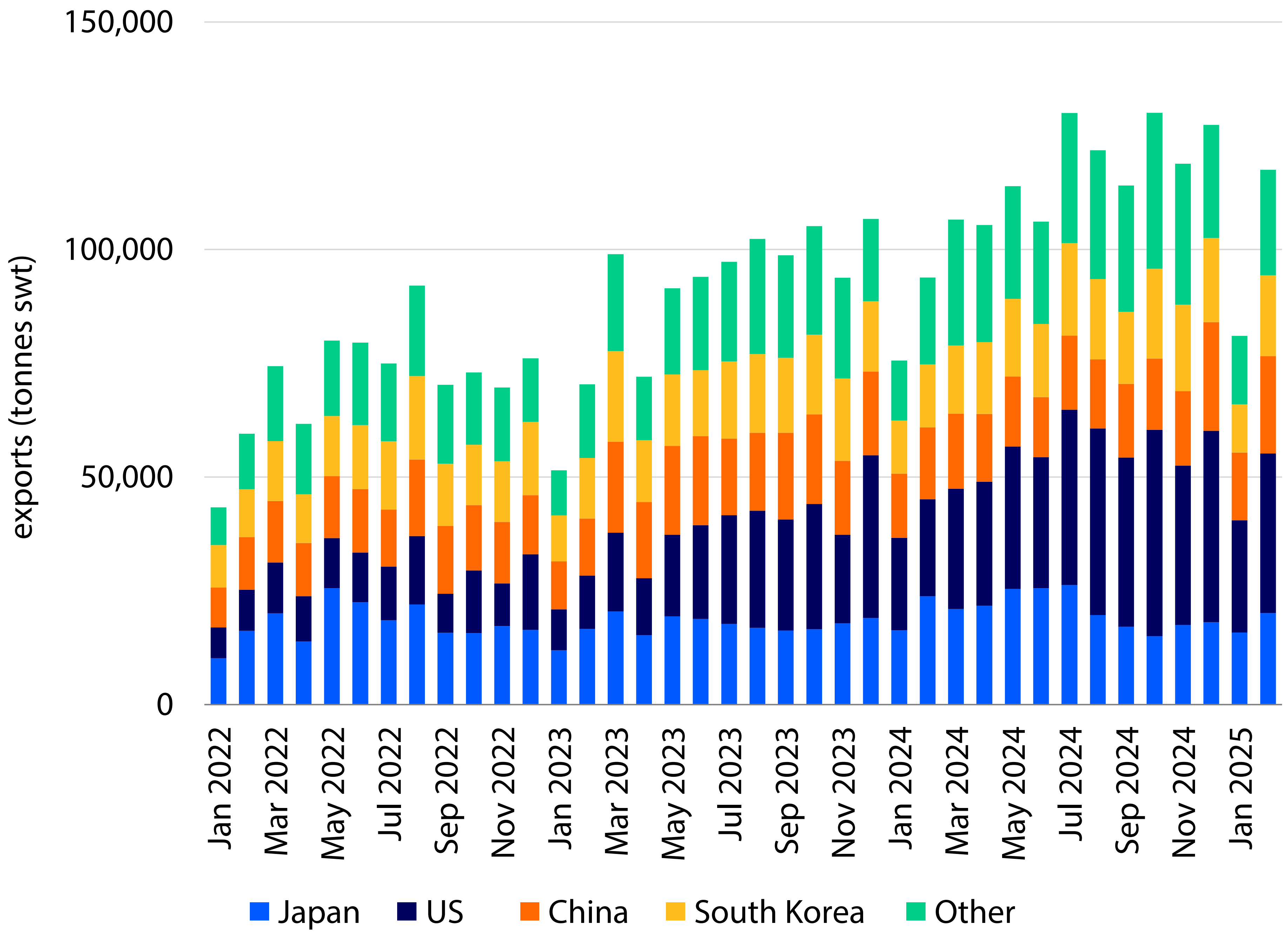
## Australian cattle prices continue to hold as export volumes set new records

### *NYCI continues to remain steady*




***Source:*** *MLA, RaboResearch 2025*

### *Export volumes at historical highs for this time of year*




***Source:*** *DAFF, RaboResearch 2025*



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# Sheepmeat

## Prices holding but autumn break is key for producer demand

Most national saleyard sheep prices dipped during the month of March. Light, trade, heavy and restocker lambs fell in the order of 2%-4% between the end of February and the end of March. Merino lambs and mutton prices on the other hand lifted 5.4% and 11.8%, respectively, over the course of the month. Interestingly, there has been an increase in mutton exports to China which may be a signal of improving demand in this market. The national trade lamb indicator was at AUc767/kg on 29 March, down 2% since the end of February. **We still believe there is the possibility of some upside to lamb prices – particularly trade and export lamb – as we expect supplies to contract over the coming months. However, the market is looking reasonably balanced at present and with forecast rainfall in southeastern areas being average or below average in the coming months, we expect limited producer buying activity will restrict any upside to prices.**

Weekly national lamb slaughter numbers continue to track close to 2024 volumes. For the week ending 21 March, they were 511,026 head, 1% higher than the same period in 2024. Across the states, volumes remain strong where all but SA and WA show year-to-date volumes at the same or higher levels than 2024. SA and WA are showing volumes down 6% and 4%, respectively**. Sheep slaughter volumes also remain high, recording 213,419 head in late March. These volumes are the highest weekly slaughter volumes for the first quarter of the year in the last 10 years.** Victoria is the only state to record a contraction in sheep slaughter volumes for the year-to-date, all other states show higher volumes with NSW and WA at historically high levels.

Reflecting the ongoing high volumes of sheepmeat production, export volumes for February also remain high. Lamb volumes were up 3% YOY but mutton exports dropped 4%, although mutton volumes are still 32% higher than the five-year average. **Lamb exports to China increased YOY for the first time in 10 months. Mutton exports also saw a 3% YOY increase to China for February.** These might be small signs that the Chinese market is starting to improve. US import prices dropped in late March, to be back in line with 2024 prices and closer to the five-year average. This might be a sign that the key demand period for Easter sales has started to recede.

### *What to watch:*

- **US tariffs** – The US administration is calling April 2 "liberation day" where they have indicated they will be imposing a range of new tariffs. Although nothing is clear at the time of writing and indications in late March were that they might go "lenient" on some reciprocal tariffs, the Australian lamb industry has a large exposure to the US market and could be affected. Approximately 16% of Australia's lamb production goes to the US. If a tariff was to be imposed, the relatively small role lamb plays in the US domestic market may see any price impacts passed up the supply chain. At the same time, the possibility of reduced lamb supply in Australia might limit price impacts at the producer end of the supply chain.

