



NAB Rural Commodities Wrap

October 2024

Highlights



The **NAB Rural Commodities Index** edged lower in September – down by 1.5% month-on-month in Australian dollar (AUD) terms. In US dollar terms, the index moved a touch higher, up by 0.2% - reflecting the impact of a stronger exchange rate.

Trends among the individual agricultural commodities continue to differ. Both **wheat** and **sugar** prices moved higher in AUD terms in September – as wheat markets recovered from three-year lows recorded in August. In contrast, cattle and lamb prices drifted slightly lower, despite a tighter global supply outlook for beef across the next year.

Rainfall conditions were highly mixed in September, with below-to-very much below average levels in south west WA, northern Victoria and inland NSW, but above average in north WA and the NT. The BoM's forecasts for November through January see above average rainfall for southern and eastern Australia, and generally average conditions for the rest of the country. Temperatures are expected to be warmer than average.

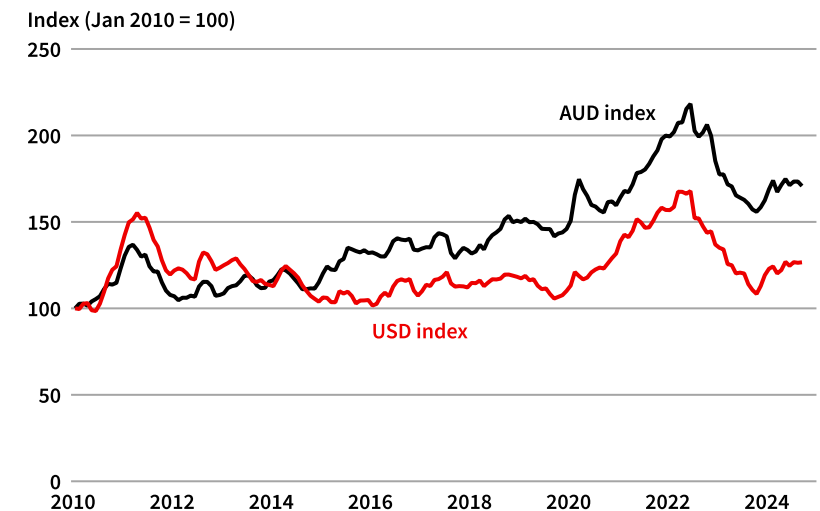
As measured by the El Nino-Southern Oscillation (ENSO) index, **climatic conditions** in Australia are neutral, with the BoM expecting these conditions to remain in place across summer and into early autumn. The likelihood of a La Niña appears to have reduced in recent months.

From a broader **economic perspective**, the US Federal Reserve joined a range of other advanced economy (AE) central banks in starting the rate cutting cycle in September, with a 50 basis point cut. The timing and scale of further AE central bank policy rate cuts will depend on progress on inflation and labour market trends. We have brought forward our first expected rate cut by the RBA to February 2025 (previously May).

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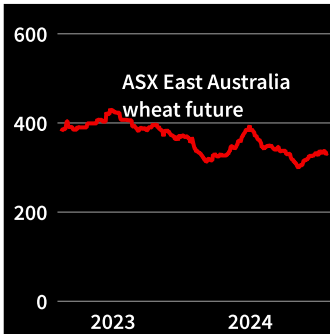
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NAB Rural Commodities Index



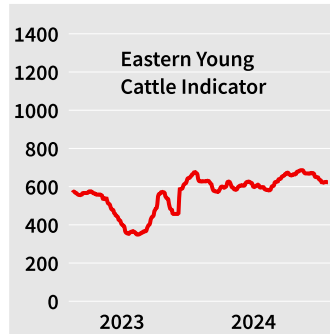
Source data: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg, Refinitiv, Macrobond

Outlook for major commodities



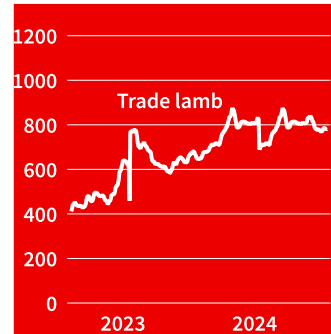
Wheat

Wheat prices recovered the losses recorded in August, with prices moving back up to around \$330/t by month's end – away from three year lows.



