


North American agribusiness review

Rabobank

RaboResearch
Food & Agribusiness






April 2024

Report Summary

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Economy

Bumps in the road

US

- Recent inflation data continues to disappoint. **Key segments of core CPI inflation are cause for concern.** The decline in shelter inflation came to a halt in March and inflation in services less rent of shelter – which the Fed watches most closely, because it is assumed to largely reflect wage growth – continues to move in the wrong direction. Therefore, **we have shifted our forecast for the first Fed rate cut from June to September.** We no longer expect three rate cuts this year, but two. Looking into next year, we expect the Fed to pause its cutting cycle after two rate cuts in 2025. This is based on our assumption – based on current polls – that Trump will win the presidential election in November and impose a universal tariff in 2025 that will lead to a rebound in inflation.

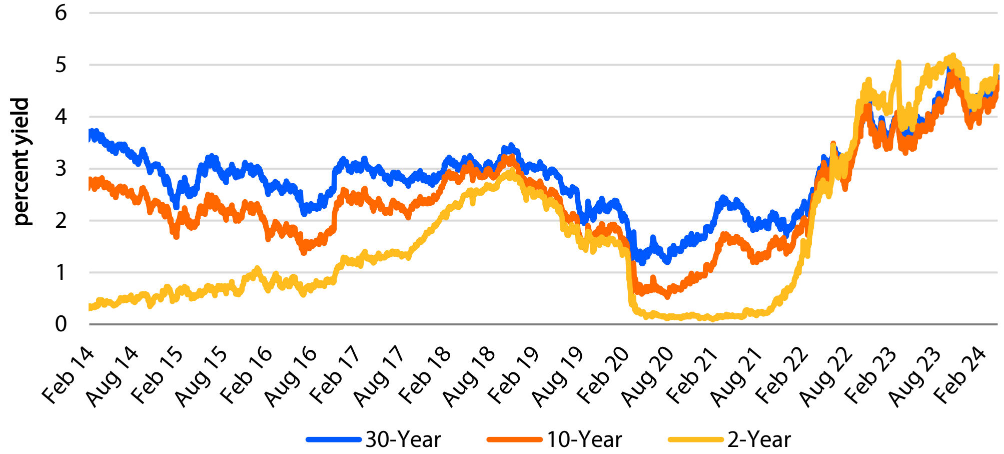
Mexico

- Banxico announced its latest rate decision on March 21st, when it decided to cut rates for the first time since 2021. The 25bp move brings the overnight policy rate down to 11.00%. It is interesting to note that the decision to cut rates was accompanied by an increase to the Bank's headline CPI inflation projections for this year from 3.5% to 3.6%. **We see more upside risks to inflation than downside risks in the coming months,** which is in line with Banxico's view. Our forecast for the end-of-year policy rate is unchanged at 9.50% as we are now assuming 25bp cuts at every meeting. Previously, we had expected Banxico to cut in 50bp clips during Q4. We expect USD/MXN at 18.20 at the 12-month horizon.

Canada

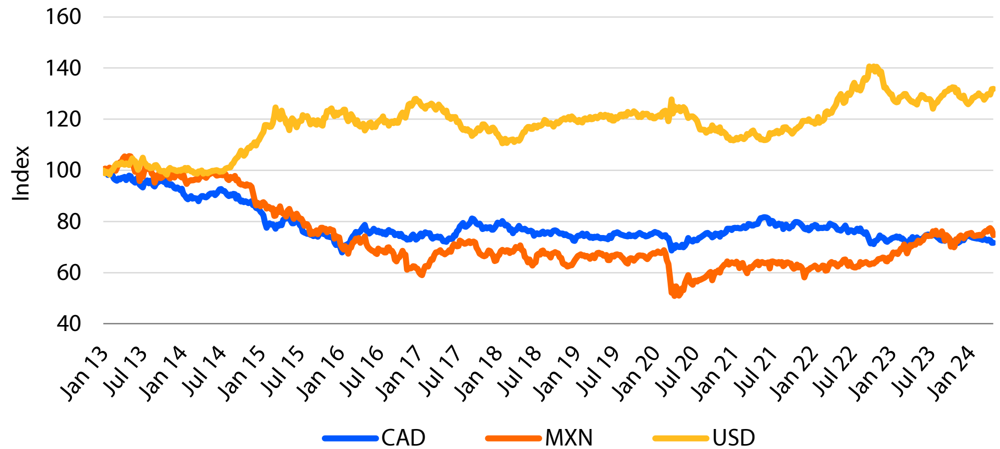
- The Bank of Canada left the overnight policy rate on hold at 5.00% at the April meeting. The Bank recognized that inflation is cooling but that **inflation is still too high and risks to the upside remain.** The BoC wants to see further evidence of a sustained downward trend in inflation before cutting rates, and will be focusing on the core inflation measure going forward. We have long held the view that the BoC will cut rates by 25bp at the June meeting and follow up with two further rate cuts before year-end. That said, the risk is skewed towards a later start and fewer cuts and we are cognizant there is a risk the Bank will wait for the July meeting, and a new MPR. We expect USD/CAD at 1.36 at the 12-month horizon.

Interest rates, 2014-2024



Source: *Federal Reserve of St. Louis 2024*

Currency indices, 2013-2024



Source: *Reuters 2024*
Note: *Rebased at 100 as of January 1, 2013*

Climate

El Niño's exit

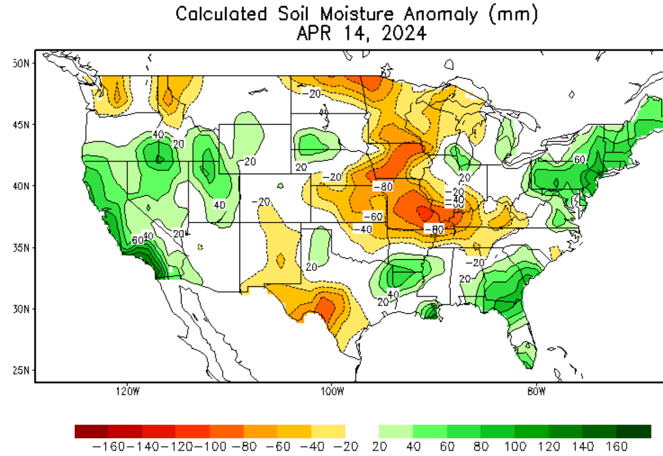
- Soaking rain across the Eastern Corn Belt, Delta, and parts of the Southeast in early April caused some local flooding and slowed fieldwork, though **nationally the planting pace on all crops is at or ahead of the historical average,** albeit just starting. Winter wheat in particular looks much better than last year from a crop condition score standpoint. With the average soil temperature reaching the desired 50 degree mark across most of the Corn Belt, timely spring plantings should continue.

- **Despite the improvements, some regions remain mired in drought,** particularly in the central and western Corn Belt. Several key areas, notably Iowa, continue to experience drought which could deprive these areas of the subsoil moistures needed for maximizing yield potential. Spring wheat in North Dakota is also concerning as dryness is keeping the pace of planting at the historical average, though more precipitation is needed. Deteriorating conditions in spring wheat regions remains a key risk to watch. Although no significant relief is anticipated for northern states like Minnesota and North Dakota**, the NOAA forecast predicts other Midwest drought-stricken areas to receive above-average precipitation during May.**

- **A sharp decline in already weak El Niño conditions developed in recent weeks.** Latest ENSO forecasts are shifting slightly warmer and drier across North America than previously. NOAA forecasts an 85% chance of transitioning from El Niño to an ENSO-neutral state between April and June 2024; thereafter, La Niña conditions will likely emerge between June to August 2024 (60% chance). These probabilities have consistently inched up in recent weeks as certainty strengthens. **This should mean favorable conditions for Canada with moderate temperatures and wet weather, yet elevates the risk of continued dryness in US spring wheat areas and northern states.**

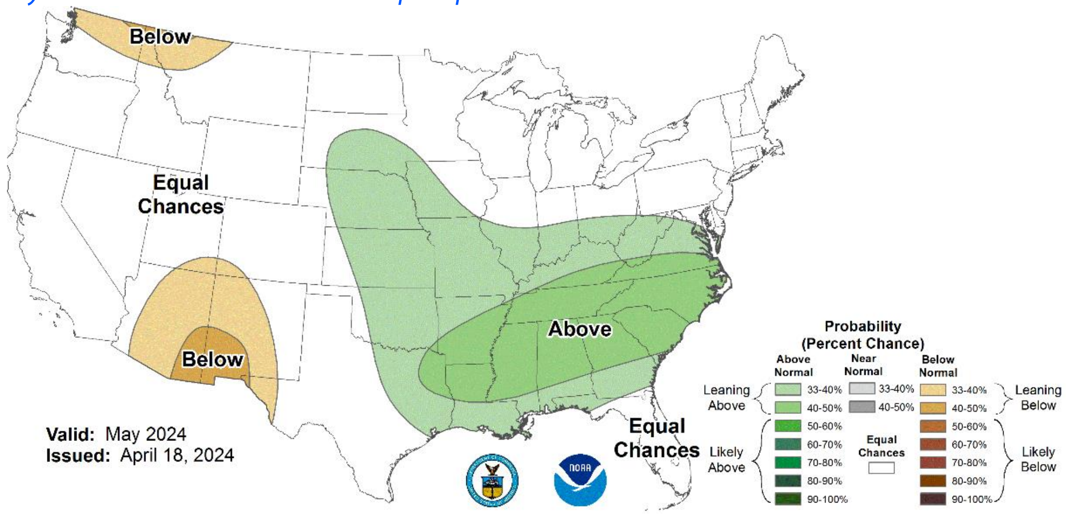
- **The 2024 summer should oscillate around the neutral-negative ENSO phase, while the La Niña threshold could likely be reached closer to August.** El Niño typically portends milder conditions in the northern United States and wetter conditions in the south. As we shift towards La Niña, the opposite effects often emerge, potentially leading to cooler, wetter conditions in the north and drier conditions in the south.

Dryness persists in central and Western Corn Belt, while Eastern Corn Belt gets some relief