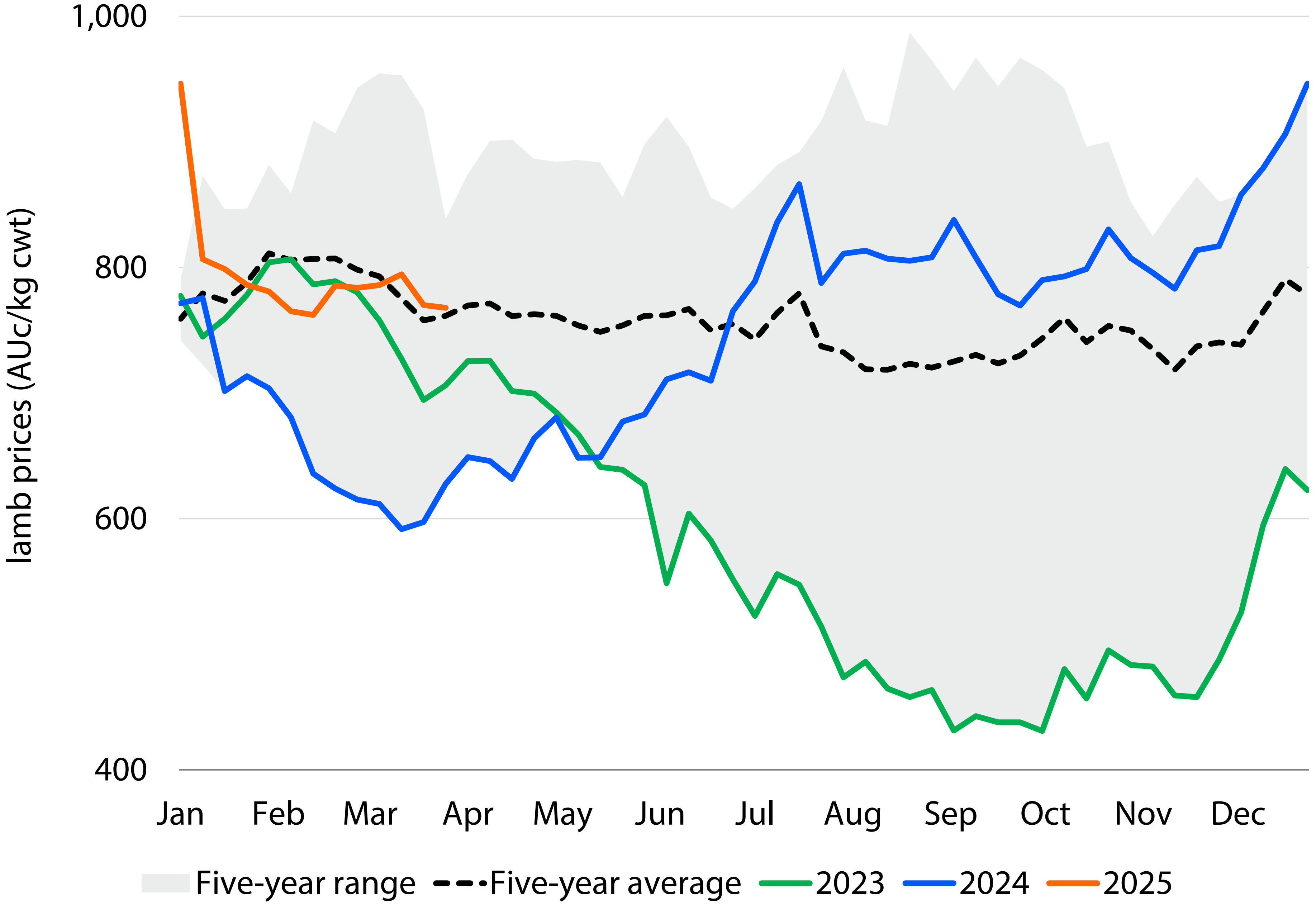

*Angus Gidley-Baird*
Senior Analyst
Animal Protein

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

# Sheepmeat

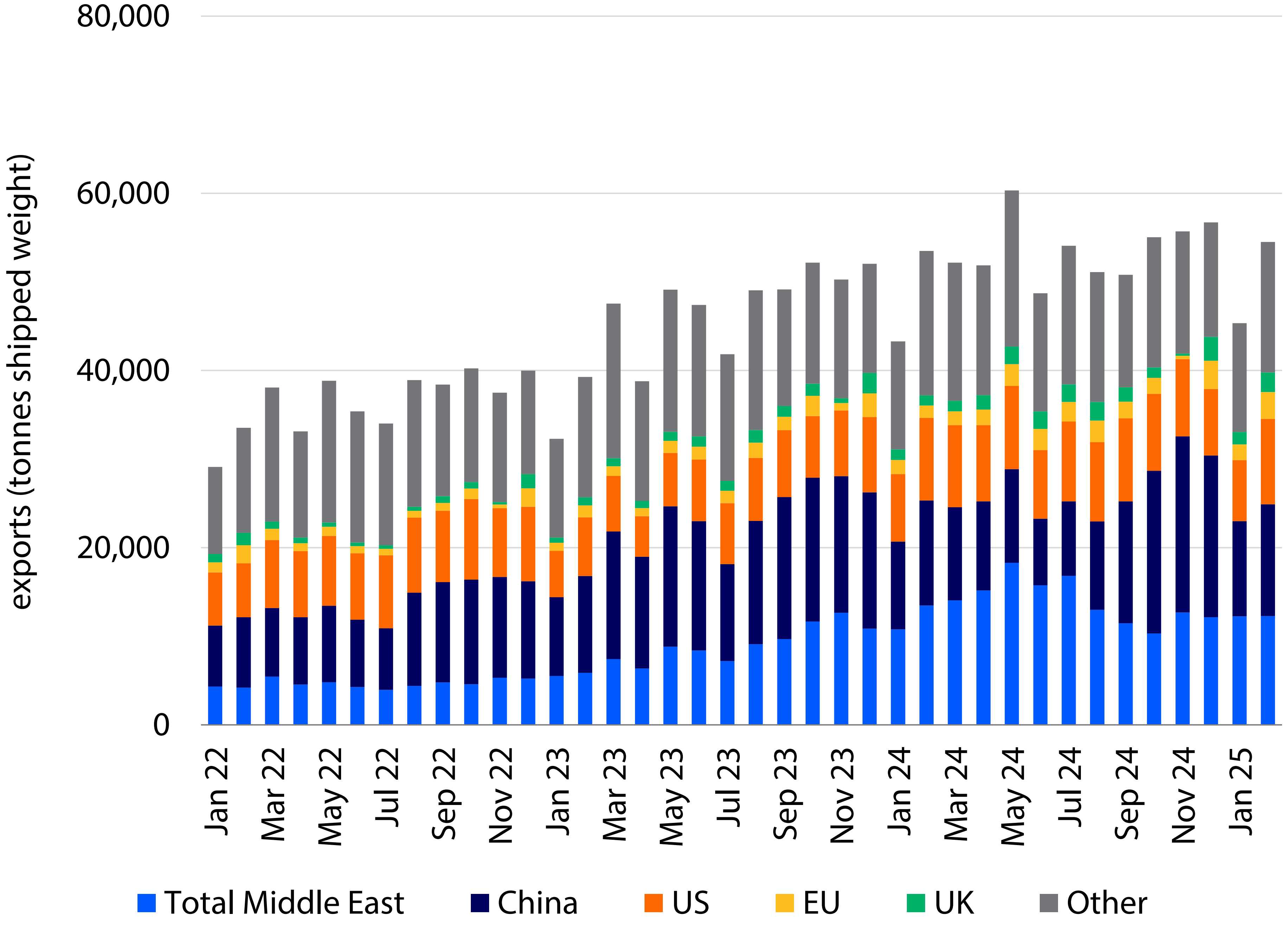
## Lamb prices continue tracking close to five-year average as high export volumes continue

*National Trade Lamb Indicator (NTLI) continues tracking close to the five-year average*




**Source:** *MLA, RaboResearch 2025*

*Sheepmeat export volumes continue at high levels*




**Source:** *DAFF, RaboResearch 2025*



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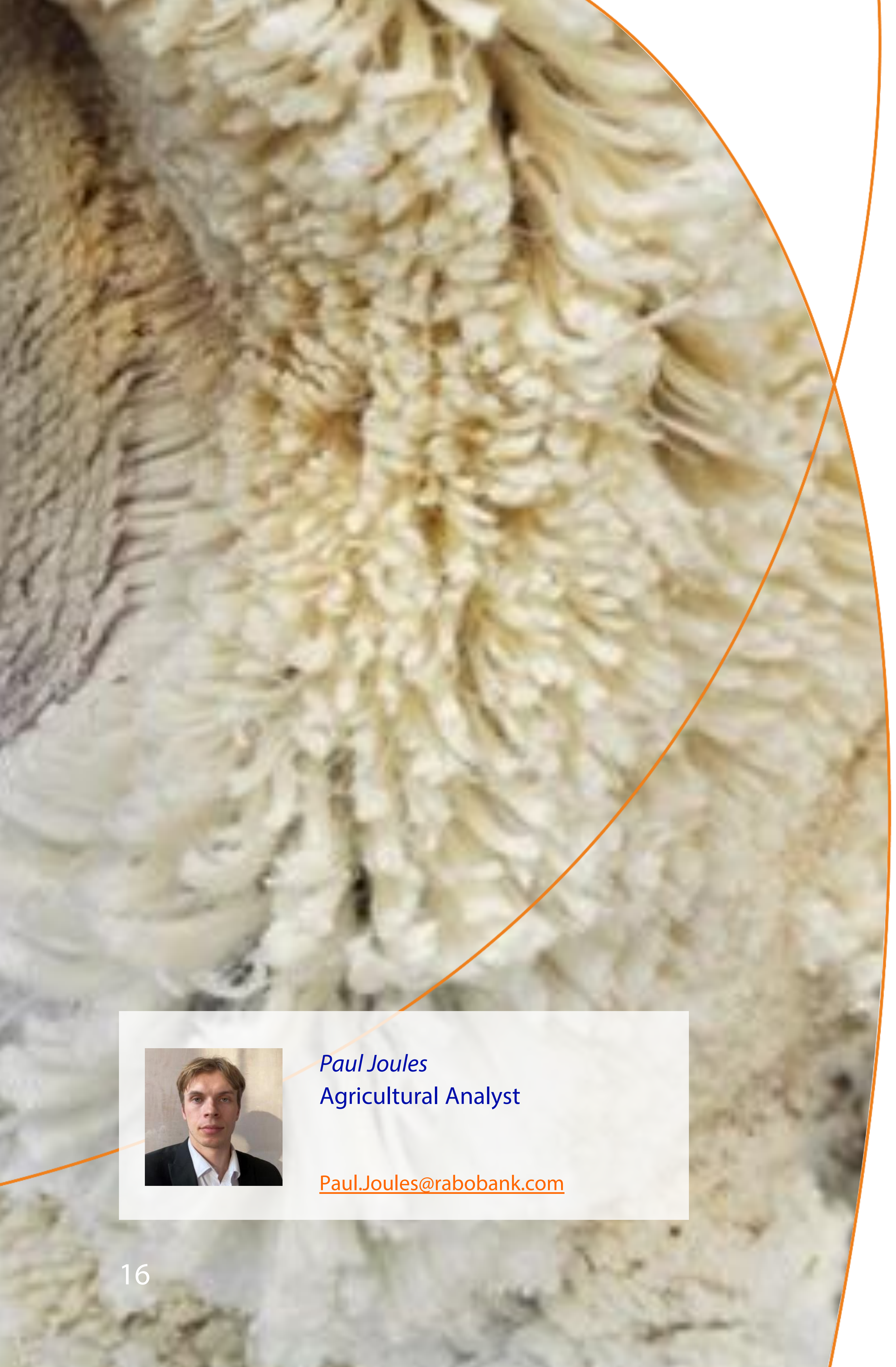


# Wool

## A mixed downsteam demand picture adds uncertainty

**It was another positive month for wool prices, with the Eastern Market Indicator (+4%), and the Western Market Indicator (+3%) both rising month-on-month.** Recent positive price action now puts the EMI up 15% from the lows hit in September of last year.

In terms of the micron splits, we saw some variability on a month-on-month basis with 17 micron up 2%, 18 up 4%, 19 up 5% and 21 recorded the largest gain, having risen 6%. In fact, the only micron which came in weaker month-on-month was 32, which was down 1%.

**Australia's January export volume was down 26.5% year-on year. 84.6% of wool was sent to China, but its import volume was down 26.7% YOY.** Italian and British imports were the only positives to take from the trade data, with volumes up 31.1% and 5.1%, respectively. Other key trade partners, such as India (-7.1%), Czechia (-64.1%), Korea (-66.1%) and Egypt (-25.9%) were all down year-on-year.

**One factor to consider is RaboResearch's outlook on the AUD/USD cross, which we have recently revised upwards to 0.65 on a 12-month view.** Previously, we've noted the positive impact a weak Australian dollar could have on wool demand from international buyers. Despite the modest upward revision to our AUD outlook, our AUD expectations could still be considered weak compared to the 2020 to 2024 average of USD 0.69. Therefore, a relatively weak AUD, combined with assumed lower inventory levels in China (due to weaker imports over the past 12 months) could potentially support prices in 2025.

**The downstream demand picture looks mixed.** In China, retail sales increased 4% in January and February year-on-year, with a number of stimulus packages potentially playing a role in the uptick.

In the UK, retail sales volume grew by 1% MOM in February, with monthly levels reaching levels not seen since July 2022. Textile, clothing and footwear store sales performed well, rising 2.3% month-on-month.

In the US, retail sales for February came in below expectations, rising 0.2%. Clothing and clothing accessories stores declined 0.6% in dollar terms. Trump's tariff-heavy policies appear to be dampening US consumer confidence amid inflationary fears.

### *What to watch:*

- **Chinese retail sales were strong in January and February**; the market will be closely watching whether growth can be sustained amid tariff headwinds.
- **Australian wool exports were down notably in January year-on-year, and 2024 exports were also down YOY,** which suggest buyers' inventory levels could be lower than usual. This, alongside a weak AUD could help lift demand in 2025.