Cattle

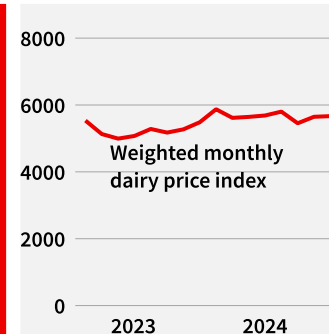
Cattle prices edged down across September, with the decline accelerating in early October – with the Eastern Young Cattle Indicator moving back to the lower 600c/kg range – despite a tighter global supply outlook.



Sheep

Trade lamb prices ticked higher in early September, before falling back below the levels seen in August – trending around 780c/kg.

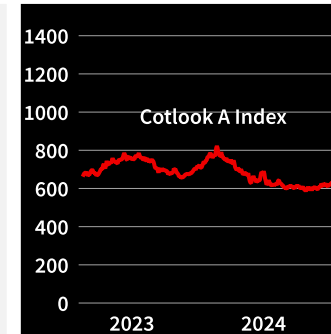
Wool prices tracked broadly sideways in September, following the late August dip.



Dairy

Our dairy price index edged marginally higher in September – up by 0.3% month-on-month – remaining broadly within the range seen since February.

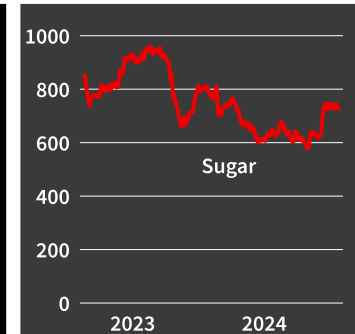
That said, there have been some diverging trends, with butter retreating from its peaks.



Cotton

From comparatively low levels in late August, cotton prices moved a touch higher across September.

Australian production is expected to fall in 2024-25, however global output should remain strong.



Sugar

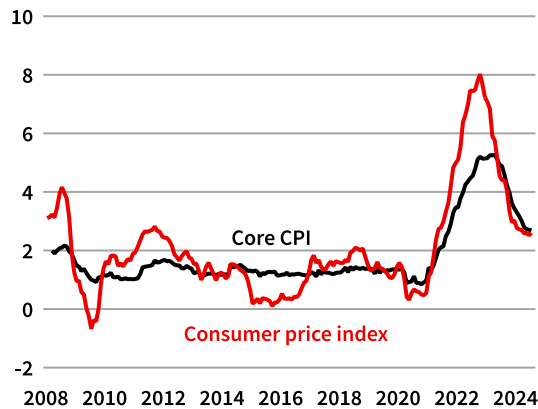
Sugar prices climbed dramatically in mid-September and retained these gains – above \$700/t.

Wildfires in Brazil – the world's largest sugar exporter – have likely had a substantial impact on the key growing region.

Economic update



Advanced economy inflation (% yoy)

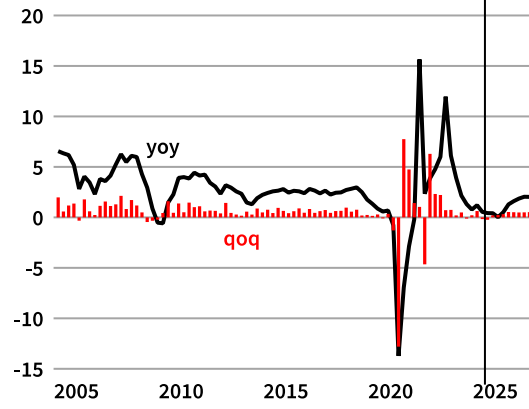


Global economy

Our global economic outlook remains broadly unchanged – with global growth remaining below its long term average in the period through 2026.