Source: *NOAA, 2024*

May forecast shows above-normal precipitation across much of the Corn Belt



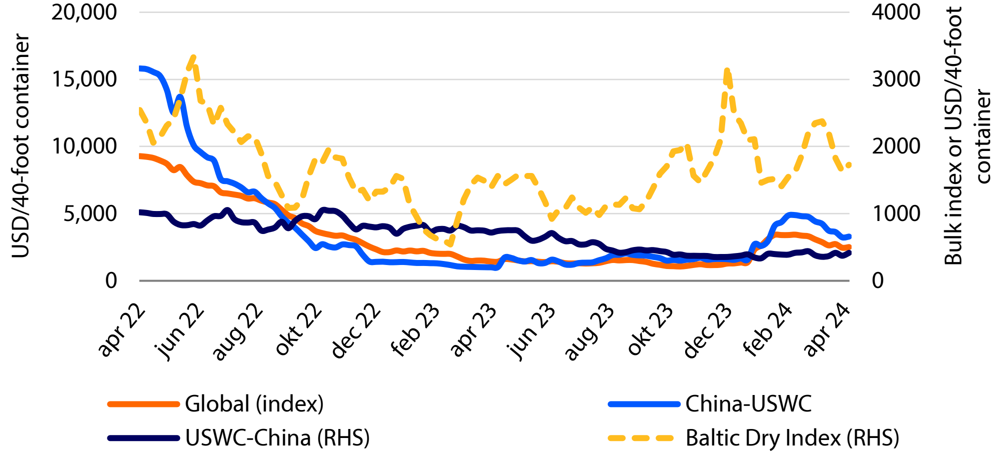
Sources: *NOAA, 2024*

Logistics

A deflationary year and a new normal

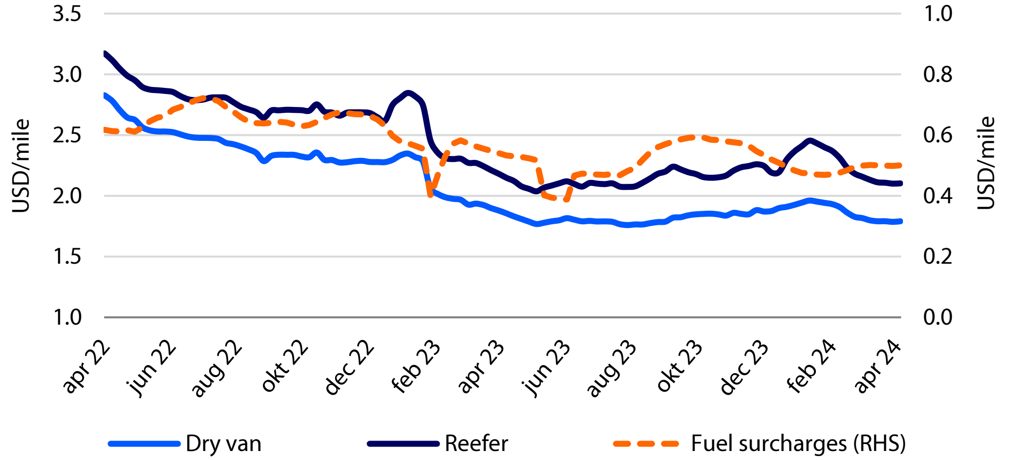
- **Freight rates have adjusted downwards after the initial shock from the Red Sea conflict,** although vessel passage through the Suez Canal remains severely limited. Conflicts and forced vessel re-routes are likely to persist into the second half of 2024, although new vessel and container capacity coming online should help alleviate capacity constraints. It seems that things on the other side of the ocean are also slowly easing. After a long dry season, the Panama Canal has finally started slowly increasing draft restrictions gradually allowing more transits. The drought at Lake Gatun this year, which feeds into the canal, has been the third worst since 1965 when data became available. More frequent droughts and wider swings between low and high water levels are observed. Global shipping is sensitive to weather pattern changes and other global events (e.g. the possible strike from the Canadian rail labor union negotiations in May). With possibly more volatility on the horizon, shippers should be agile in pivoting their transit routes and service providers.
- **The Port of Baltimore is preparing to resume limited operations by the end of April and to fully reopen by the end of May,** according to the US Army Corps of Engineers (USACE). Nearby East Coast ports (mainly Norfolk and NY/NJ) and surface transport providers are expanding hours and operations to manage diversions, minimizing disruptions from the event. While there is limited impact on shippers in terms of scheduling, carriers have imposed surcharges for rerouting.
- **US trucking demand remained soft** even though imports from Asia surged in Q1, 15.6% above 2019 levels. It drove up rates in relevant routes but was unable to single-handedly turn the demand around nationally. US average trucking spot rates have largely returned to 2019 levels and the general trucking Producer Price Index is roughly in line with overall producer inflationary growth. Capacity exits in the truckload market have significantly slowed in Q1 2024 while less-than-truckload (LTL) remains the poster child here, registering an 8% YOY growth in Q1 2024. We expect strong LTL demand and stable prices, with limited room for further increases until the macroeconomic condition improves.

Select ocean freight rates, Apr 2022-Apr 2024



Source: *Freightos, Baltic Exchange, Bloomberg 2024*

US dry van and reefer truckload prices, Apr 2022-Apr 2024



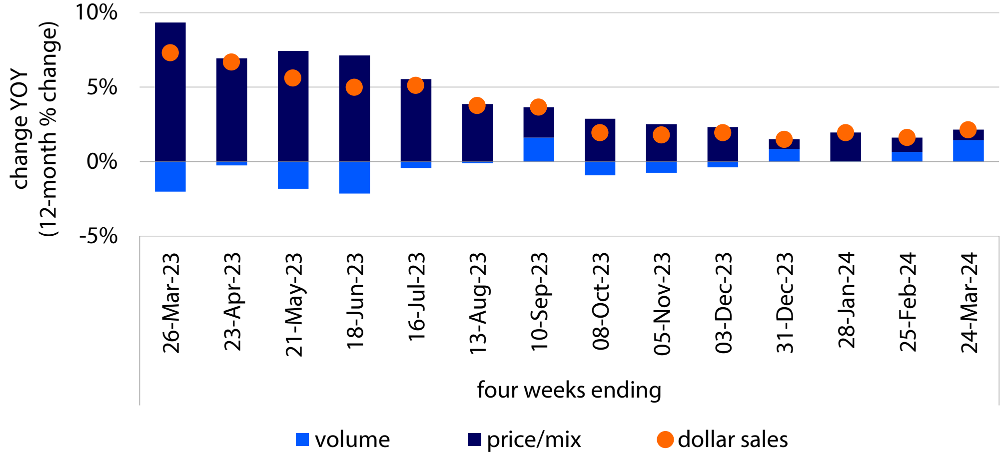
Source: *Truckstop.com, Bloomberg 2024*

Consumer retail and foodservice

Volumes recovering slightly as food manufacturers seek to sustain margins

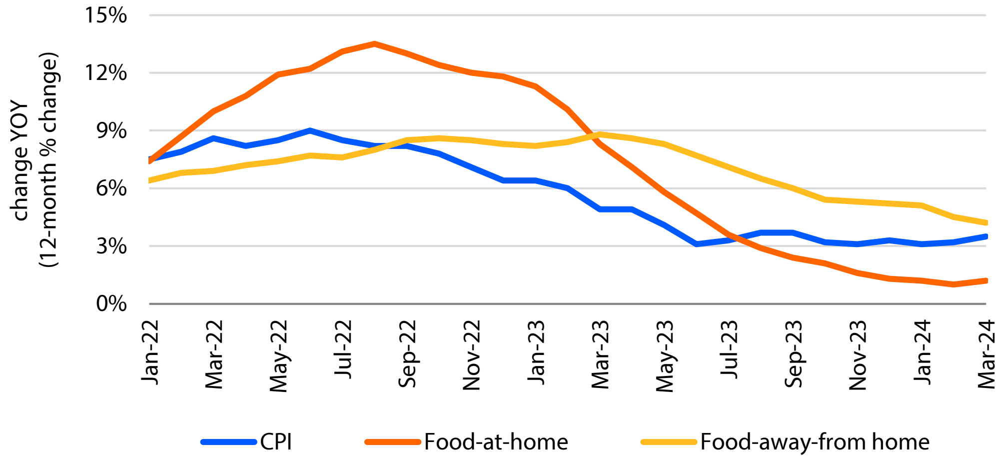
- **Volumes are coming back:** Volumes for combined grocery categories have started to recover from the losses seen throughout 2023, as inflation hit discretionary income and led to more cautious consumers. Volumes were positive or neutral in December 2023 and the first months of 2024, as prices somewhat stabilize to final consumers.
- **Pricing season is over:** Despite lower volumes in 2023, intensive pricing activity drove dollar sales up more than offsetting reduction in volumes. Pricing activity has deaccelerated along with food-at-home CPI and volume contraction.
- **Better margins and the search for lost volume:** pricing activity in the past 18 months, in addition to easing commodity prices in the same period, has allowed recovery in margins in 2024 and consequently promotional activities to restore volumes. Food manufacturers, however, remain attentive to sustain the current margin levels while continuing to regain volume.
- **Soft-landing, at least for food-at-home:** Persisting inflation continues to make headlines; however, food-at-home inflation has returned to pre-pandemic levels in 2024 (1.0-1.2%) adding to the positive momentum for volumes. We can't say the same for food-away-from-home, which is still above 4%, despite consistent easing in the past 12 months.
- **Supported foodservice spending:** inflation for food-away-from-home wasn't enough to curb spending at restaurants and drinking places: according to the US Census Bureau, consumer spend at foodservice establishments in March was up 6.5% from the same month the previous year, substantially above the 4.2% inflation measure in the segment in the same month.

Grocery item volumes have turned into positive territory as price/mix increases ease



Source: *Circana, Rabobank 2024*

Easing food inflation besides persisting all-item CPI



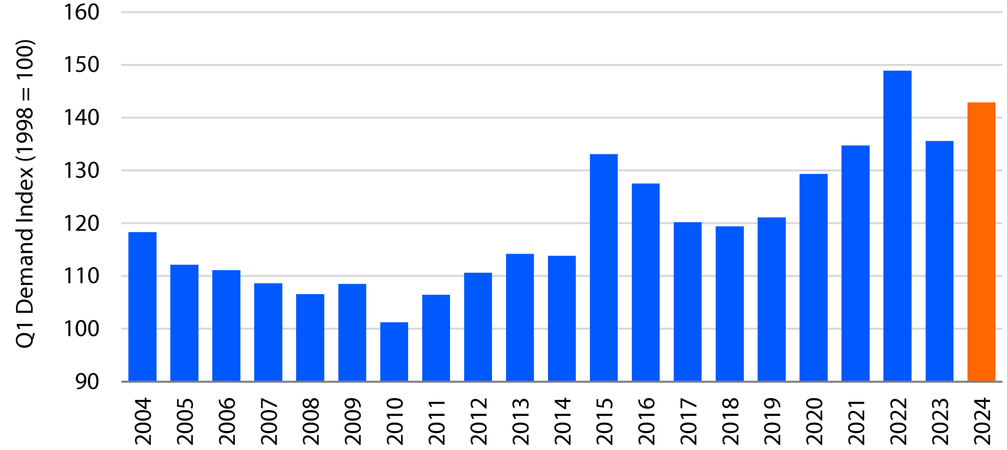
Source: *US BLS, Rabobank 2024*

Cattle

Beef and cattle demand begins the year historically strong, supply pressures remain prevalent

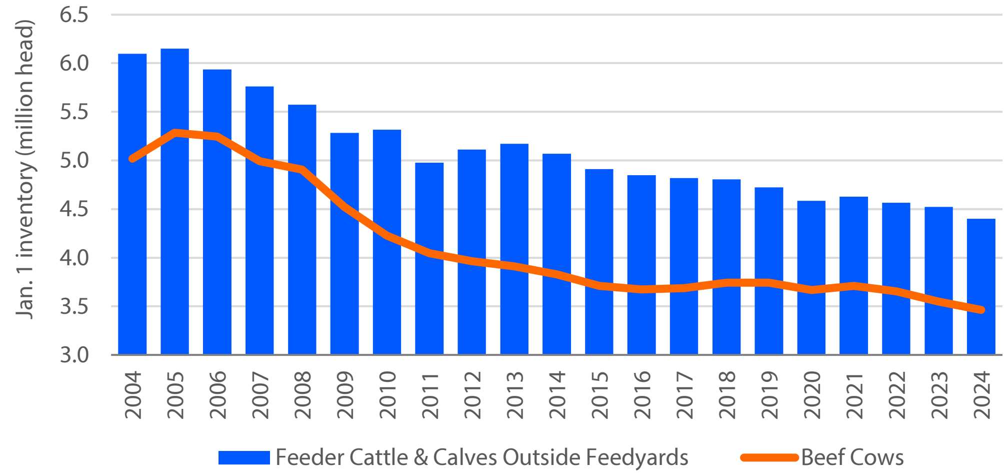
- **US beef and cattle demand posts early 2024 highs.** The USDA all-fresh beef retail price was at USD 7.89/lb. in March. A new all-time high for that month. The stronger price trend pushed first-quarter 2024 consumer beef demand to its second-highest level in the last 30 years. Similarly, the March USDA comprehensive boxed beef cutout value averaged USD 309/cwt., while fed steer prices were USD 187/cwt. Those marks produced demand highs for those markets not seen in 25 years or more. First quarter prices were 7% to 11% higher than year-ago in these markets, while estimated per capita beef supplies were steady at 14.6 lbs.
- **Early 2024 US beef imports expand, exports shrink.** The USDA has released January and February trade data, and the beef trade deficit continues to widen as beef production declines. Year-to-date imports are up 206.5m lbs. (32%) with Australia (86m) and Brazil (64m) leading the growth. Exports were down 16.7m lbs. (3%) with Japan (17m), South Korea (6m) and China (6m) seeing the largest year-over-year declines.
- **Feed yards continue to add weight and days to cattle.** Extreme winter weather to start 2024 provided a brief setback to weights, but since early February lows, carcass weights have trended contra-seasonally higher. Winter and early spring feeding conditions have been mostly favorable to cattle performance and declining costs of gain are incentivizing feedyards to add days on feed and weight to cattle. March steer carcass weights will average of 923 lbs., which is 24 lbs. larger than last year and a new record for the month.
- **Drought pressures Canada cattle inventories lower.** The January 1, 2024, total supply of cattle and calves was reported at 11.1m head – declining 240,000 head compared to the previous year. Declines were prevalent across nearly all classes of cattle. Beef cow inventories declined 84,000 head to 3.5m. The national beef cow herd is now the smallest since 1989. Five-consecutive years of herd liquidation reduced feeder cattle and calf supplies outside of feedyards by an additional 123,000 head to 4.4m head. Expect these reductions to reduce feedyard inventories and cattle slaughter over the next several years.
- **Mexico export growth shifts from beef to cattle in the US market.** Through February 2024, cattle exports to the US are 10% higher than a year ago, while beef exports are down 17%. Even with falling beef sales, total carcass-weight-equivalent-exports are 15% above 2023 levels. Mexico feeder cattle prices are currently MXN 65/kg, which is 9% higher than last year. Expect stronger US beef and cattle demand to support prices as buyers supplement declining domestic production with Mexico supplies. Ample domestic cattle numbers are allowing Mexico beef production gains, even with stronger cattle exports. The result is a stable year-to-date cutout, averaging MXN 96/kg.