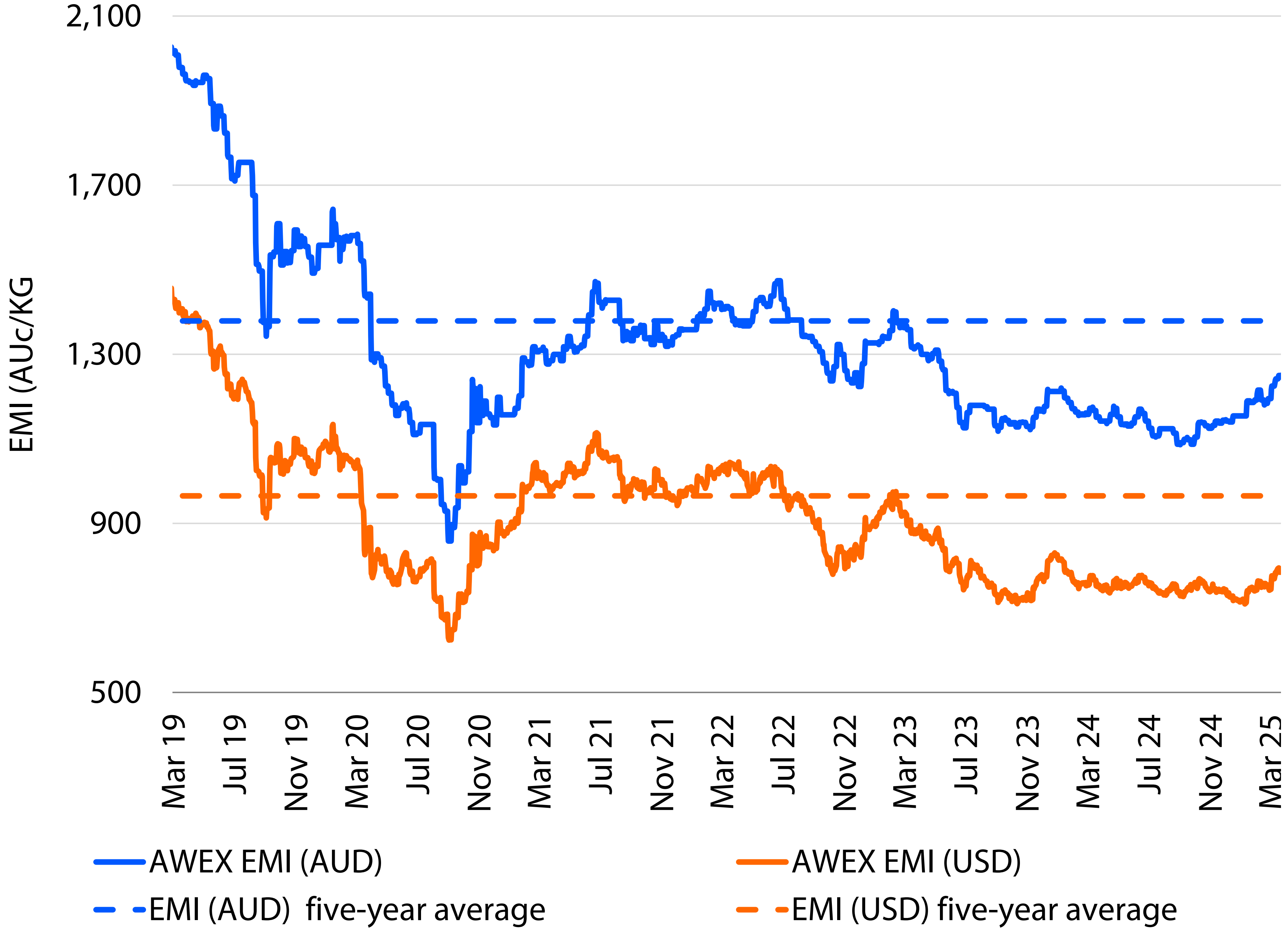
*Paul Joules*
Agricultural Analyst

Paul.Joules@rabobank.com

# Wool

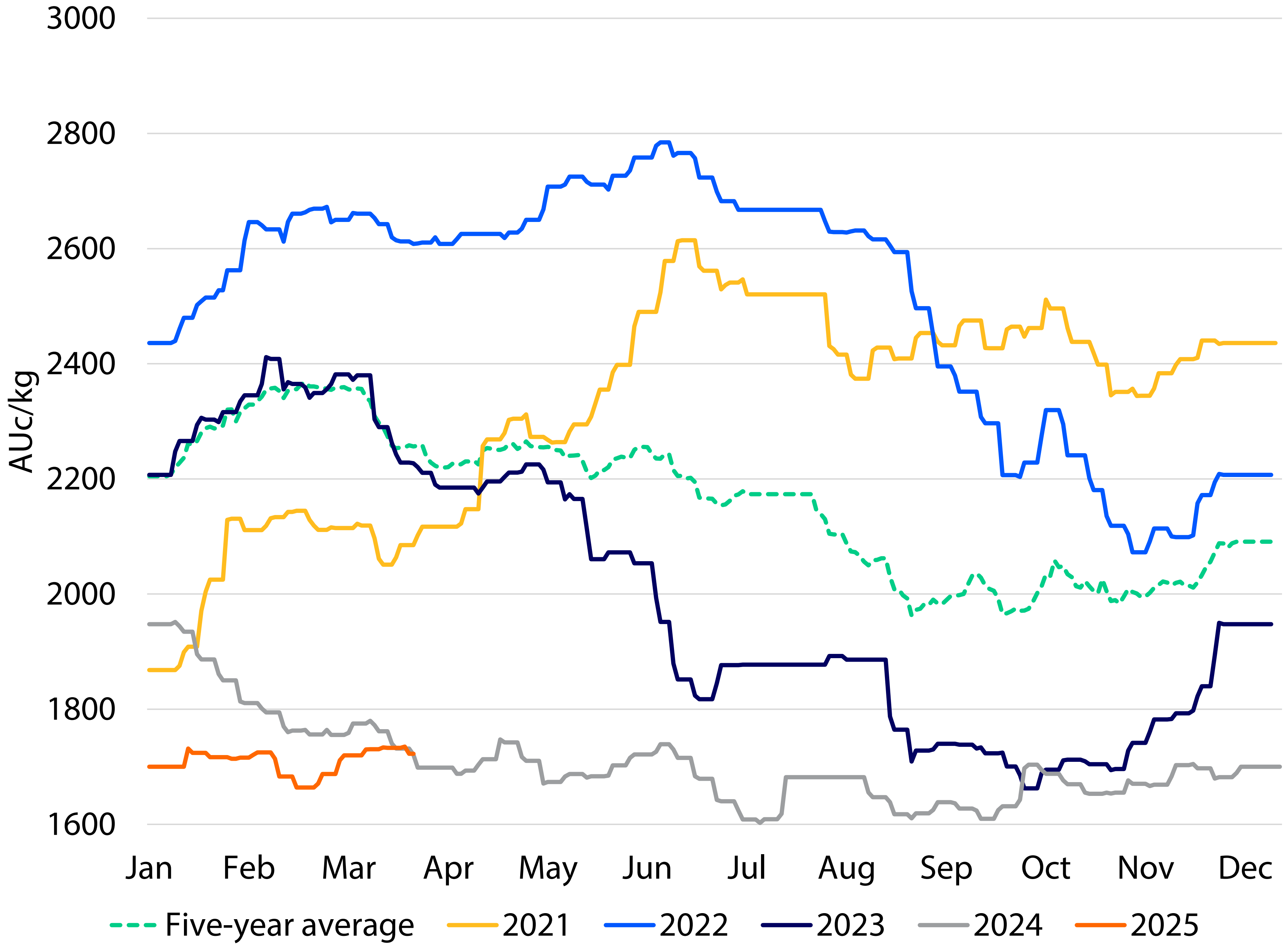
## EMI prices have risen 15% since the lows reached last September amid AUD weakness and declining production

*EMI prices continue to move higher, rising 4% MOM*




***Source:*** *Bloomberg, RaboResearch 2025*

*17-micron prices rose 2% MOM*




***Source:*** *Bloomberg, RaboResearch 2025*



Rabobank

# Cotton

## ICE #2 Cotton futures traded with volatility month-on-month

**ICE #2 cotton futures traded with high volatility over the past month, ultimately finishing 0.6% higher. US futures dropped as low as USc 63/lb in early March before recovering to USc 67/lb.** The initial drop was likely due to a mix of negative sentiment around markets, with US tariff uncertainty affecting various sectors. Meanwhile, US clothing and accessory sales declined 0.6% month-over-month (MOM) against February levels, possibly reflecting consumer sentiment amid uncertainty regarding Trump's tariff-heavy policies. However, global prices eventually rebounded.

**Texas weather may have played a role in the change in sentiment.** (Cotton acres in the US are expected to decrease as highlighted in the National Cotton Council's planting intention survey). Given recent dryness, production estimates could fall further. The 8-14 day forecast predicts below-average rainfall in Texas, and due to recent dryness, 26% of the US cotton area is in a state of drought. This is 20 percentage points higher than the same week last year, although still better than the pronounced drought year of 2023, when 46% of the crop was in a state of drought.

**From a production standpoint, Brazil is another key factor. Over the past month, key cotton-growing areas such as Mato Grosso have been drier than normal, and the market has been closely assessing the potential impacts.** The 1-week forecast predicts rainfall, which could be beneficial, but more moisture will still be needed. Volatility will likely continue as cotton markets become increasingly fixated on weather forecasts in the US and Brazil.

**Where does this leave speculators?** As highlighted in prior editions, the record net-short position Managed Money has adopted on ICE #2 futures creates room for upside. However, a catalyst is needed. Weighing the bearish macro picture and tariff implications against potential production issues in the US and Brazil, speculators seem content to hold their shorts for now. If weather conditions deteriorate in the coming months, that could change.

### *What to watch:*

- **RaboResearch has recently revised it's AUDUSD forecast upwards,** and we anticipate the Australian dollar to reach USD 0.65 on a 12-month view. This could have some impact on Australian basis and competitiveness should RaboResearch's FX forecast come to fruition.
- US and Brazilian weather forecasts in the coming months will be critical in determining Australian cash price direction.