A key uncertainty at present is the impact of China's stimulus on its economic activity and domestic demand. We have argued that the monetary measures announced are insufficient to drive a rebound in activity – and widely anticipated fiscal stimulus has so far not been announced.

Real household consumption (%)

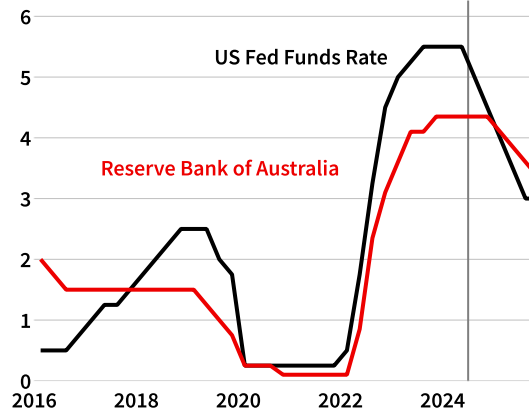


Australian economy

The domestic economy remains constrained by weak consumer conditions – reflecting the impact of tighter monetary policy and inflation.

Household consumption is forecast to improve across 2025 in line with a gradual improvement in incomes – reflecting the impacts of energy subsidies and tax cuts recently, along with further declines in inflation and policy rate cuts next year.

Central bank policy rates (%)



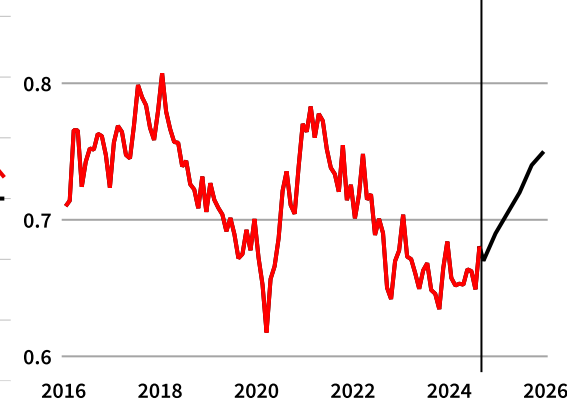
Interest rates

The US Federal Reserve joined a range of other advanced economy (AE) central banks in starting the rate cutting cycle in September, with a 50 basis point cut.

The timing and scale of further AE cuts will depend on progress on inflation and labour market trends.

We have brought forward our first expected rate cut by the RBA to February 2025 (previously May).

USD/AUD

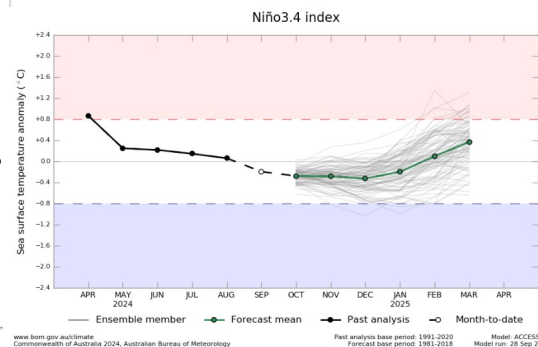
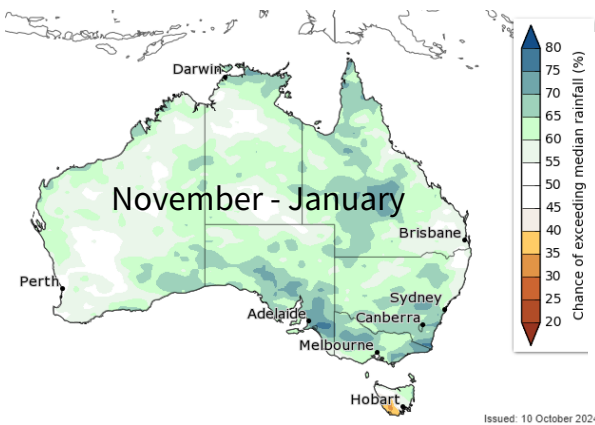