First quarter US consumer beef demand remains resilient



Source: *USDA, Census, BLS, Kansas State University, Rabobank 2024*

Cow herd contraction continues to reduce available Canada cattle supplies



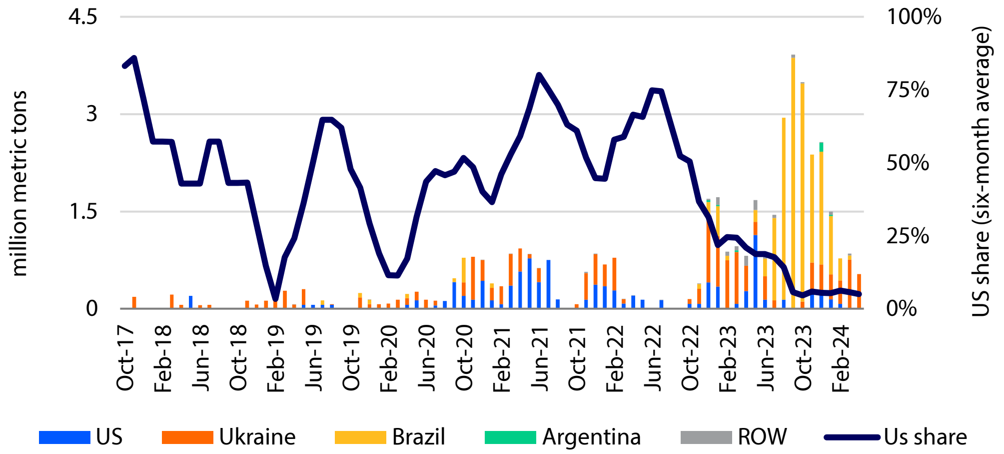
Source: *Stats Canada, CanFax, Rabobank 2024*

Corn

Chinese and South American crops a bad sign for US corn exports

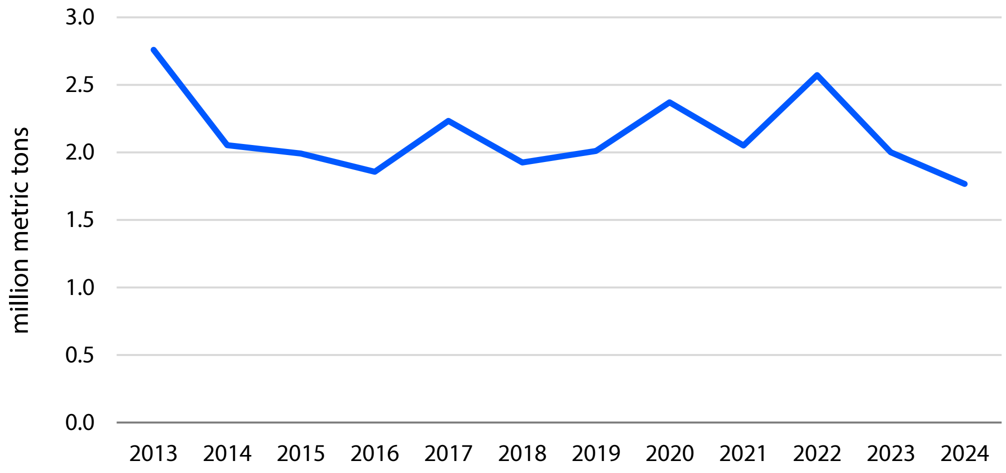
- **Smaller-than-expected numbers in the March 28th projected plantings report provided a small reprieve for corn markets** that are now in search of the next piece of positive news. This far into the old crop year, the WASDE is pretty static, meaning the market will look to South America and increasingly to progress out of the Northern Hemisphere for guidance.
- **Wide disparities in the size of the South American crop, with the USDA consistently at the high end of those numbers, are packing some volatility into the markets.** An additional challenge is that the USDA and CONAB, have become increasingly misaligned in recent years on even "final" numbers for the Brazilian crop. The USDA's estimate for Brazil's 2022/23 production, for example, exceeds that of CONAB by over 5m mt – an order of magnitude that would have significant market implications if and when it is resolved. For its part, Rabobank Brazil is projecting 2023/24 Brazilian production of 123m mt – much more in line with the USDA number.
- **With regards to 2024/25 US production, industry consensus is that farmers will find a way, to get corn acres at least to 91m,** particularly given that planting conditions have been good with topsoil moisture benefiting from timely rains. While the new crop has gotten off to a good start by all accounts, marketing it has been much more challenging. New marketing year export sales through early April are proceeding at their slowest pace in at least a decade. Although Mexico has pumped the breaks somewhat, by far the biggest factor in the downturn has been the continued absence of China from the bargaining table. In many ways this is suggestive of a continuation from 2023 when the US share of Chinese imports fell below 5% – a level not seen since the height of the trade war. In reality though, things could be significantly worse as low corn prices (and record production) within China reportedly have officials entertaining the idea of limiting where imported corn can move within the country.
- **Domestically, things don't appear much better for demand.** Ethanol stocks have been building since February, with production taking a slight downturn in recent weeks. Bigger still is the threat of the unknown in a bird flu surge that has been plaguing the US poultry sector going on three years and has now made the jump to dairy cows. While the virus has not been fatal to cows, it does suppress appetite making it an unwelcome development for corn. Furthermore, the jump to a mammalian species raises concerns about what types of restrictive steps the government may take to limit the virus' spread to humans.

Chinese corn imports by origin



Source: *USDA Rabobank 2023*

New marketing year corn export sales



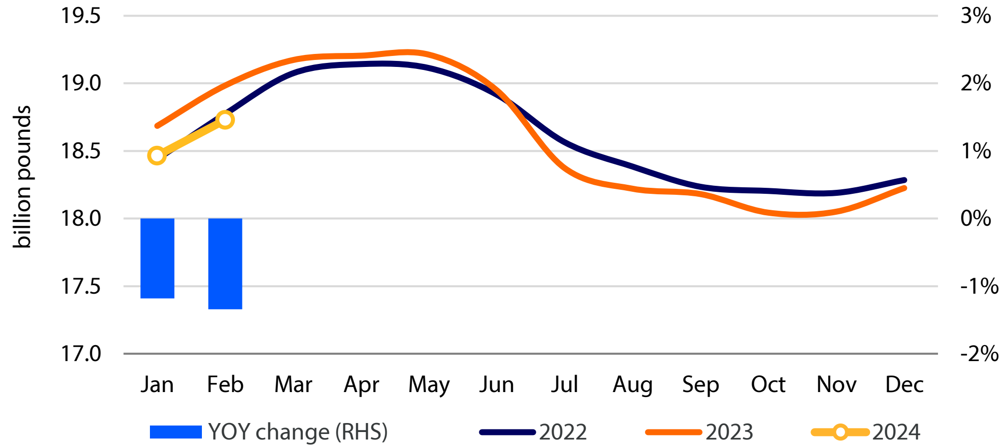
Source: *USDA*

Dairy

Milk production marks eighth consecutive decline in February; low cheese prices prevent farmer margin recovery

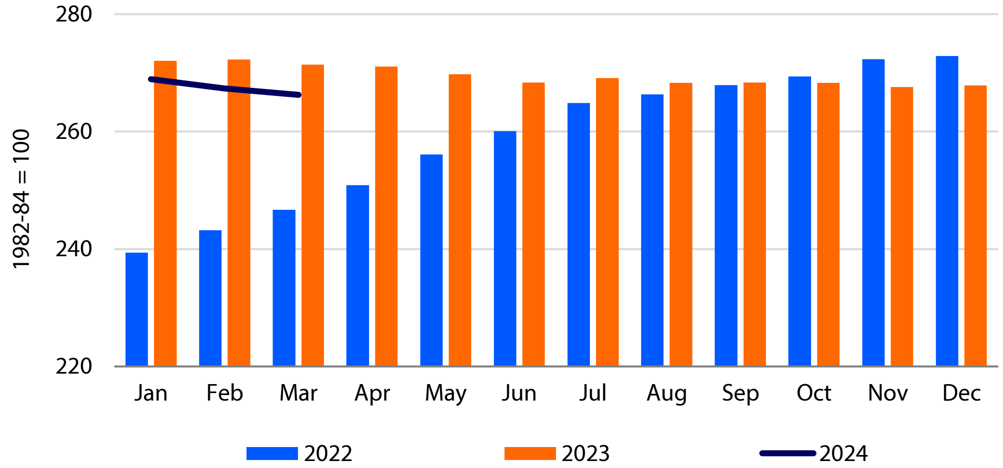
- **February milk production dropped 1.3% on a leap-year-adjusted basis, marking the eighth consecutive month of weaker year-over-year output.** January volume was revised lower, down 1.2% versus the initially reported 1.1% decline. Fewer cows and poor yield again translated into lower production; there remain limited signs of a near-term recovery in milk output as farm-level profitability remains elusive. To date, the HPAI spread throughout a small number of herds has not had a negative impact on milk output.
- The herd grew by 10,000 head in February following the steep 28,000 head January decline. **Cow numbers remain near 2019's low** and are down 89,000 head YOY. The February increase was slightly misleading and almost solely driven by Texas, up 10,000 head in the month.
- Milk per cow was down a leap-year adjusted 0.4%, following January's 0.3% drop. **Yield has been lower YOY in six of the past eight months, showing abnormal weakness opposite** the long-term average of 1% YOY growth.
- Total February cheese production fell 0.6% on a leap-year-adjusted basis, the third YOY decline. Output was down 0.8% in both the Central and Western regions, but up 1.4% in the Atlantic region. The weakness was driven by less American-style volume, a trend consistent with January cheese production as well, with output down 4.7% on a leap-year-adjusted basis. **Cheddar output caused the lower American production in February, with volume down 7.2% YOY.** Opposite the American-style decline, total Italian-style production increased 0.8% YOY, despite a 0.3% mozzarella output drop.
- Butter production grew 1.9% YOY in the third monthly increase. Even when adjusted to a daily average basis to account for Leap Day, it marked **the largest February butter output on record.** Strong volume and climbing stocks lean bearish, but regardless, the butter price has maintained its strength in recent weeks as concerns about availability later in the year remain.
- **Combined nonfat dry milk/skim milk powder production was down 19.3% YOY** on a leap-year-adjusted basis and signified the ninth consecutive month of lower output. Stocks decreased by 2.6m pounds in February to total 209.6m pounds but are down 106.2m pounds YOY.
- Exports improved in February to drive the first YOY gain since January 2023, helped by strength in cheese, nonfat dry milk, and whey powder. **Cheese shipments impressed and achieved record-high monthly volumes when measured on a daily average basis.** Competitive US cheese pricing in Q1 helped drive the higher export volume. In nonfat dry milk, February exports improved versus the prior year following a 14% decline in January, driven by Southeast Asian demand offsetting weakness to Mexico.
- The year-on-year dairy consumer price index signified the **seventh straight decline** in March as dairy product price deflation persists.