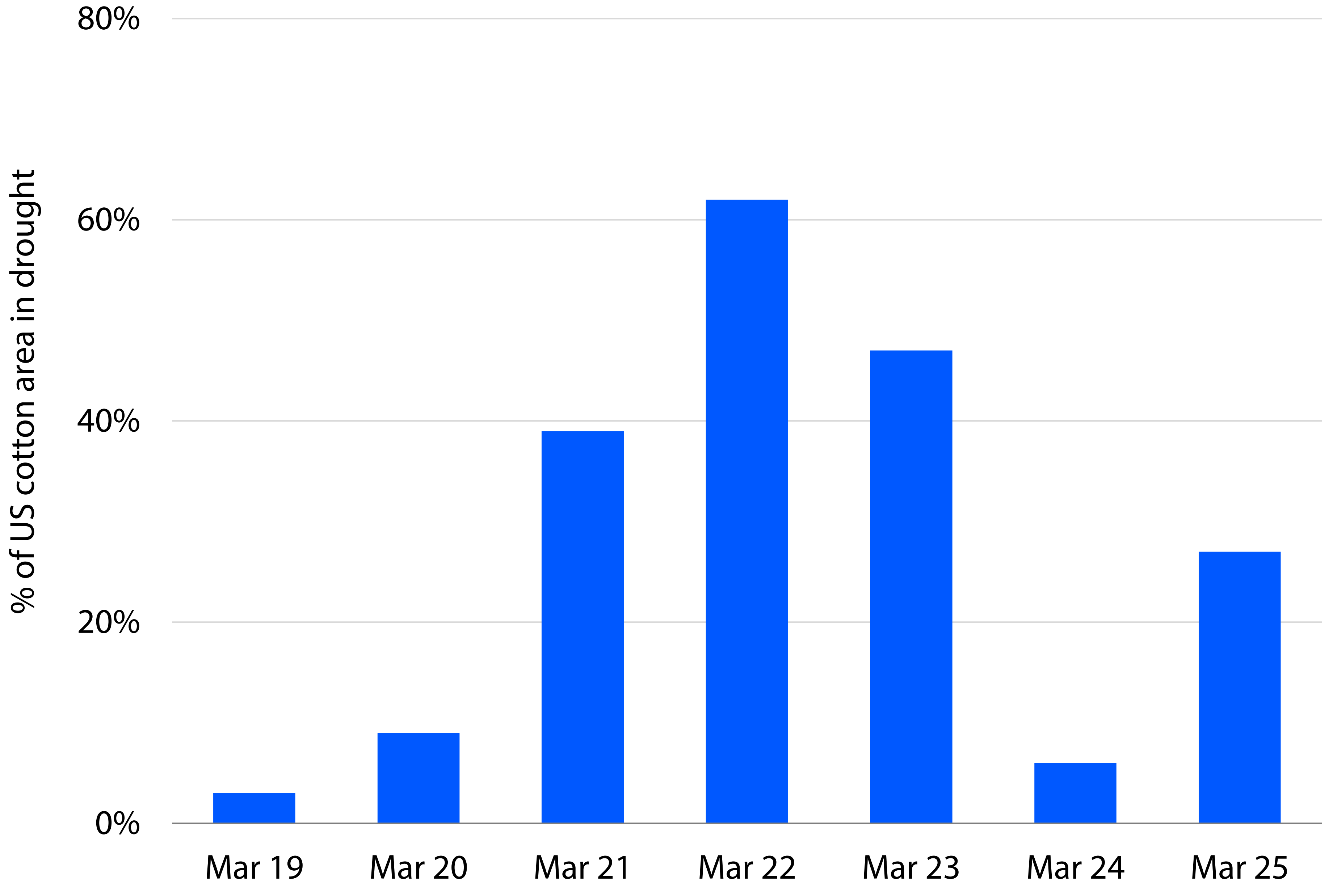
*Paul Joules*
Agricultural Analyst

Paul.Joules@rabobank.com

# Cotton

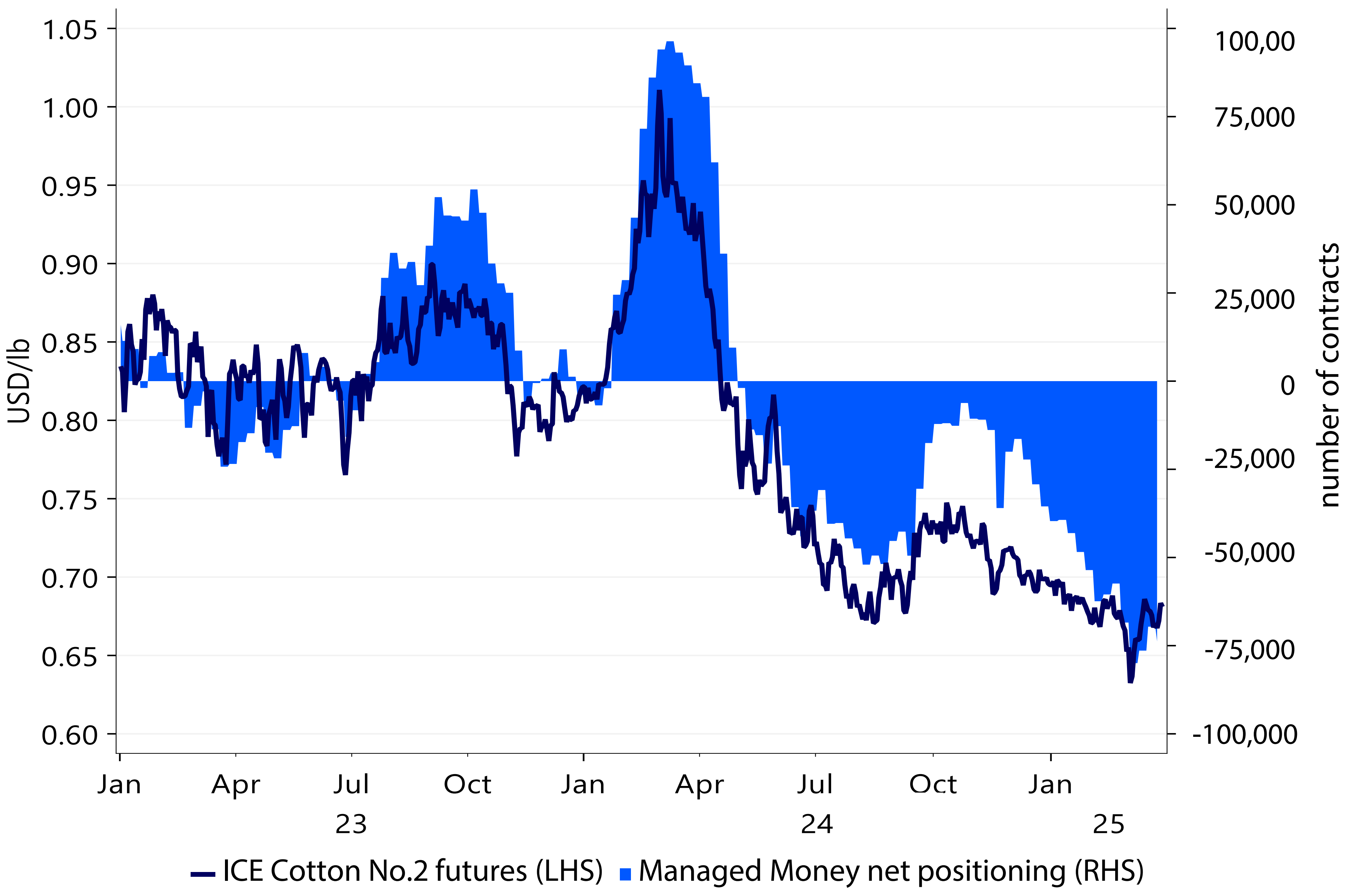
## Will a drop in US cotton acres, alongside uncertainty about Brazilian output, lead to short covering on ICE #2?

*As of late March, the percentage of US cotton area in a state of drought is much higher than the same week last year*




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

*Funds continue to hold their record net short position as they weigh up global S&D*




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



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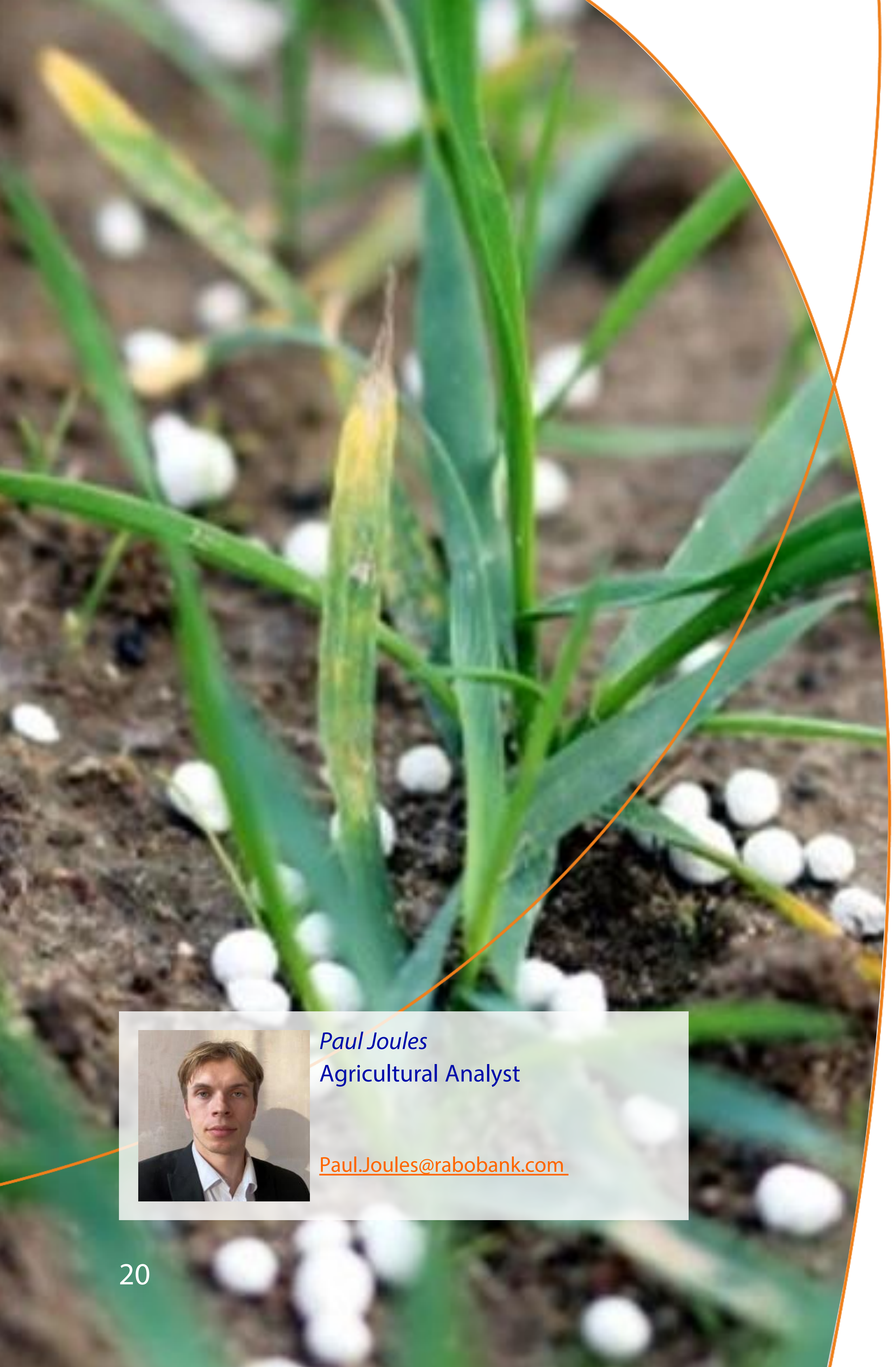


*Paul Joules*
Agricultural Analyst
Paul.Joules@rabobank.com

# Farm inputs

## Urea prices fall sharply

**Although phosphate prices rose 1.7%, and potash prices rose 1.2% over the past month, the real story is a 12% decline in urea prices. This puts urea prices in AUD terms at levels not seen since the beginning of the year (AUD 562/tonne).** Market expectations regarding an Indian urea tender in recent weeks failed to materialize, and this appears to be one of the key drivers behind recent price relief. Recently, we've seen India announce a sizeable urea tender, however this didn't lift prices higher (likely the market was expecting to see India enter the market for larger volumes). Typically, at this point in the season, urea procurement moves into focus as we approach the winter crop tillering period (especially given that phosphate and potash volumes are largely already secured).

**In terms of short-term price action, the market will be assessing whether India is simply deferring usual purchases, or whether this is a sign of waning demand.** India's domestic production, and stocks are both down on a year-on-year basis, so this suggests that import demand should be strong, especially as domestic sales appear to be in-line with last year. It's also worth highlighting that should India adopt a more aggressive procurement approach, then prices could react the opposite way. Because of this, volatility seems likely in the coming months.

**The other factor to highlight, that could have an impact on Australian urea prices in the coming months, is Chinese trade policy. For now, China remains largely absent from the urea export market. However, uncertainty regarding when it will return to the market remains.** As mentioned previously, a return to normal exports during the first half of 2025 seem unlikely given strong domestic demand, but anytime in the second half of the year is possible. This could help to loosen the tight global balance sheet later in the year.