Currency

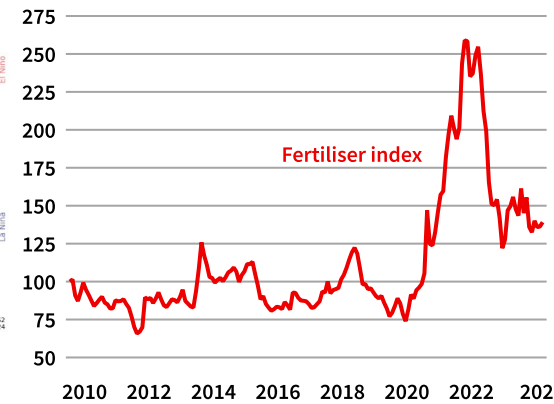
The AUD strengthened in September, following the steep cut to US interest rates, which put downward pressure on the “big dollar”, while the China stimulus announcement was also positive for sentiment.

With further rate cuts anticipated before the RBA starts its own rate cutting cycle, there is further upside to the AUD – we see the AUD moving up to US69c by the end of 2024 and US75c by the end of 2025.

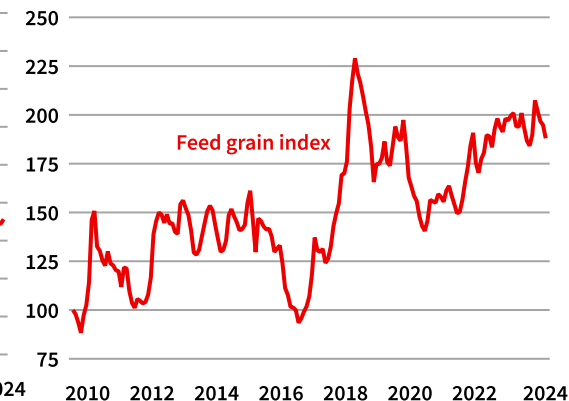
Seasonal conditions and farm inputs



A\$ Index (Jan-10 = 100)



A\$ Index (Jan-10 = 100)



Strong rainfall heading into summer...

Rainfall conditions in September were below-to-very much below average in south west WA, northern Victoria and inland NSW, but above average in north WA and the NT.

The BoM's forecasts for November through January see above average rainfall for southern and eastern Australia, and generally average conditions for the rest of the country. Temperatures are expected to be warmer than average.

...but climatic conditions likely to remain neutral

As measured by the El Nino-Southern Oscillation (ENSO) index, climatic conditions in Australia are neutral, with the BoM expecting these conditions to remain in place across summer and into early autumn.

The likelihood of a La Niña has fallen in recent months, with fewer of the international models tracked by the BoM pointing towards this outcome in October (compared with recent months).

Fertiliser up in September but within recent range

Fertiliser prices moved higher in September, rising by 2.0% month-on-month. This increase reflected a spike in US natural gas prices.

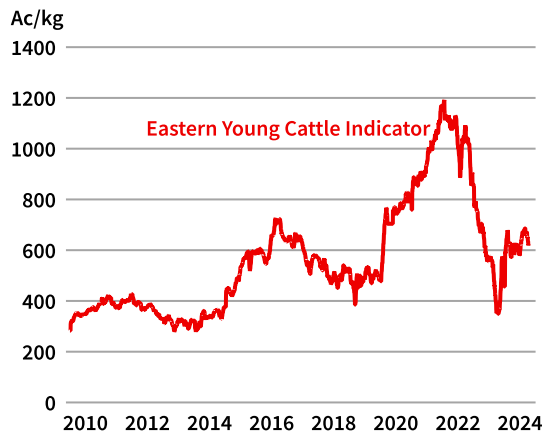
Broadly speaking, fertiliser prices have tracked sideways since April 2024 – with prices well off the peaks of early 2022 (following Russia's invasion of Ukraine) but well above pre-pandemic levels.