US milk production (30-day months), Jan 2022-Feb 2024



Source: *USDA NASS, Rabobank 2024*

Consumer price index: dairy and related products, 2022-current



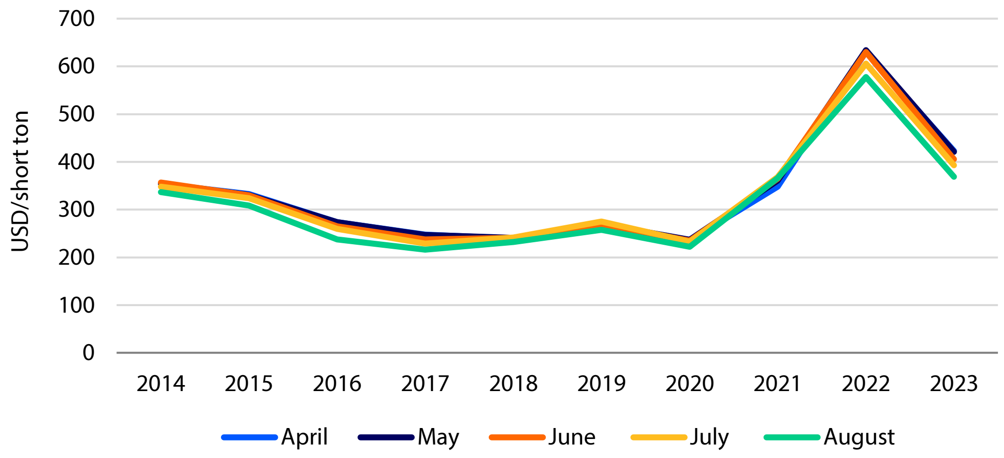
Source: *Bureau of Labor Statistics 2024*

Farm Inputs

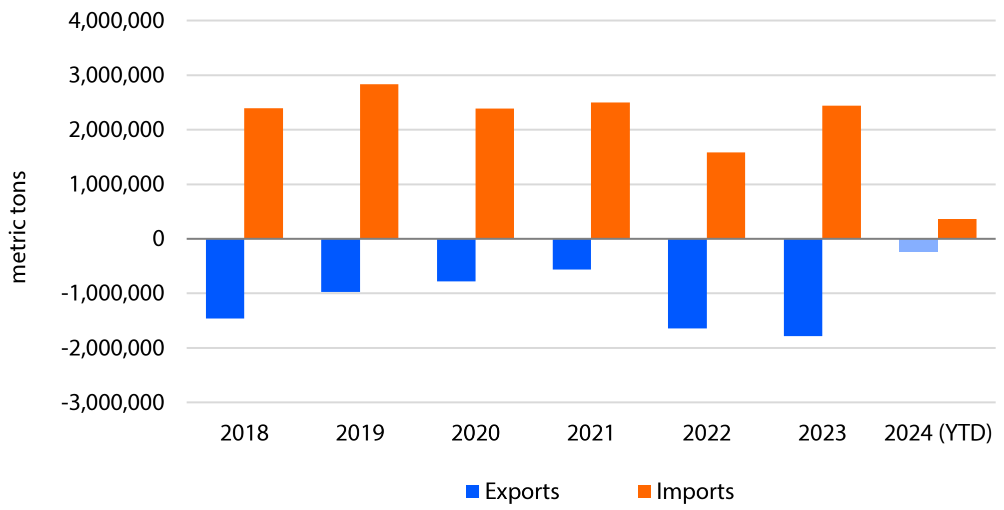
UAN looking ok

- **The most exposed fertilizer to the closure of the Baltimore port was/is UAN.** Coinciding with peak(y) seasonal pricing patterns and decisions still being fluid makes this a product worthy of some words this edition.
- Let's start by acknowledging some assumed facts of the port's relevance to US fertilizers. About 0.4-0.6 mt of fertilizers are imported through the Baltimore (MD) port terminal in an average year. **The largest individual fertilizer product to come through the port has tended to be UAN, accounting for ~15% of US UAN imports.** Russia has been the predominant country of origin of this product. April, May, June and August have often been some of the busiest months for the port, by fertilizer volumes. It is worth noting that volumes of urea and potash do come in through this Eastern terminal.
- All this written, **it is important to temper fears of growers of the potential impact of the port closure,** not least because it looks like it may in fact be operational ahead of previous worst case scenarios. Retail prices for UAN show all the usual cadences of seasonal cyclicality, often peaking in price in May. This seasonal spread has tended to be quite tight, with price inflections March-to-May over the previous ten years seldom in excess of 5% (at the retail level).
- **Imports have been robust over the last 12 months.** Volumes from Russia have rebounded, and though the data is lagged, YTD imports of UAN appear to have gotten off to a decent start in the first two months of the year when measured against the three-year average. **Most importantly, the price response to the closure has been muted** at best; little response at the wholesale level West of the Mississippi, and East cost UAN wholesale prices are now trading below the March 26th price quote.
- **This does not, however, mean there is no room for regional pricing divergence.** It is likely that UAN in the Eastern Corn belt will at times trade at a premium to those prices in the Western Corn belt if the port's closure persists. However, volumes are likely to be rerouted and supply met.

UAN retail prices: seasonal trends within tight parameters



UAN trade: exports are the 'flex volumes', with imports bouncing back in 2023



Sources: *CRU, USDA, Bloomberg, DTN, Rabobank 2024*

Feed

Prices continue to decline on ample supplies of DDGS and soybean meal

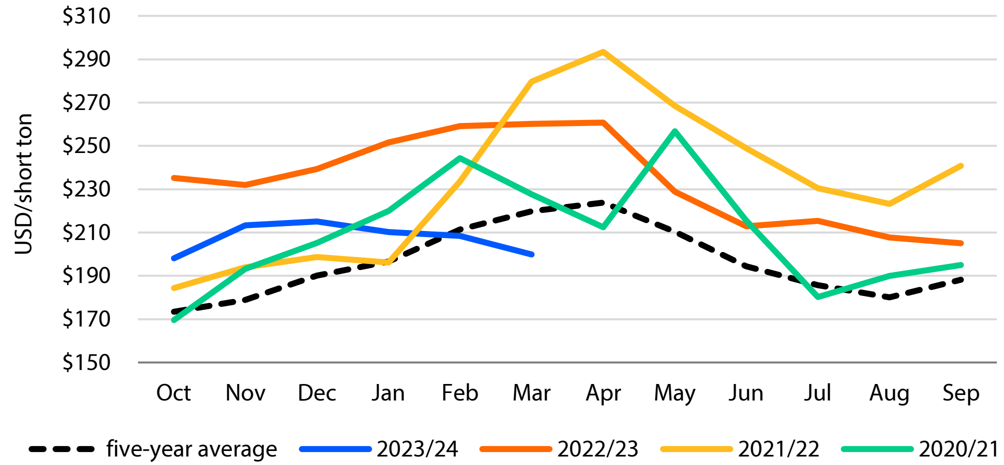
DDGS prices

DDGS prices continue their downward trend as strong ethanol production continues. DDGS prices marketing-year-to-date are 16% lower than same time last year, as ethanol production continues to increase adding DDGS supplies into the feed market. Prices have finally gone below the five-year average with March prices falling below the USD 200/st.

Soybean meal prices

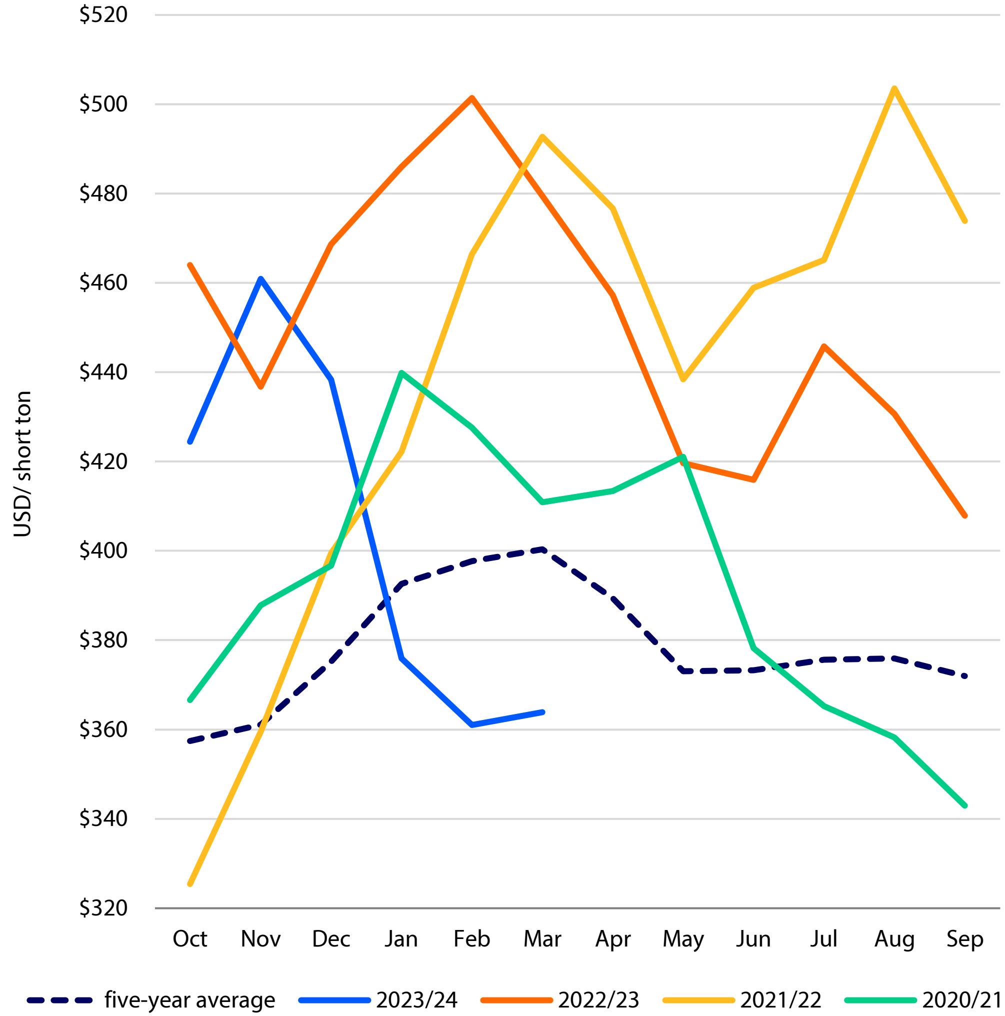
Soybean meal is being pressured by strong crush volumes. The US continues to see strong crush volumes increasing the volumes of soybean meal. More importantly, record exports have kept prices higher but with Argentina's soybean production going back to normal, US soybean meal exports will meet some competition and likely add pressure to prices globally and domestically.

DDGS prices starting to decline as ethanol production recovers



Source: USDA , Rabobank 2024

Soybean meal prices in Central IL relative to previous marketing years



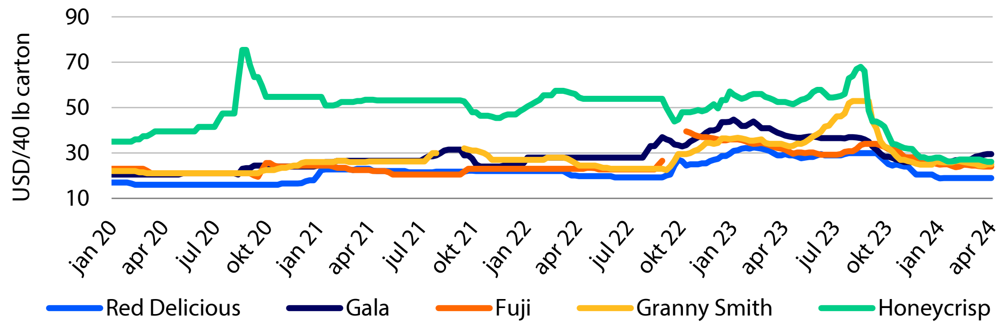
Source: USDA,, Rabobank 2024

Fruits

Navel orange prices up despite increased availability signaling healthy demand

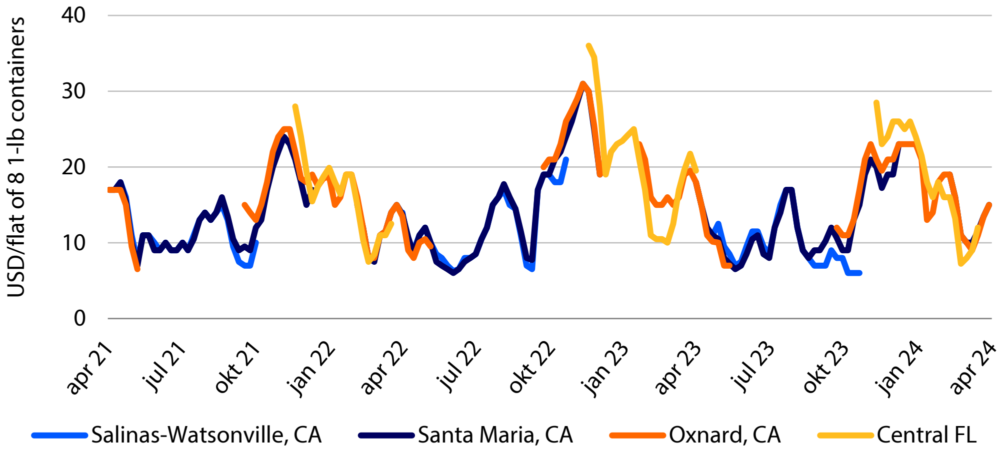
- **Strawberry** shipping-point prices are around USD 15 per flat for non-organic fruit (down 17% YOY for product from California) by mid-April. Shipments are ahead of last year's. Strong availability is expected during the rest of the spring. With harvest ramping up in Florida, and favorable prospects for US production this season, fresh **blueberry prices** are entering the spring shoulder of the season. Shipping-point prices for conventionally-grown fruit were close to USD 4 per pound, up 3% YOY. The organic price premium sits just over 40% by mid-April. Demand for berries is expected to continue strong this summer.
- **Lemon** shipping-point prices -140s- were just over USD 31 per carton, up 2% YOY, surpassing the five-year average for mid-April by 9%. The California lemon crop will decline in 2023/24 to 22m boxes, down 15% YOY, per USDA estimates. **Navel orange** production in California is estimated to reach 38m boxes, up 5% YOY in 2023/24. Despite a larger crop, Navel orange shipping-point prices -88s- were around USD 25 per carton, up 28% YOY, by mid-April. California **Valencia orange** production in 2024 is forecast to reach 8m boxes, down 7% YOY, while Florida Valencia orange crop will rebound 24% YOY to 12m boxes.
- **Avocado** availability in the US has been steady overall. Shipping-point prices for 48s are around USD 50 per carton, up 40% YOY, by mid-April. California crop is expected to be down 12% YOY, while shipments from Peru will also be down YOY. Prices are likely to increase this summer.
- Downward pressure on **apple** prices continues as availability is significantly improved after the 2023 harvest. By mid-April, shipping-point prices of non-organic Honeycrisp, Red Delicious, Granny Smith, Fuji, and Gala were down 50%, 36%, 25%, 24%, and 22% YOY, respectively. US fresh apple holdings on April 1, 2024 totalled 68m bushels, up 36% YOY and 29% higher than the April five-year average. Honeycrisp inventory is up 97% YOY, per industry figures.