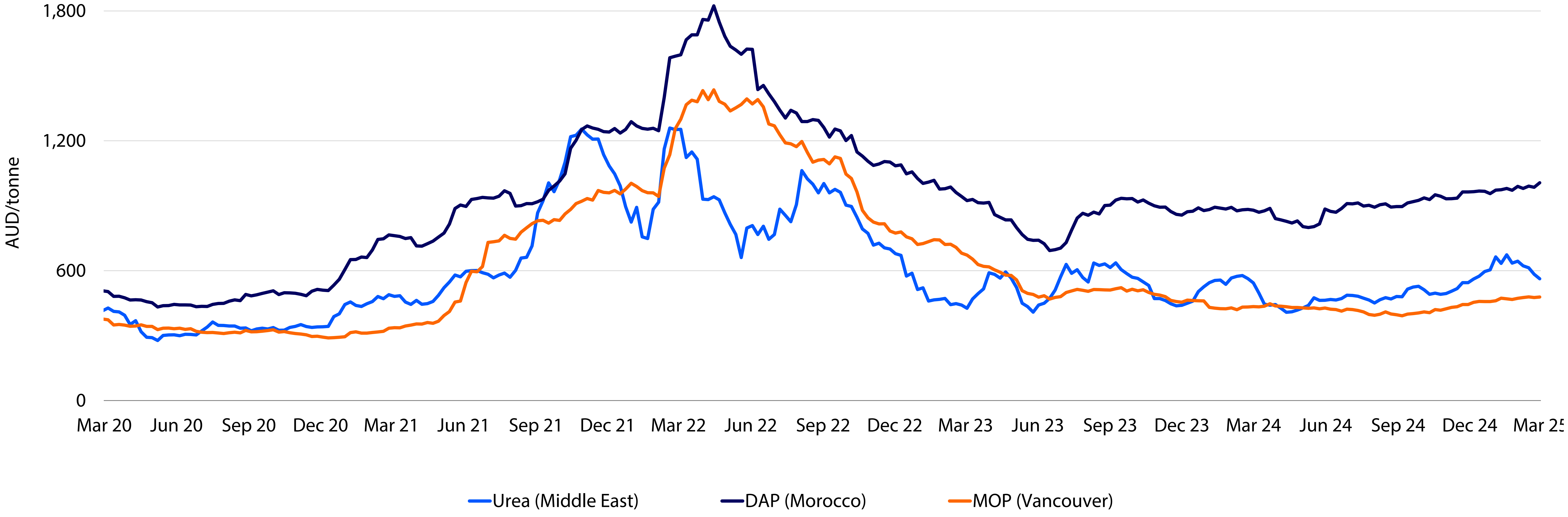
### *What to watch:*

- **One factor which could prove a benefit for farm input procurement over the next 12 months is FX rates. RaboResearch has recently revised its AUD/USD forecast higher, with the cross expected to hit USD 0.65 on a 12-month view.** We've been highlighting the pronounced negative impact a weaker dollar would have on fertilizer and agrochemical procurement throughout 2025. Although the outlook is still considered weak against the USD 0.69 averaged from 2020 to 2024, it is higher than previous expectations, and should it materialize, it may provide some on-farm price relief.

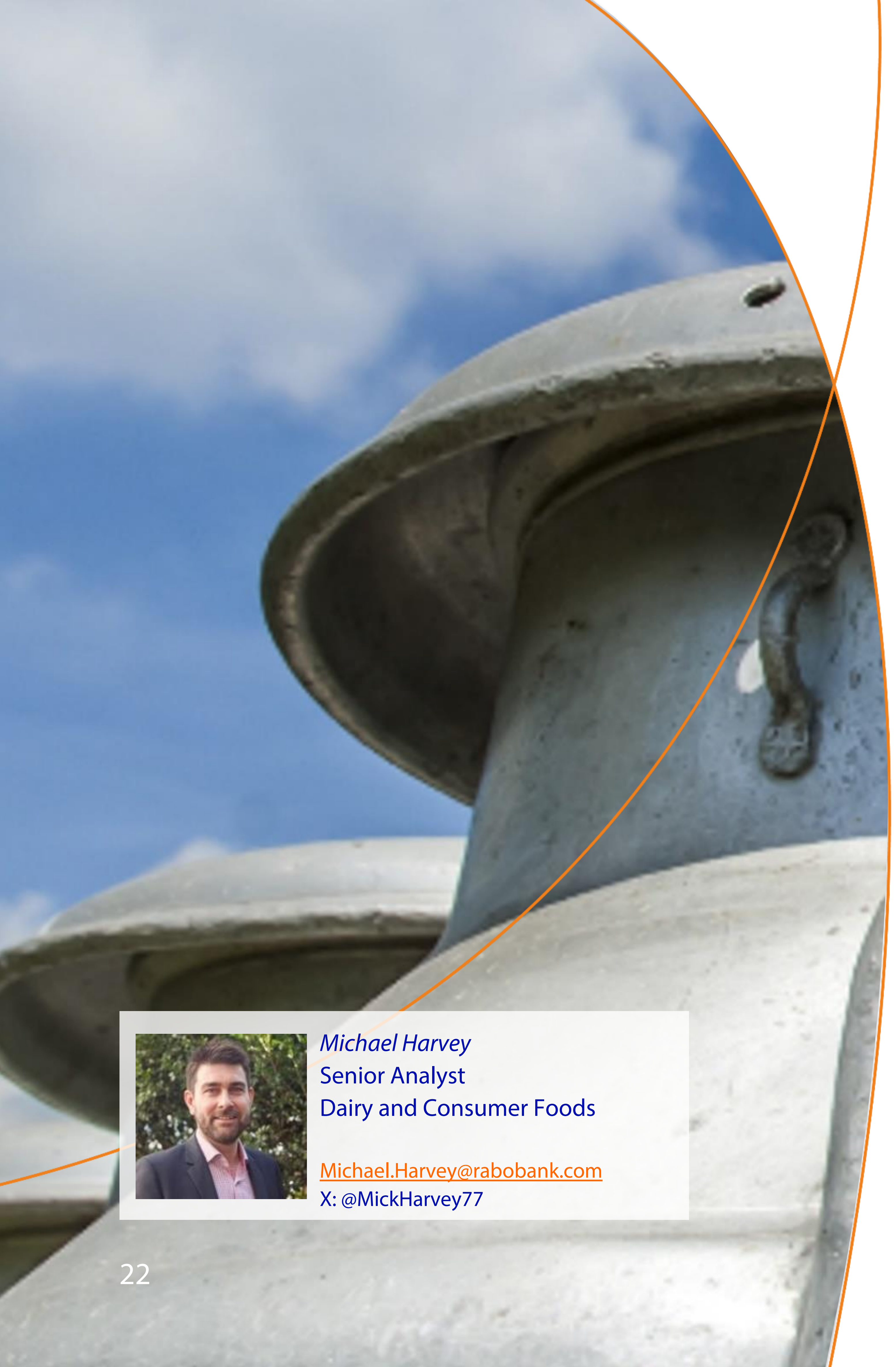
# Farm inputs

## Urea prices drop sharply on a month-on-month basis

*Although potash and phosphate prices recorded small price increases MOM, urea dropped 12% amid delayed Indian procurement*




***Source:*** *CRU, RaboResearch 2025*



# Dairy

## Milk supply is in an expansion cycle in export regions

**Global export milk supply is likely to increase in the months ahead due to improved farmgate prices in most key regions.**

Rapid milk supply growth in New Zealand for the 2024/25 season continued into January 2025, with a 2.6% YOY increase (5% on a milk solids basis), keeping season-to-date flows above 3% YOY for the eight-month period to January 2025.

In the US, milk production has returned to growth. Despite a tight replacement market, reduced culling and improved output in California after a bird flu outbreak has supported milk flows.

In Western Europe, conditions remain mostly favourable as the region heads into Spring. There are ongoing risks of a flare up of Bluetongue virus in the coming months.

**Australian milk production had a weak February as dry and hot conditions take a toll on milk flow.** Milk production was down 1.4% on a 28-day basis and marked the fourth consecutive year-on-year fall. After a strong start to the season, milk production has lost momentum and season-to-date milk production is down -0.1%.

The biggest falls this season on a percentage basis have been in Western Victoria, Tasmania and Queensland.

**Farmgate milk prices are edging higher in Southern Australia.** Burra Foods is the latest dairy company to marginally increase their farmgate price (by AUD 0.10/kgMS) for the 2024/25 season. This takes their price range to AUD 8.10/kg-8.60/kgMS.

**Drinking milk sales have been falling for five consecutive months in Australia (on a volume basis).** In the first half of the 2024/25 season, drinking milk sales are down 1.1% compared to the same period the previous year.

### *What to watch:*

**Upside – China milk supply**

- A herd reduction is underway in China. This has put the brakes on milk supply and is expected to result in a milk production decline in 2025. Any overcorrection in milk supply leading to a shortage of milk will support Chinese import demand and be price supportive.

**Downside – US dairy trade disruption**

- The US is a sizeable exporter and plays an important role in the global market. Markets are watching closely for any major disruption in the flow of dairy products to major trading partners such as Mexico and China.

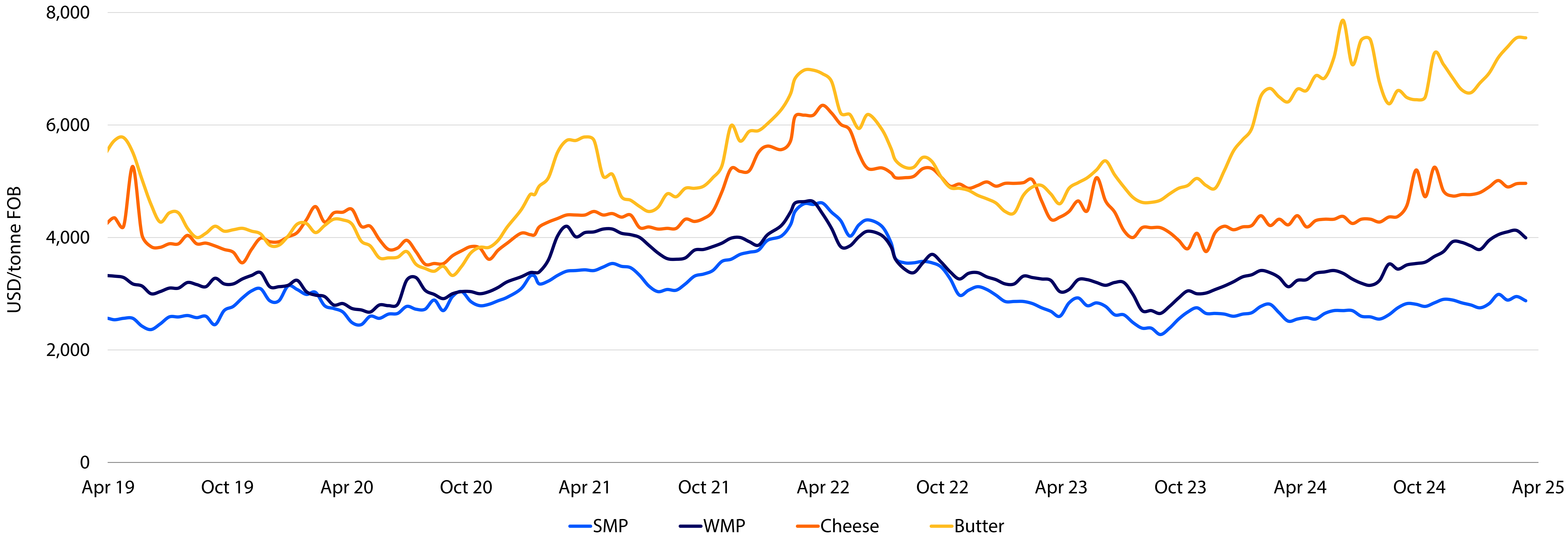
*Michael Harvey*
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

# Dairy

## Improved import demand supports commodity prices

*Oceania spot prices for dairy commodities*




***Source:*** *USDA 2025*

# Consumer foods

## Monthly food inflation edged higher in February 2025

**For February, food inflation came in at 3.1% higher year-on-year.** This was lower than the rate of inflation in January 2025 (at 3.3%). Within the monthly basket, the rate of inflation slowed across the broad.