Sorghum pushes feed grain prices lower

Feed grain prices fell in September, down by 3.5%, with a steep drop in sorghum prices the main driver.

Despite this downward trend, feed grain prices remain elevated by historical standards.

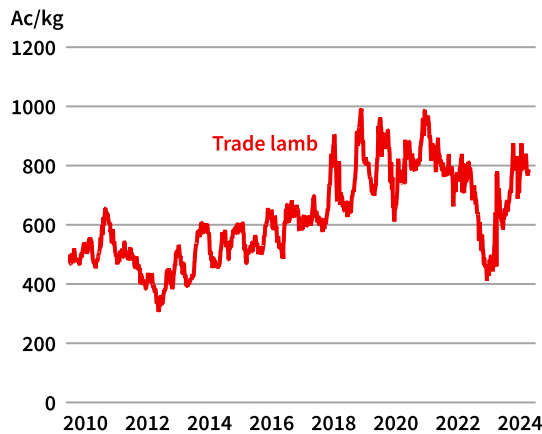
Livestock



Cattle

Cattle prices edged down across September, with the decline accelerating in early October – with the Eastern Young Cattle Indicator moving back to the lower 600c/kg range.

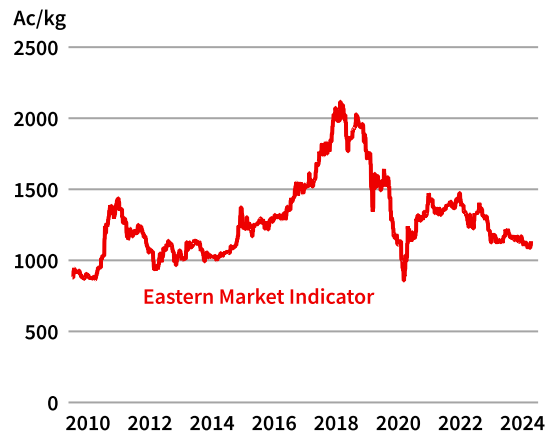
That said, the global supply outlook is tighter, with USDA forecasting US beef exports to fall by around 13% in 2025, limiting the downside price risk.



Lamb

Trade lamb prices ticked higher in early September, before falling back below the levels seen in August – trending around 780c/kg.

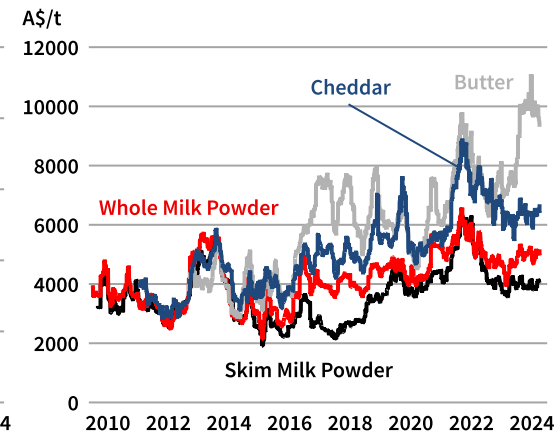
This meant that on average prices dipped by 0.9% in September.



Wool

Wool prices tracked broadly sideways in September, following a late August dip. In monthly average terms, prices fell by 1.9% in September to 1094c/kg.

Prospects for demand remain somewhat subdued given the weak economic outlook, reflecting wool's consumption in higher end discretionary products.