Washington apple shipping-point prices, 88s – WA Extra Fancy, 2020-24



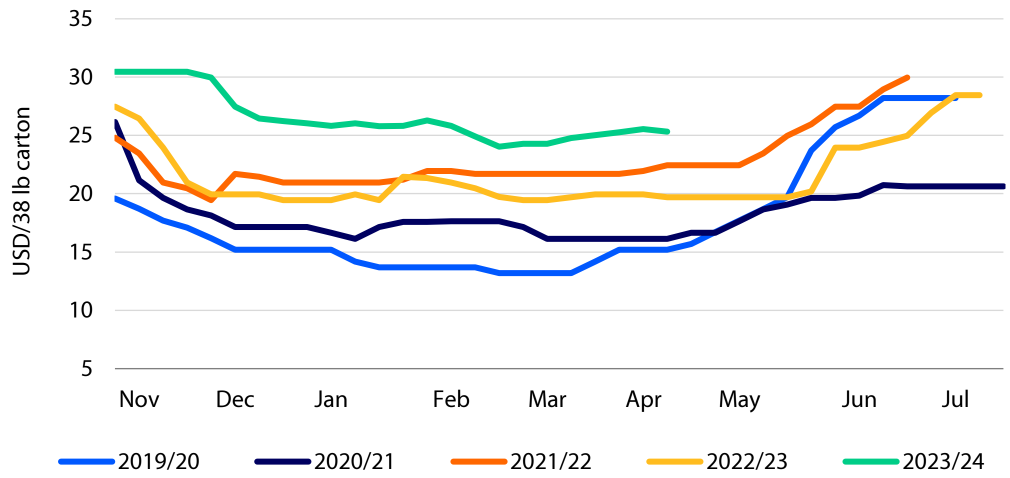
Composite of fine appearance and standard appearance prices
Source: USDA AMS, Rabobank 2024

Strawberry shipping-point prices – primary US districts, 2021-2024



Source: USDA AMS, Rabobank 2024

Navel orange shipping-point prices, 88s – shipper's first grade, 2019/20-2023/24



Source: USDA AMS, Rabobank 2024

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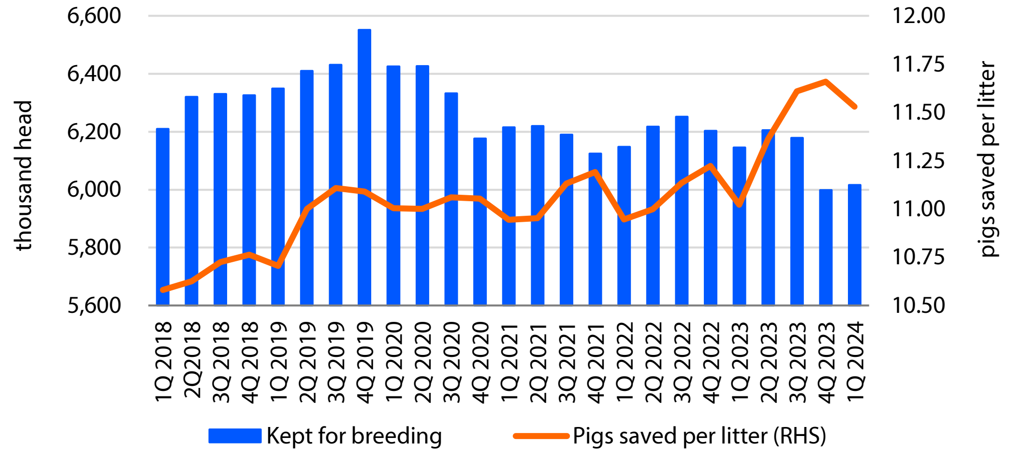
Pork

Strong exports and limited supply growth help industry return to profitability

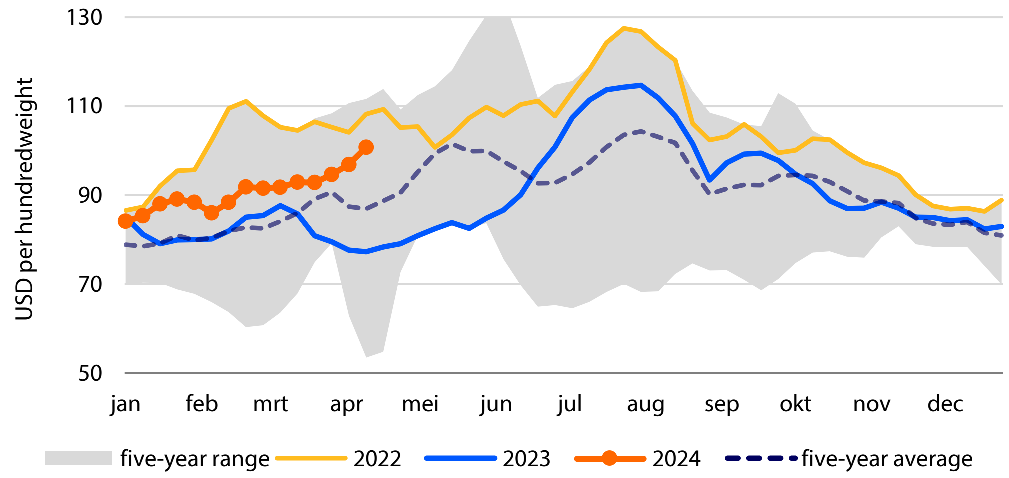
- **The March USDA Hogs and Pigs report continued to show that modest declines in the breeding herd (-2.1% YOY) were more than offset by increases in productivity (+4.6% YOY).** Improved herd health and the elimination of less productive sow units have combined to boost pigs per litter. YTD sow slaughter increased 5% YOY due to depopulation efforts early in the quarter, yet average weekly slaughter normalized in recent weeks and raises some concerns the industry will be capacity constrained by late Q4 2024. YTD barrow and gilt slaughter is flat versus the prior year, however, and should continue to trend higher this spring/summer given expected market hog availability. Hog prices have responded to stronger packer demand and expectations for limited supply growth, up 21% YOY. This price recovery, together with lower feed costs, has restored producer profitability in recent weeks and will remain supportive to margins through Q3 2024.
- **Pork prices continued to move higher in recent weeks, with the pork cutout topping USD 100 per hundredweight, up 30% YOY.** Strong exports and relatively low pork inventories in cold storage remain supportive to prices of most items, with across-the-board strength. Hams are particularly strong versus historical levels, up 32% YOY, as robust exports to Mexico have been able to sustain post-holiday markets. Loins, bellies and butts are also well ahead of year-ago levels.
- **Pork exports were strong to start the year, +10% in volume, at 483,000 metric tons YTD, and +10.4% YOY in value.** Continued gains in shipments to Mexico (+12% YOY), South Korea (+60% YOY), Colombia (+54% YOY) and Australia (+236% YOY), more than offset continued weakness in sales to China (-21% YOY). Pork imports rebounded slightly to start the year, +2% YOY through February. Imports were higher despite a 9% drop in shipments from Canada, our largest supplier, as imports from Mexico, Brazil and Denmark rose sharply to start the year.
- **Mexican hog prices are in line with year-ago levels and 10% above the five-year average.** Even with herd liquidation, better productivity and heavier weights have added 2.6% YOY more pork to the market through February 2024. Despite limited improvement in hog prices, producers' margins have recovered on the drop in feed costs. Lackluster export demand and strong competition from US imports could limit additional upside. Ham prices began the year on a downward trend registering a price of MXN 60.50 per kilogram in March, down 11% YOY. This is in part due to weaker seasonal demand and reflects the increased availability of relatively cheap US imports.