The dairy aisle was the only category which posted deflation, -0.3% (versus -0.4%).

**Meanwhile, analysis from the ABS showed that Australian household wealth increased in December, which is positive news for the consumer economy.** According to the ABS, household wealth was up 0.9 percent or AUD 143.6 billion in Q4 2024.

Higher superannuation assets, rising wages and government cost-of-living policy relief helped Australian households.

However, a cooling housing market was an emerging headwind. While household wealth continues to rise, two consecutive quarters of falls in house prices have slowed growth.

**Australian consumer confidence has seen some positive movement recently.** The Westpac-Melbourne Institute Consumer Sentiment Index rose by 4% in March 2025, reaching 95.9 from 92.2 in February.

This increase was attributed to the Reserve Bank of Australia's interest rate cut in February and easing cost-of-living pressures.

**The 2025/26 federal budget includes several measures aimed to ease the cost of living for consumers.**

At a high level, the key initiatives aimed at supporting Australian households include tax cuts, energy bill relief, Medicare Levy relief, cheaper medicines and wage growth.

### *What to watch:*

**ACCC final report on the supermarkets**

- The final grocery report from the ACCC has been released. The report acknowledged that there are a range of complex issues, and that there is no ‘silver bullet’ to fix many of the concerns. However, the report also acknowledged that competition had increased since the 2008 inquiry, as had promotional intensity. Among the 20 recommendations that the ACCC made was that improved transparency is needed in the sourcing/pricing model for fresh produce.

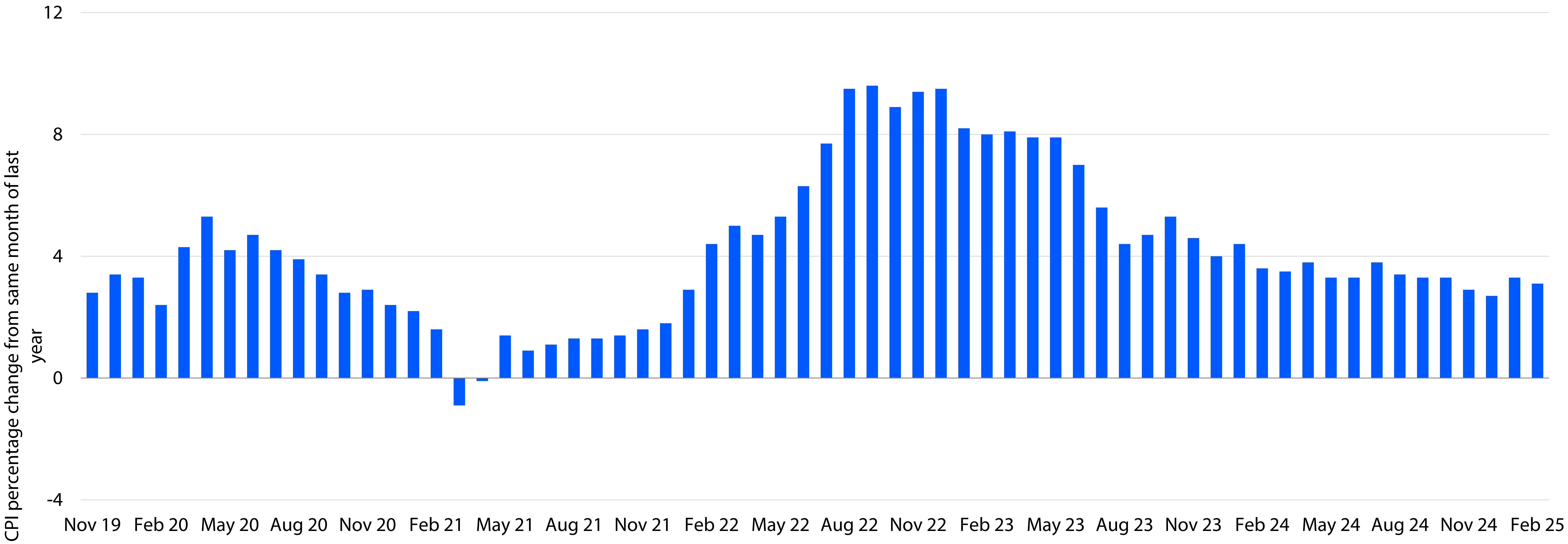
*Michael Harvey*
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

# Consumer foods

## Softer food inflation across several grocery categories

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




***Source:*** *ABS, RaboResearch 2025*

# *Interest rate and FX*

## The waiting game

**The Australian dollar regained some lost ground in March to close the month just below USc 63. Meanwhile, short-term market-traded interest rates have been in a holding pattern as the market awaits further clarity on the economic outlook.**

Uncertainty about the economic outlook has been high, as US trade tariffs upend the system of world trade and Australia approaches an election scheduled for May 3rd. The election has seen substantial spending announcements from both sides of politics that are likely to provide additional stimulus to the economy, but the downside is that higher spending could reduce the scope for the RBA to cut interest rates.

The Commonwealth Government delivered its final budget of the current parliament in late March. The budget projects an underlying cash deficit of AUD 42.1bn in 2025/26, which follows two consecutive budget surpluses that were driven primarily by strong commodity prices and Australia's generationally strong labour market.

The budget includes modest tax cuts for every Australian taxpayer to be phased in over two years from July 2026 and extended household electricity subsidies for another six months.

The extension of electricity subsidies will soften an expected rise in measured inflation from mid-year when existing subsidies were set to expire. Taken together with a softer-than-expected monthly inflation reading for February, this probably means that the outlook for consumer price growth has shifted a little to the softer side over the course of March and may help to give the RBA confidence to cut in the months ahead.

**RaboResearch still expects the RBA to cut the cash rate twice more this year: by 0.25ppts in May and by a further 0.25ppts in August to arrive at a terminal rate of 3.60%. We've revised up our 12-month forecast for the AUD to 0.6500 but see some scope for a pullback to the 0.6200 level in the short term.**

### *What to watch:*

- **ABS Q1 CPI inflation report, 30 April** – The Q1 Consumer Price Index will be make-or-break for the prospects of an interest rate cut in May. Markets will be particularly looking for the 'trimmed mean' inflation measure to fall from 3.2% in Q4 last year to a figure within the RBA's 2%-3% target band. Such a result would be likely to firm up expectations of a rate cut at the RBA's next policy rate meeting on May 20th.

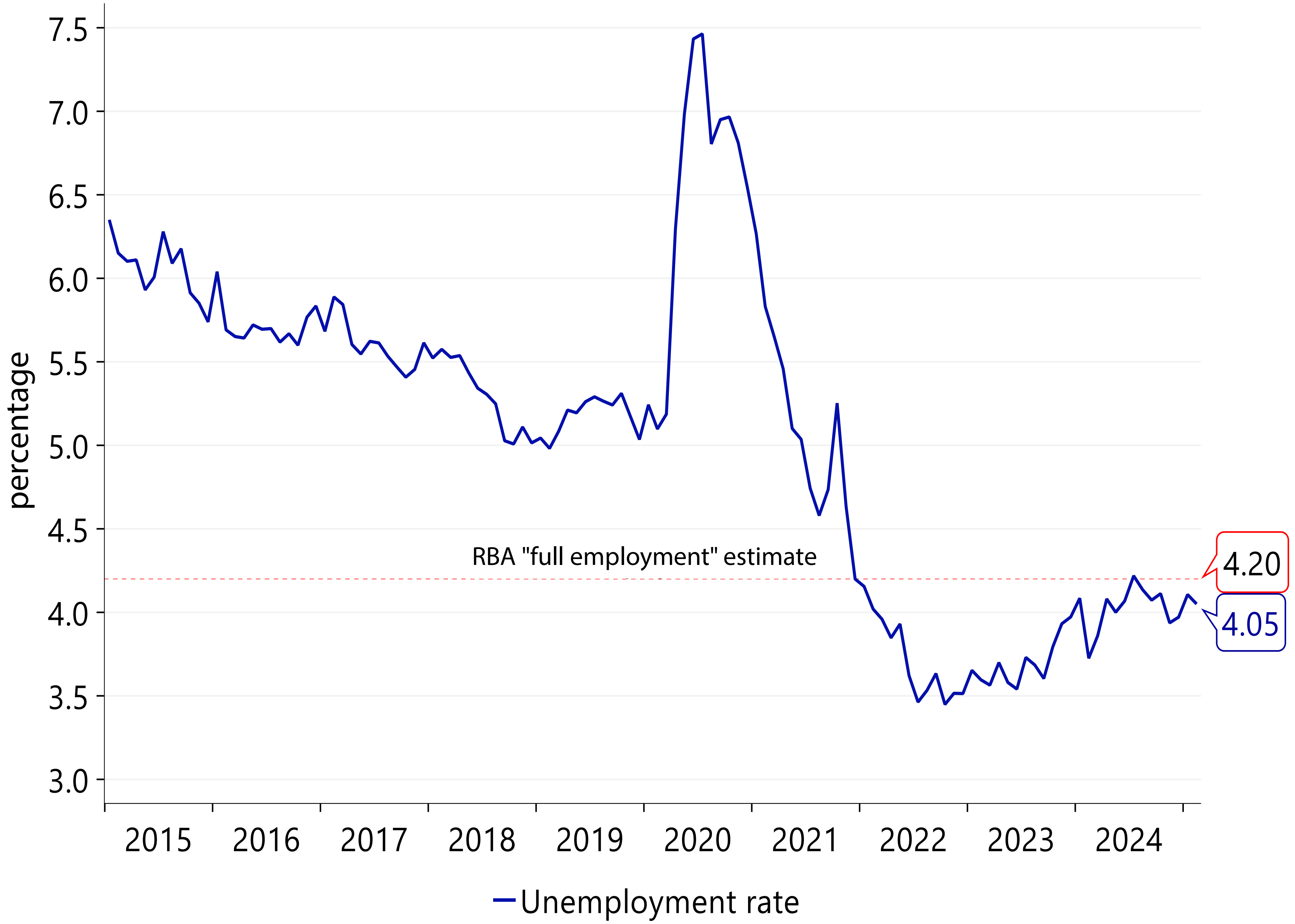
*Benjamin Picton*
Senior Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