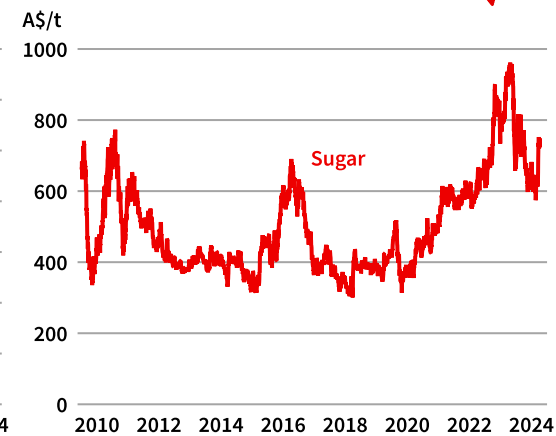
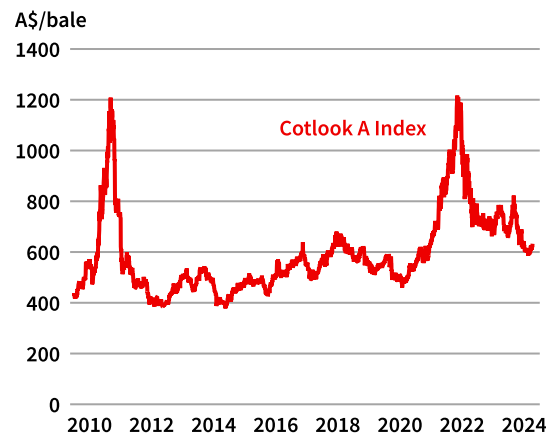
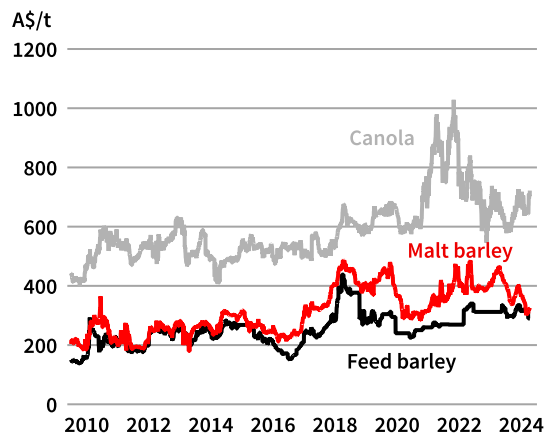
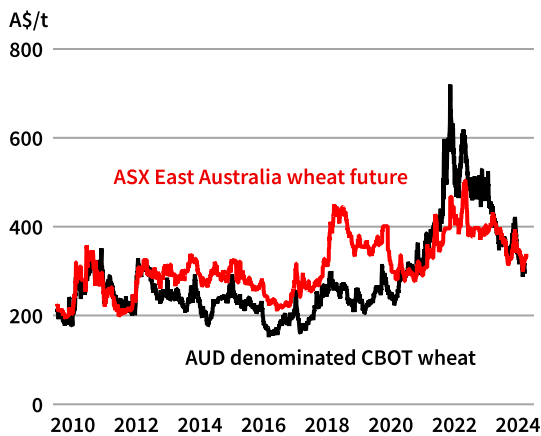


Dairy

Our dairy price index edged marginally higher in September – up by 0.3% month-on-month – remaining broadly within the range seen since February.

That said, there have been some diverging trends, with butter retreating from its peaks, while cheddar prices have moved a little higher.

Crops



Winter crop prices

Wheat prices recovered the losses recorded in August, with prices moving back up to around \$330/t by months end – away from three year lows.

Malting barley prices also saw some recovery across September, albeit not returning to the early August levels.

Canola prices climbed strongly in late September – moving back above \$700/t.

Crop production

ABARES' September crop forecasts see strong growth in winter production in 2024-25 – rising by 17% to 55.2 million tonnes. This would be the fifth largest crop on record.

Supported by the positive rainfall patterns, summer crop planting is expected to be above average in 2024-25.

Cotton

From comparatively low levels in late August, cotton prices moved a touch higher across September.

Australian production is expected to fall in 2024-25 (based on a reduced planting area), however global output should remain strong, with growth in the US and Brazil, which may add downward pressure to prices.

Sugar

Sugar prices climbed dramatically in mid-September and retained these gains – above \$700/t.

Wildfires in Brazil – the world's largest sugar exporter – have likely had a substantial impact on the key growing region. Expanded exports from Brazil had been a key driver of the downward pressure on prices from late 2023 onwards.



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