Productivity growth more than offsets decline in sow herd



Source: *USDA 2024*

US pork cutout, 2022-2024



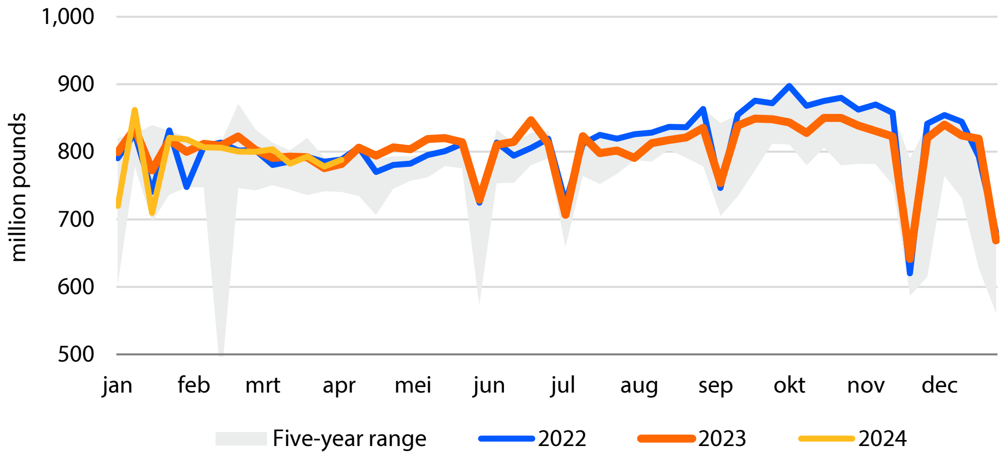
Source: *USDA, Rabobank 2024*

Poultry

Tighter supplies as productivity challenges linger

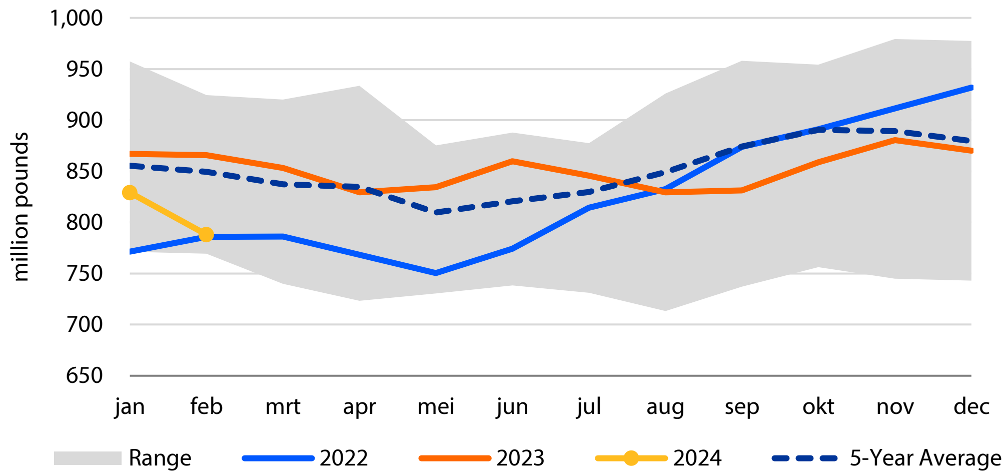
- **Chicken production is flat with year-ago levels as ongoing productivity issues continue to limit bird availability.** Increased mortality due to recent cases of metapneumovirus (aMPV) and persistent challenges with hatchability (given an aging flock) are reducing slaughter numbers and curbing RTC chicken production. Despite these challenges and lower feed costs, average bird weights remain relatively flat and are not providing an offset. Chick placements are up slightly in recent weeks (+0.9% YOY) but are not enough to offset ongoing production issues. We expect productivity issues to improve seasonally in coming weeks, with production up slightly in 1H 2024.
- **Chicken prices remain firm, with stronger boneless breast meat, wing and dark meat values supportive to margins.** Tighter supplies and good retail demand, helped by improved promotional activity, are driving better sales trends in recent weeks. Boneless breast meat (BSB) and tender prices are following normal seasonal trading patterns, up 28% and 33% YOY, versus weaker performance in the prior year. While overall foodservice sales trends are soft due to ongoing consumer pressures, chicken continues to grab market share and is well supported. Chicken inventories remain historically low (-9% YOY and 7% below the five-year average), reflecting good retail and foodservice support and helping to support prices.
- **February chicken export volumes were down 10.1% YOY, while the value of shipments was only down 0.9% YOY.** Slower shipments to Cuba (-29% YOY), China (-44% YOY) and Hispaniola (-30% YOY), were only partially offset with stronger sales volumes to Mexico, the UAE, Angola and the Philippines. Ongoing disruption due to HPAI-related trade bans remain a constraint for some trade partners, with recent outbreaks likely extending current trade restrictions in key growing areas. Rabobank is currently projecting a 0.4% YOY increase in exports in 2024, acknowledging the increase in HPAI-related restrictions could slow growth.
- **Mexican chicken prices rebound on tighter supplies and strong consumer demand.** Prices are now in-line with year ago levels and 22% above the five-year average. While production hit record levels in December 2023, reaching 365,000 metric tons (+7.1% YOY), it then dropped seasonally in January, and it remains under pressure due to ongoing production challenges. Feed costs are lower on a strong US harvest and ongoing strength in the Mexican peso. Chicken import volumes through February 2024 are down 8.9% YOY, with shipments from Brazil down 78% YOY.

Ready-to-cook chicken production, 2022-2024



Source: *USDA, Rabobank 2024*

Chicken in cold storage, 2022-2024



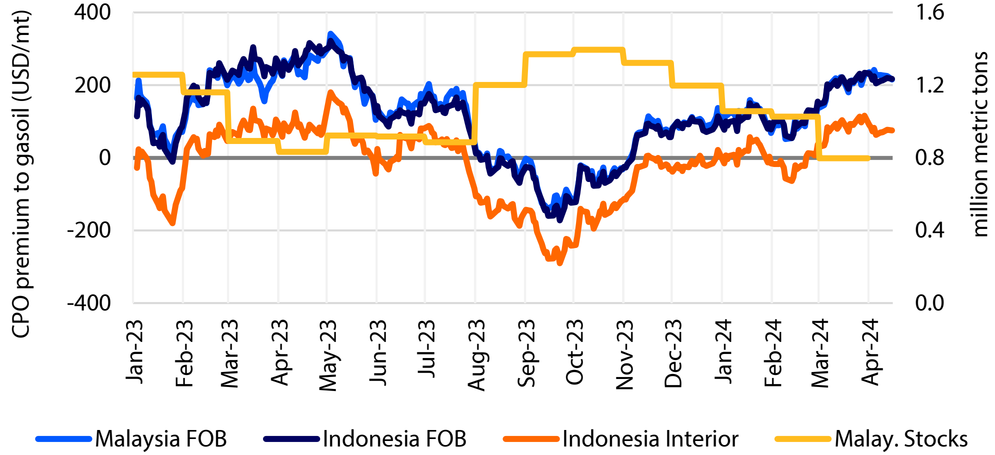
Source: *USDA 2024*

Soybeans

Palm oil support could prove fleeting

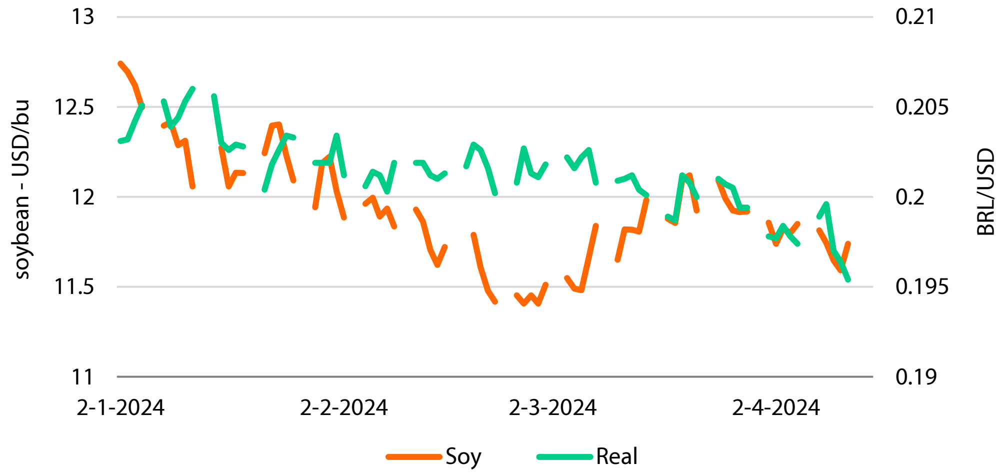
- **The USDA's prospective plantings report raised eyebrows on a number of fronts,** namely in how 6m acres of principal crops fell off the ledger but also in the incredible restraint implied by the low corn number. **Soybeans, by contrast, responded as anticipated, picking up 3m acres.** Soybean prices initially responded with a shrug before hitching their star to palm which saw prices surge in March, first on rising petroleum prices and then on news of tight stocks in Southeast Asia.
- **The problem for soy now becomes the very seasonal nature of palm fundamentals and pricing.** March and April typically comprise the periods of tightest stocks, with supplies beginning to build in May and premiums over petroleum beginning to fall in June. With this much certain, the oil complex's most realistic hope for price support at this juncture is rising petroleum prices. Just a few weeks ago, higher crude seemed like a foregone conclusion but stubborn inflation has reintroduced the mantra of "higher for longer" rates which could contain petroleum and the rest of the vegetable oil complex along with it.
- If the first gust of macroeconomic headwinds is higher rates, the second very well may be a strengthening dollar, which appreciated against a number of key currencies – including a 5% gain against the Brazilian real making soybeans cheaper in dollar terms.
- **As is the case in corn, the market continues to fixate on the size of the crop yet to be delivered in South America.** There is now a 9m mt spread between the CONAB (146.5m mt) and USDA estimate (155m mt) with Rabobank Brasil coming in at 153m mt. Both agencies have a track record of underestimating the size of Brazil soybean crop this time of year relative to their final figure and, interestingly, a handful of private consultancy firms have increased their Brazilian soy crop estimates in recent months.

Palm oil stocks and premiums to gasoil



Source: *CFTC, Rabobank*

Soybean futures and BRL/USD exchange rate



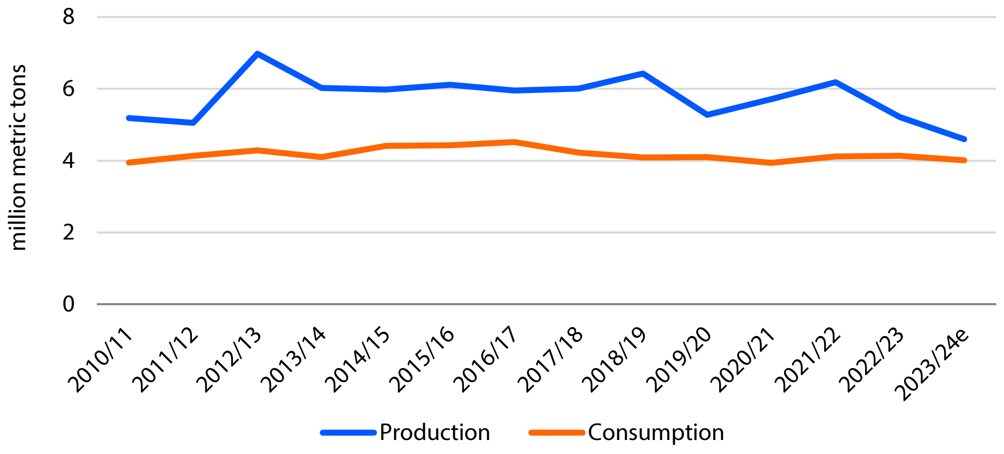
Source: *CBOT 2024*

Sweeteners

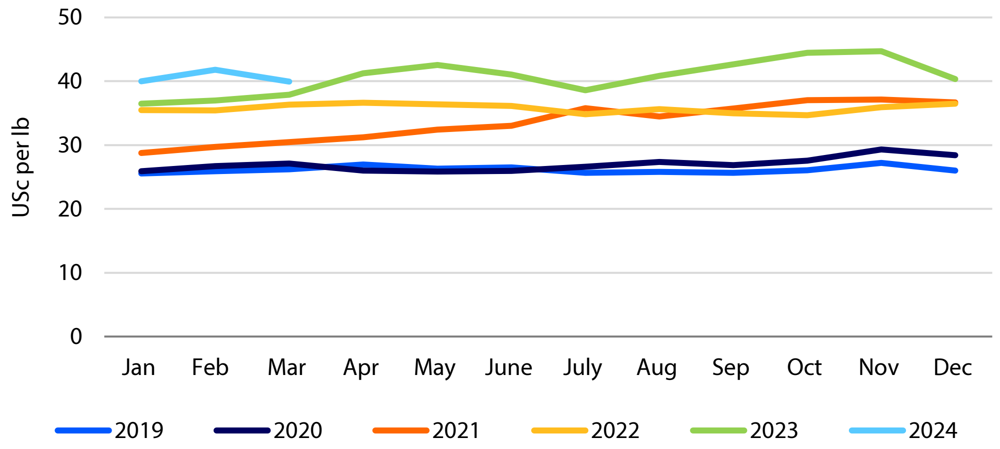
Mexico's drought continues to shock the sugar market

- In Mexico, almost 60 percent of the country is exposed to a drought while 10 percent of the entire territory is classified as exposed to exceptional drought. This long-term drought is impacting the livelihood of many people and many crops, including cane. Cane field yields continue to look very poor and even worse than a year ago when yields had declined significantly.
- For the current cycle 2023/24, sugar production in Mexico is expected at around 4.6m metric tons, even lower and worse than last year's poor cycle of 5.2m mt. This is the worst production cycle in almost three decades. The Mexican sugar market is very tight. To alleviate some tightness in the market, Mexico is importing sugar from different countries, including the US.
- After years of being the #2 top exporter to the US, Mexico is losing this ranking as US high tier imports continue to rise this cycle.
- The only sugar cane mill in Texas, Santa Rosa, has announced that it will be shutting down its operations after they finish this campaign. This mill produced almost 200,000 metric tons in 1999/00 but after that production started to come down due to weather and water issues. This cycle is expected to produce less than 50,000 metric tons. As we move forward, cane production in the US will take place in two states: Florida and Louisiana. Idaho, Michigan and Minnesota have started to plant beets. Pace is higher than a year ago, but we hear that recently cold and wet conditions may delay the starting pace.