# Interest rate and FX

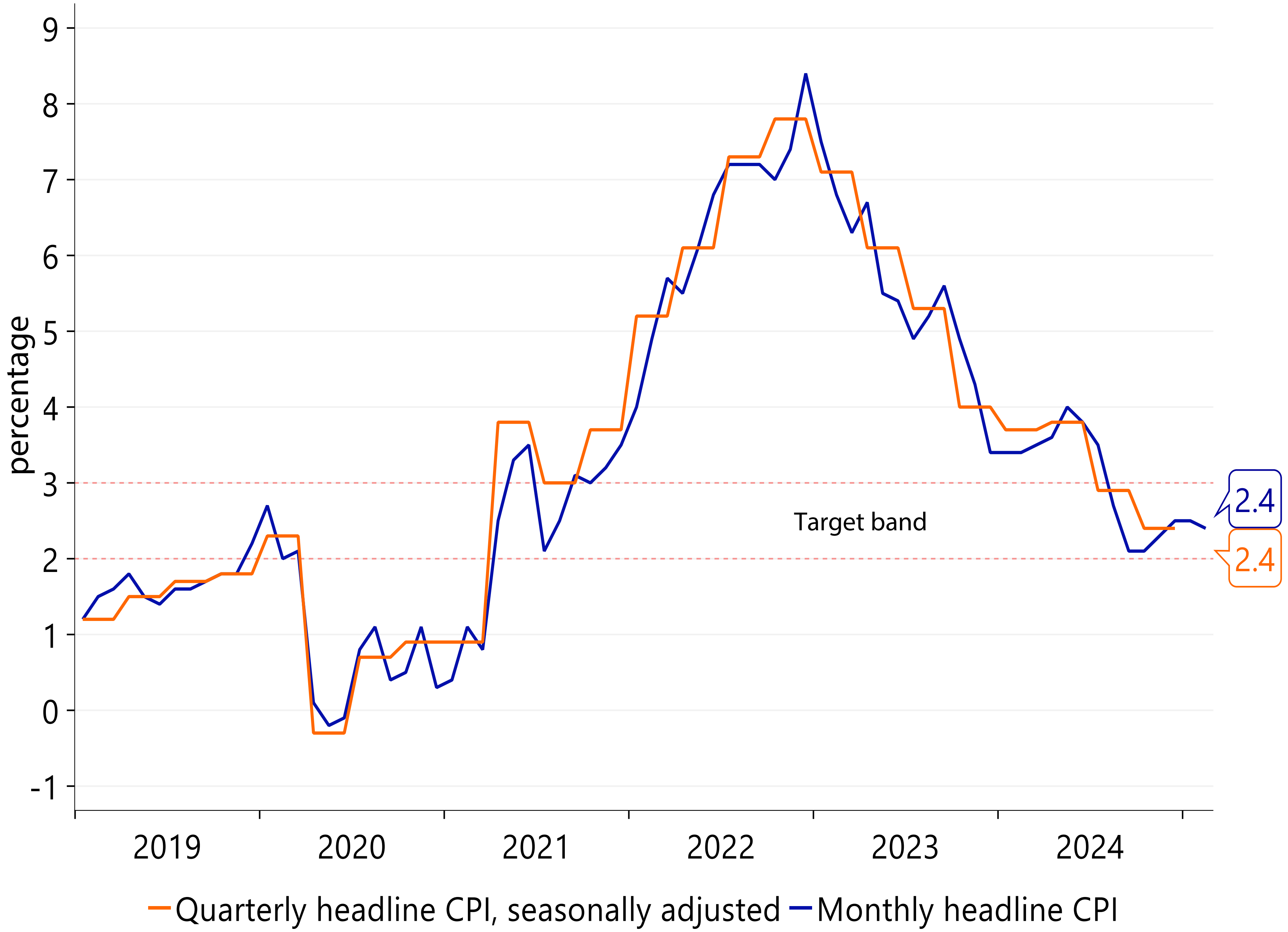
## Are we there yet?

### Australian labour force indicators, 2015-2024

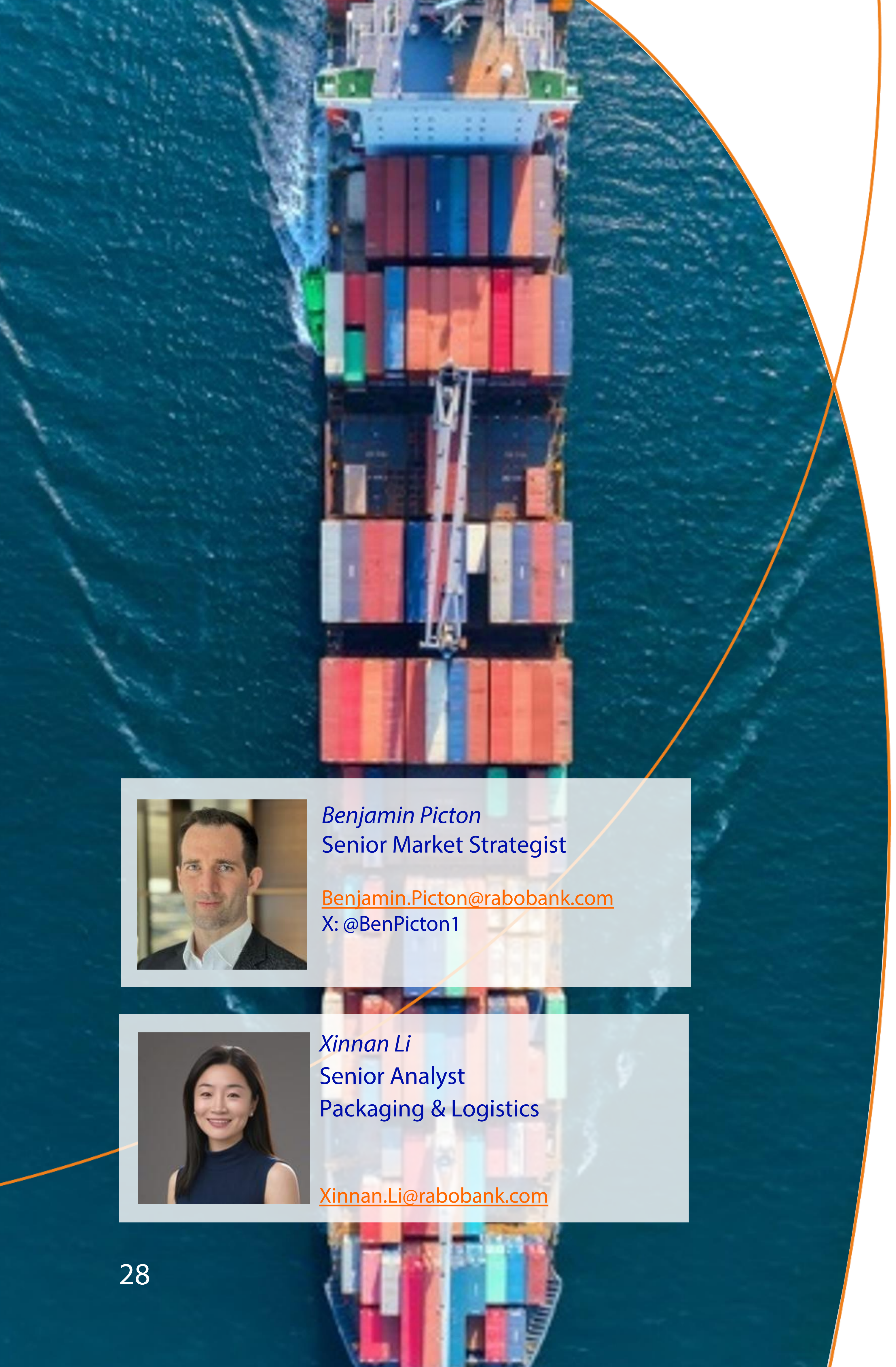



*Source:* *Macrobond, ABS, RaboResearch 2025*

### Australian inflation indicators, 2019-2024




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



# Oil and freight

## No shortage of supply

Brent crude oil prices rose more than 1% over the course of March to close the month above USD 73/bbl but remain well within the USD 69-USD 80/bbl range that has been established since August last year.

Threats of tighter US sanctions on Russia, Venezuela and Iran, along with concerns over the impact of tariffs, helped the market to rally modestly despite a strong supply outlook in the months ahead.

**In April, OPEC+ producers are expected to begin adding-back barrels that had been removed from the market through voluntary production cuts.** This means more supply in an already well-supplied market, even as the demand outlook remains subdued courtesy of growth slowdowns in the US and China and the ongoing switch to alternative fuels.

The futures curve suggests lower prices ahead, with the December 2025 contract currently trading at USD 69.78. **RaboResearch expects prices to average at USD 71/bbl in Q2 and USD 69/bbl in Q3.**

**Terminal operators and forwarders are changing hands.** Global logistics company DP World announced the acquisition of Australia's leading freight forwarder Silk Logistics last November, and it is currently getting attention from the Australia Competition & Consumer Commission for competition concerns.

CK Hutchison, a Hong Kong-based conglomerate, is disposing close to USD 23bn worth of global terminals, including those in Australia. This is likely to trigger reshuffling of terminal ownership on a global scale as operators buy and dispose terminal assets to meet regulators' anti-trust demands. BlackRock and MSC are among the interested parties. As geopolitics increasingly impact global trade logistics, reshuffling of assets on a global scale is imminent.

**The Baltic Panamax index (a proxy for grain bulk freight) has had an impressive recovery from the bottom in March.** However, US tariffs may negatively impact demand and thus weaken the index.

### *What to watch:*

- **OPEC+ increased supply** – OPEC+ is expected to begin adding back up to 180,000 barrels/day worth of oil production in April. Any news of delays or reductions to the planned supply increase could prompt a small rally in prices, while larger production increases could cause prices to fall by more than currently expected.


*Benjamin Picton*
Senior Market Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