Mexico's sugar production and consumption

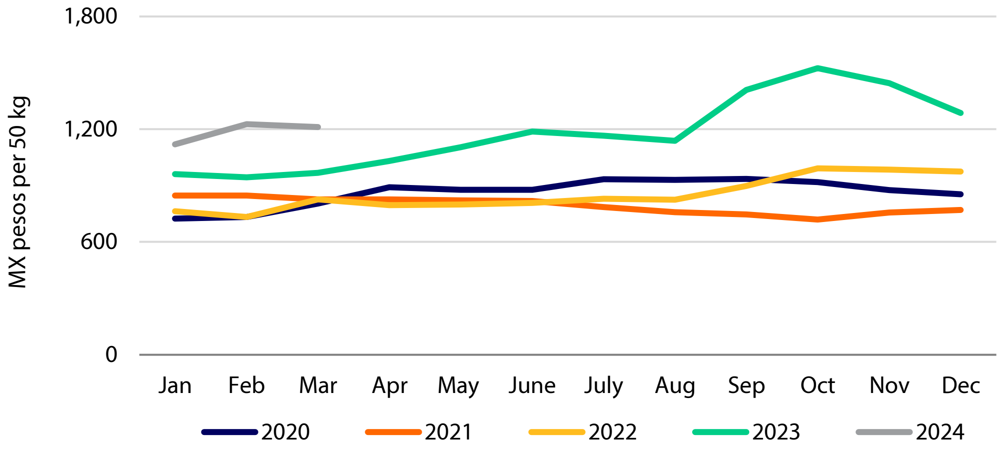


US sugar prices #16 remain strong



Source: *CONADESUCA, USDA, Rabobank 2024*

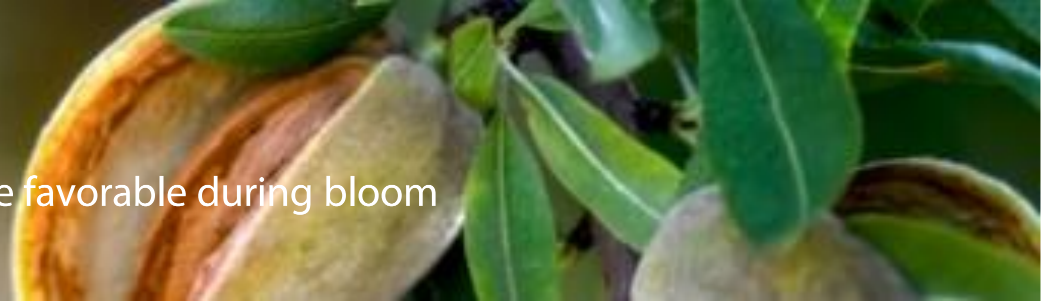
Mexico's estandar sugar prices



Source: *CONADESUCA, USDA, Rabobank 2024*

Tree Nuts

Almond production to rebound in California as conditions were favorable during bloom



Almonds: Shipments in the 2023/24 marketing season through March are up 2% YOY, with domestic shipments down 1% YOY and exports up 3% YOY. Total shipments as a percentage of marketable supplies (estimated crop + carry-in) are at 56%, still pacing ahead of the previous two marketing seasons. Despite a YOY decline in shipments during February and March 2024, carry-out is expected to be at a manageable level. Bloom conditions for the 2024 almond season in California were near perfect, according to a TNT report. Crop size is expected to be around 3bn pounds in 2024. After a significant recovery from August to February, prices have meandered in the past few weeks.

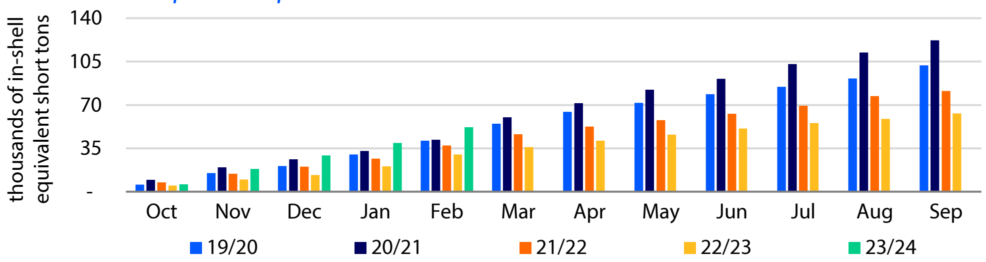
Hazelnuts: Shipments in 2023/24 through November were up 24% YOY, with kernel exports increasing 102% YOY. Canada, Italy, and Germany are relevant destinations for kernels, as China, Italy, and Hong Kong are for in-shell US exports. Prices have strengthened due to a short global crop, per industry sources.

Walnuts: Shipments rose 23% YOY, with exports up 27% YOY and domestic shipments up 16% YOY in the 2023/24 marketing year through March, per industry figures. The 2023 crop set a record at roughly 824,000 metric tons, up about 10% YOY. Above-average quality and competitive prices drove demand. Shipments to Italy, Spain, Germany, and the UK show significant growth YOY.

Pistachios: After the 2023 record crop of 1.5bn pounds, up 69% YOY, shipments have been strong and marketable inventory by the end of March 2023 is up just 2% YOY. Shipments in 2023/24 through March are up 56% YOY, with domestic shipments up 1% YOY, and exports (accounting for 82% of shipments) up 77% YOY. Carry-out is likely to be low this season. While 2024 was already expected to be an "off-year", heterogeneity in male-female bloom during pollination season may reduce crop prospects further. Prices are expected to remain firm, per industry sources.

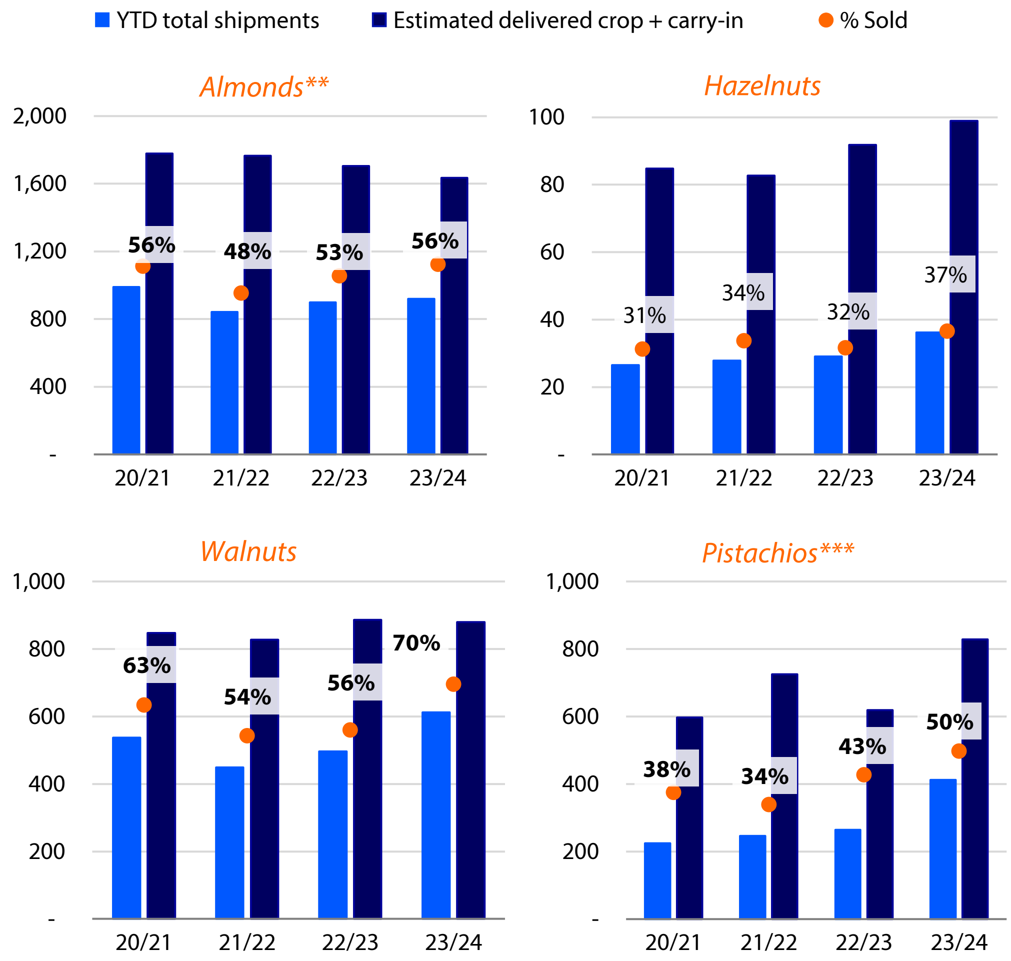
Pecans: US pecan export volumes in the 2023/24 marketing season through February were up 74% YOY to a multi-year high as in-shell exports to China increased substantially, according to USDA figures. Most relevant export growth, during the first two months of 2024, was in-shell pecans to China and Mexico. A relatively short US crop and strong export pace support prices.

Cumulative US pecan exports



Source: *USDA FAS, Rabobank 2024*

*Cumulative US tree nut shipments**



Source: *Almond Board of California, Oregon Hazelnut Industry, California Walnut Board, Administrative Committee for Pistachios, INC, Rabobank 2024.* Through March 2024, 2023/24 marketing season for almonds, walnuts, and pistachios; November 2023 for hazelnuts (industry information is delayed); **Meat pound equivalent. ***Not considering inventory adjustment/loss.*

Vegetables

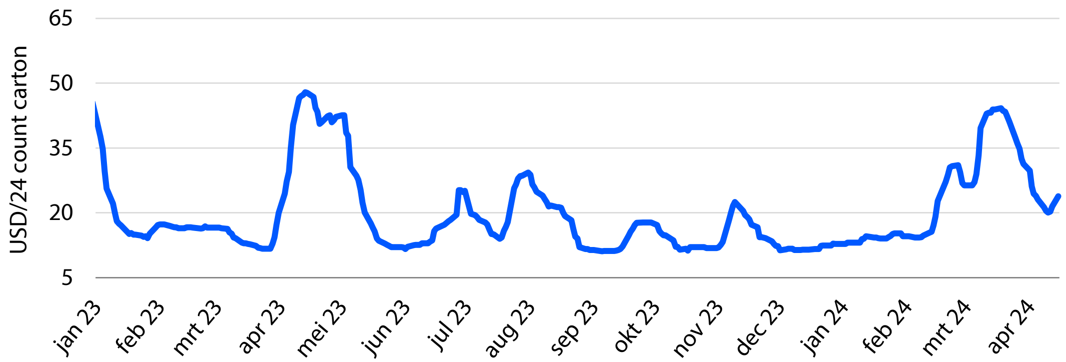
Reduced potato acreage expected for 2024 in the US

Fresh fruits and vegetables had a very strong start of the year in terms of retail sales, outperforming frozen and canned segments, according to IFPA. In February, the Super Bowl and Valentine's Day generated strong fresh produce sales. Tomatoes, onions, peppers, cucumbers, and carrots were among the vegetables with YOY growth in dollar sales at retail; while tomatoes, potatoes, peppers, cucumbers, carrots, and broccoli had YOY increases in volumes sales in February. Recently, IFPA announced an increase in fruit and vegetable benefits within the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) that will help ensure vegetable access for millions of families and support demand for fresh produce.

Potatoes: US growers are expected to plant 917,000 acres of potatoes in 2024, per NAPMN. The projected planted area is down 5% YOY and 2.6% lower than the five-year average planted area. Acreage reduction is expected for frozen processing potatoes in Washington and Idaho. Russet table potato acreage is also expected to decline in Idaho and other key growing areas due to below-breakeven prices, according to the report. US potato shipments continue to surpass the level of shipments the year before, while availability remains steady. In Canada, potato stocks reached a record 52.4m cwt, up roughly 13% YOY, on April 1, according to NAPMN. Increases in stocks are held mainly in Alberta and Manitoba.

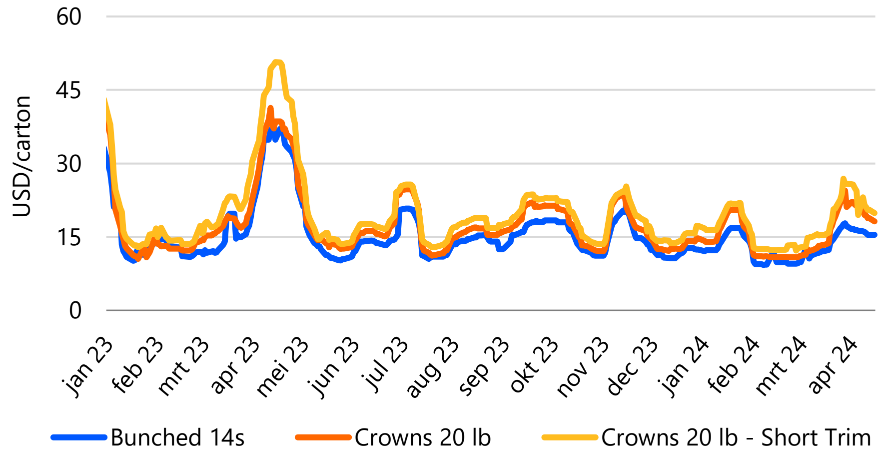
Leafy greens and brassica: At about USD 21 and USD 24, romaine 24s and hearts (12x3) are down 22% and 17% YOY, respectively. At about USD 24, the price for iceberg wrapped 24s is down 46% with respect to the highest price during the transition of the season by mid-March 2024 and down 49% compared to the prices a year ago, when transition was delayed. At about USD 19 per 20-pound carton, the broccoli crown price is down 53% YOY during by mid-April (see charts). As the end of the rainy season lingers in California, some delays in plantings, plant development, and relatively mild supply disruptions are likely, bringing potential price volatility in the next few weeks.