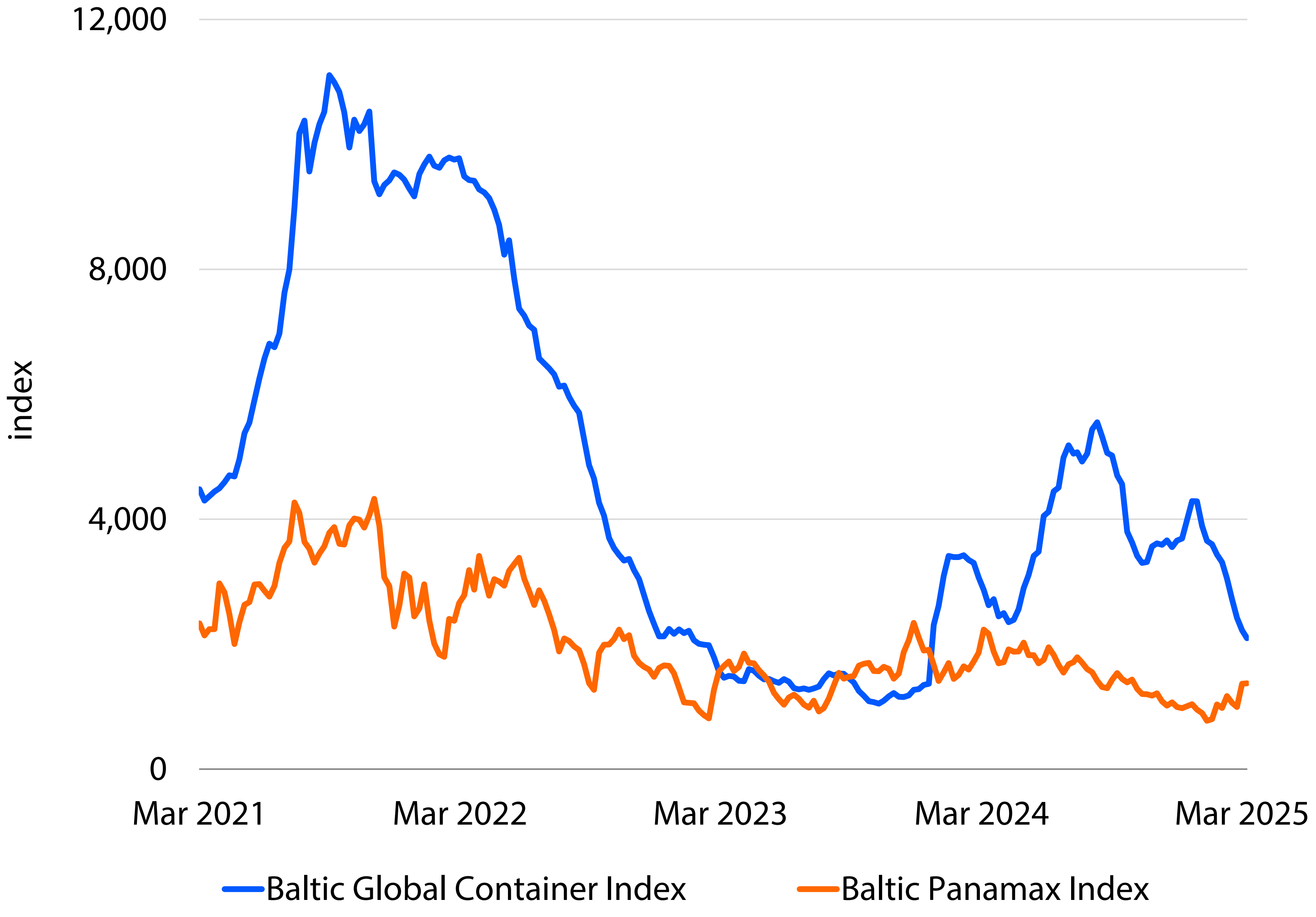
*Xinnan Li*
Senior Analyst
Packaging & Logistics

Xinnan.Li@rabobank.com

# Oil and freight

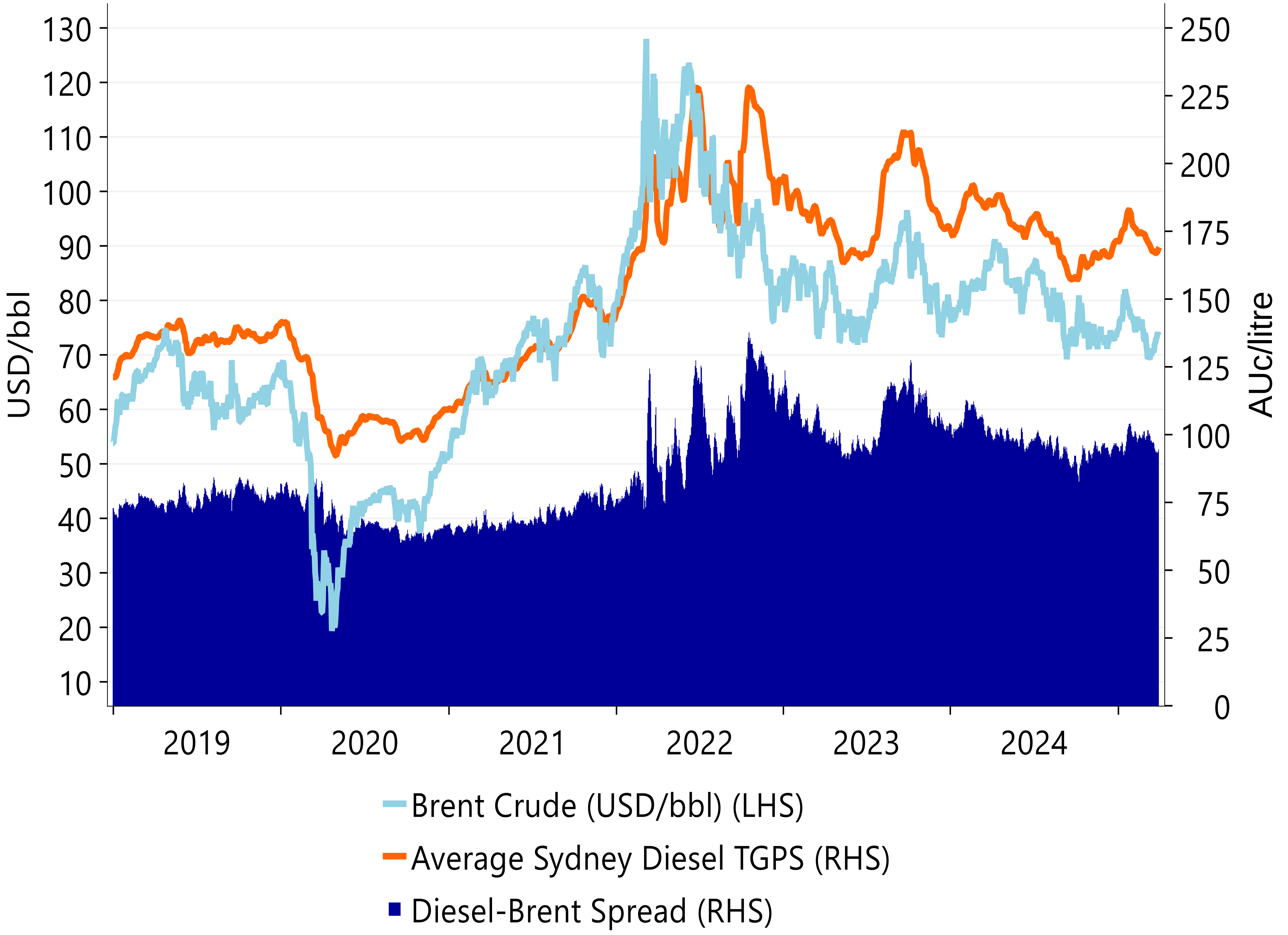
## Containerised freight rates continue to slide

*Baltic Panamax Index and Dry Container Index, Mar 2021-Mar 2025*




**Source:** *Baltic Exchange, Bloomberg, RaboResearch 2025*

*Brent crude versus Sydney diesel prices, 2019-2024*




**Source:** *Macrobond, ICE, AIP, RaboResearch 2025*

# Agri price dashboard

| 28/03/2025 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| **Grains & oilseeds** | | | | | |
| CBOT wheat | USc/bushel | ▼ | 541 | 566 | 560 |
| CBOT soybean | USc/bushel | ▲ | 1,034 | 1,025 | 560 |
| CBOT corn | USc/bushel | ▼ | 462 | 478 | 560 |
| Australian ASX EC Wheat Track | AUD/tonne | ▼ | 332 | 341 | 560 |
| Non-GM Canola Newcastle Track | AUD/tonne | ▲ | 746 | 745 | 560 |
| Feed Barley F1 Geelong Track | AUD/tonne | ▲ | 325 | 320 | 560 |
| **Beef markets** | | | | | |
| Eastern Young Cattle Indicator | AUc/kg cwt | ▲ | 687 | 654 | 600 |
| Feeder Steer | AUc/kg lwt | ▲ | 361 | 351 | 314 |
| North Island Bull 300kg | NZc/kg cwt | ▲ | 745 | 735 | 590 |
| South Island Bull 300kg | NZc/kg cwt | ▲ | 710 | 700 | 535 |
| **Sheepmeat markets** | | | | | |
| Eastern States Trade Lamb Indicator | AUc/kg cwt | ▲ | 785 | 774 | 597 |
| North Island Lamb 17.5kg YX | NZc/kg cwt | ▲ | 835 | 820 | 610 |
| South Island Lamb 17.5kg YX | NZc/kg cwt | ▲ | 815 | 800 | 590 |
| **Venison markets** | | | | | |
| North Island Stag | NZc/kg cwt | • | 920 | 920 | 865 |
| South Island Stag | NZc/kg cwt | • | 915 | 915 | 855 |
| **Oceanic Dairy Markets** | | | | | |
| Butter | USD/tonne FOB | ▲ | 7,550 | 7,200 | 6,413 |
| Skim Milk Powder | USD/tonne FOB | ▼ | 2,875 | 2,988 | 2,513 |
| Whole Milk Powder | USD/tonne FOB | ▼ | 3,994 | 4,050 | 3,125 |
| Cheddar | USD/tonne FOB | ▼ | 4,963 | 5,013 | 4,225 |

*Source: Baltic Exchange, Bloomberg, RaboResearch 2025*

# Agri price dashboard

| 28/03/2025 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| **Cotton markets** | | | | | |
| Cotlook A Index | USc/lb | ▲ | 78.9 | 78.0 | 96 |
| ICE No.2 NY Futures (nearby contract) | USc/lb | ▲ | 68.3 | 65.4 | 91 |
| **Sugar markets** | | | | | |
| ICE Sugar No.11 | USc/lb | ▼ | 19.4 | 20.6 | 22.5 |
| ICE Sugar No.11 (AUD) | AUD/tonne | ▼ | 680 | 685 | 715 |
| **Wool markets** | | | | | |
| Australian Eastern Market Indicator | AUc/kg | ▲ | 1,245 | 1,195 | 1,142 |
| **Fertiliser** | | | | | |
| Urea Granular (Middle East) | USD/tonne FOB | ▼ | 382 | 445 | 375 |
| DAP (US Gulf) | USD/tonne FOB | ▲ | 623 | 615 | 570 |
| **Other** | | | | | |
| Baltic Panamax Index | 1000=1985 | ▲ | 1,501 | 1,128 | 1,879 |
| Brent Crude Oil | USD/bbl | ▲ | 74 | 73 | 87 |
| **Economics/currency** | | | | | |
| AUD | vs. USD | ▼ | 0.628 | 0.631 | 0.652 |
| NZD | vs. USD | ▲ | 0.570 | 0.570 | 0.598 |
| RBA Official Cash Rate | % | • | 4.10 | 4.10 | 4.35 |
| NZRB Official Cash Rate | % | • | 3.75 | 3.75 | 5.50 |

*Source: Baltic Exchange, Bloomberg, RaboResearch 2025*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# Meet our RaboResearch Food & Agribusiness Australia and New Zealand team


**Stefan Vogel**
General Manager, RaboResearch Australia and New Zealand
+61 419 782 452
Stefan.Vogel@rabobank.com

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

**Ben Picton**
Senior Market Strategist
+61 408 571 012
Benjamin.Picton@rabobank.com
X @BenPicton1

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

**Jen Corkran**
Senior Animal Protein Analyst
+64 21 2412 139
Jen.Corkran@rabobank.com

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

**Anna Drake**
Sustainability Analyst
+61 437 772 949
Anna.Drake@rabobank.com

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

**Vítor Caçula Pistóia**
Agriculture Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com
X @victor_agri

**Paul Joules**
Agriculture Analyst
Paul.Joules@rabobank.com


**Rabobank Australia** Nearest branch call 1800 025 484 | www.rabobank.com.au