Wrapped iceberg lettuce – US daily shipping-point price, 2023-2024



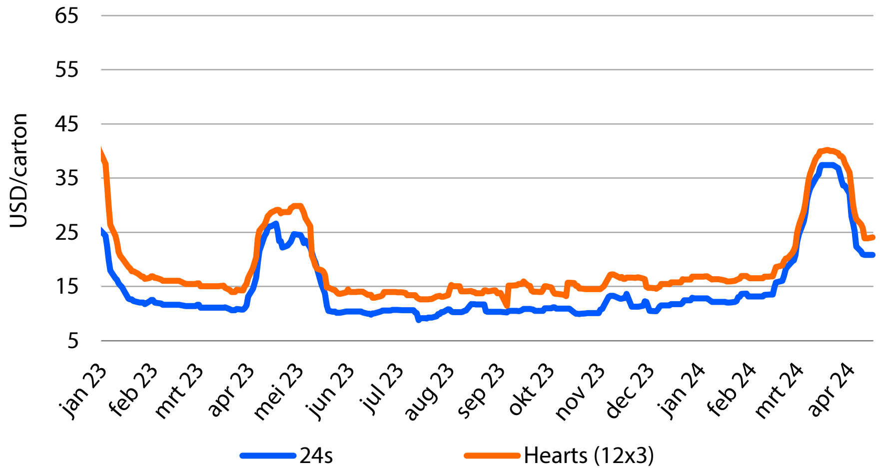
Source: USDA AMS, Rabobank 2024

Broccoli – US daily shipping-point price, 2023-2024



Source: USDA AMS, Rabobank 2024

Romaine lettuce – US daily shipping-point price, 2023-2024



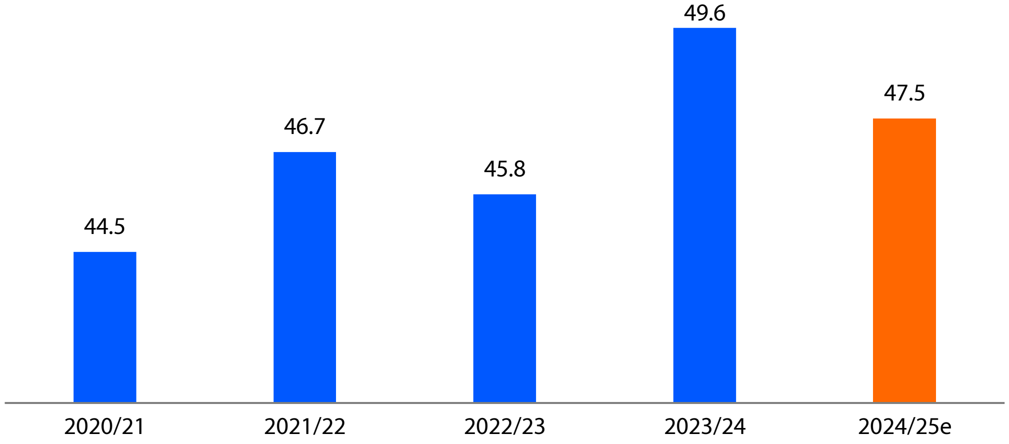
Source: USDA AMS, Rabobank 2024

Wheat

Pressure being felt from low exports

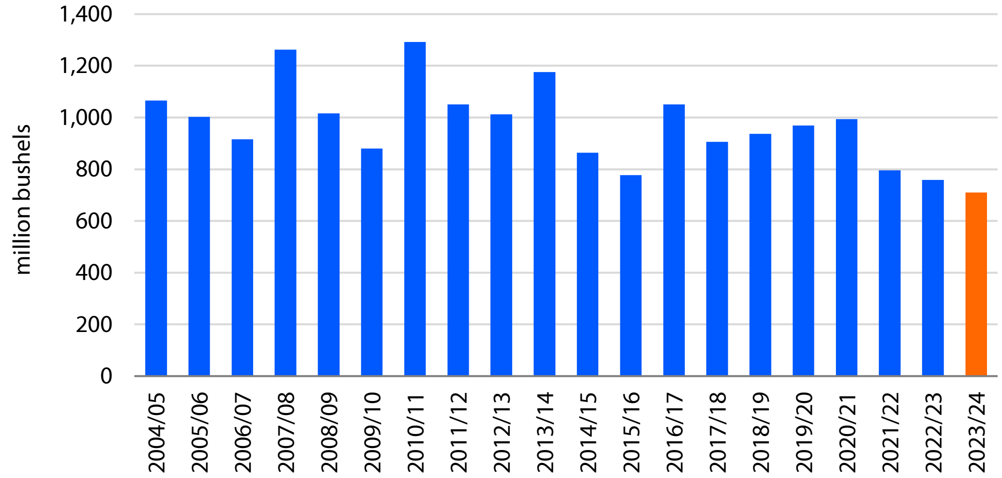
- **Intentions report:** On the March 28, the USDA published its prospective plantings report that showed a 4% decline on all wheat acreage for marketing year 2024/2025. While winter wheat acreage was already showing a decline of 7% from last year, other spring acres increased by 1% year-over-year. Durum wheat has increased drastically, supported by better prices going from 1.6m acres to 2.0m acres or a 21% increase from last year. While this is just an intentions report, we do not foresee major changes for the acreage report from the USDA, with final wheat acreage staying where it is.
- **WASDE Update:** no major changes to the supply side, with the only modification on lower import volume based on current marketing year estimates on imports. On the demand front, the USDA lowered feed and residual demand driven by increased availability of corn and better pricing, while exports stay unchanged. Lower adjustments on demand increased ending stocks to 698m bushels or 3.7% compared to last months' report.
- **Crop progress:** winter wheat condition is much better than last year with the April 14th report showing good to excellent conditions at 55% compared to 27% last year.
- **Exports:** All wheat exports are projected to 710m bushels, down 15m bushels due to a lower pace of exports. The USDA also announced the cancelation of SRW going into China of ~4m bushels. Competition from other parts of the world continue to impact US wheat export demand.
- **Prices:** Adjustments based on current marketing data, especially considering higher ending stocks and no increased-on exports has driven the US all wheat farm price lower by 5 cents per bushel to a total of 7.10 dollars per bushel. Despite lower farm prices expected for this marketing year, exports prices remain elevated to other major exporters. US Hard Red Winter wheat prices in the gulf remain well-above Russia and France FOB prices. This spread has ranged on average between USD 0-USD 20/mt before 2022, however, since then, it has remained elevated and most recently ranging between USD 40-USD 80/mt above FOB prices in France and Russia.

Wheat acres estimate for 2024/25 retreating to a more normal level (in million acres)



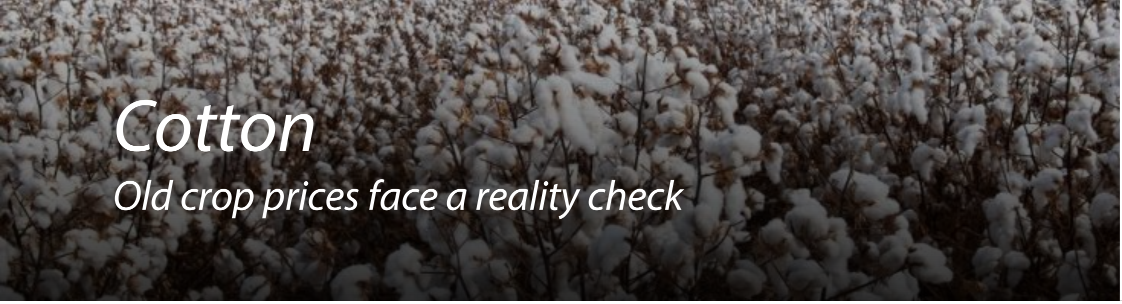
Source: *USDA ERS, Rabobank 2024*

Exports continue their downward trend due to high US prices and strong competition



Source: *USDA ERS, Rabobank 2024*

Rabobank

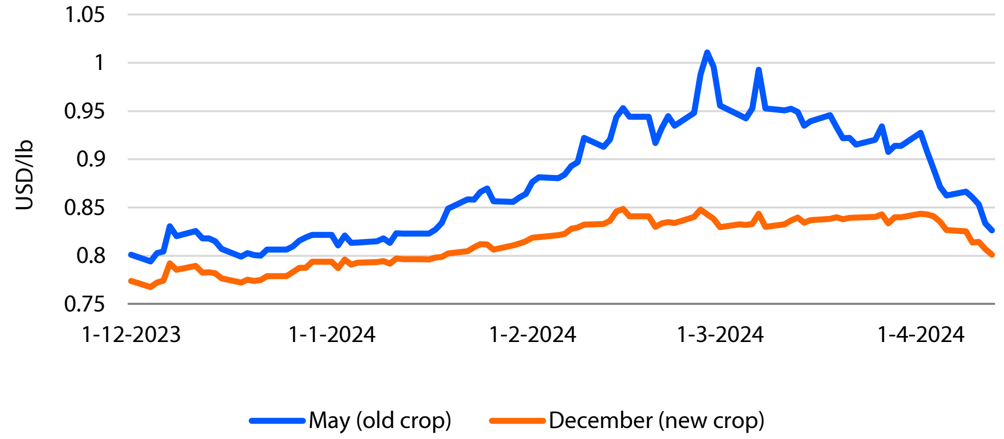


Cotton

Old crop prices face a reality check

- After surging through the first few months, the excitement that propelled old-crop futures to a 15-cent premium over new crop has ebbed, with the premium now falling back to USc 2-USc 3/lb – more typical of a May contract. Low surveyed planting intentions and active buying from China earlier in the year provided the spark for an old crop rally that gained more steam from speculative buyers once prices broke 85 cents. In the case of cotton, however, the threat of tight supply becomes meaningless if demand is not there and by March a bearish sentiment returned to the market.
- The first shoe to drop was the rally in the US dollar which made imported cotton all the more compelling for domestic spinners. This was followed by favorable rainfall in the Southwest and then projected plantings numbers from the USDA that exceeded those of industry surveys conducted over the winter. The April WASDE wasn't especially bearish but was released in the context of a "high for longer" interest rate conversation that weighed across the consumer discretionary category. That farmers made a beeline for the exits amidst the downturn only compounded these effects.
- For 2024/25, US cotton acreage is likely to register a small bump, even if growers aren't excited about it. Australia is expected to produce its third-largest crop on record and Brazil its largest. Without a clear sign that the Fed is ready to decrease rates in earnest, cotton prices are poised to spend another year in the doldrums.

Old and new crop futures

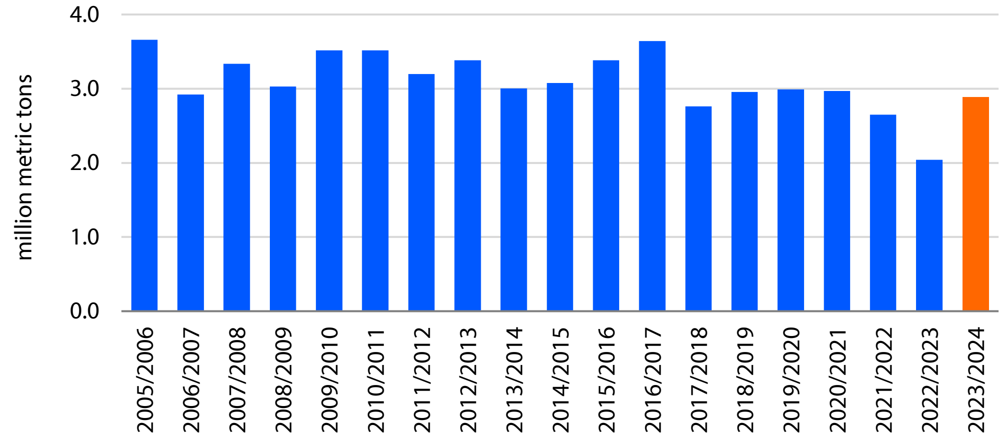


Source: *USDA 2024*

Rice

- **Planting perspective:** US perspective plantings published in March are showing an overall increase in acreage of 1% for all rice. Long grain rice intention plantings are expected to rise 11.5% from last year, while short and medium grain acreage is expected to decline by 24% relative to last year.
- **Exports:** The USDA updated all rice export numbers, increasing by a total of 3m cwt to a total of 91m cwt. Most of the increase came from long grain exports, which are estimated to be 40% higher than last marketing year. Rough rice exports also have shown some resilience, with the US going back to traditional markets like Mexico, Central America and Venezuela. However, South American harvest is underway and strong competition is expected in the coming months.
- **Prices:** No changes to season average farm prices despite lower use demand and higher ending stocks for this marketing year. Prices are a USD 1/cwt below last year, with the marketing year price at 18.80, or 5% below last marketing year.

US exports of rice catching up with previous years

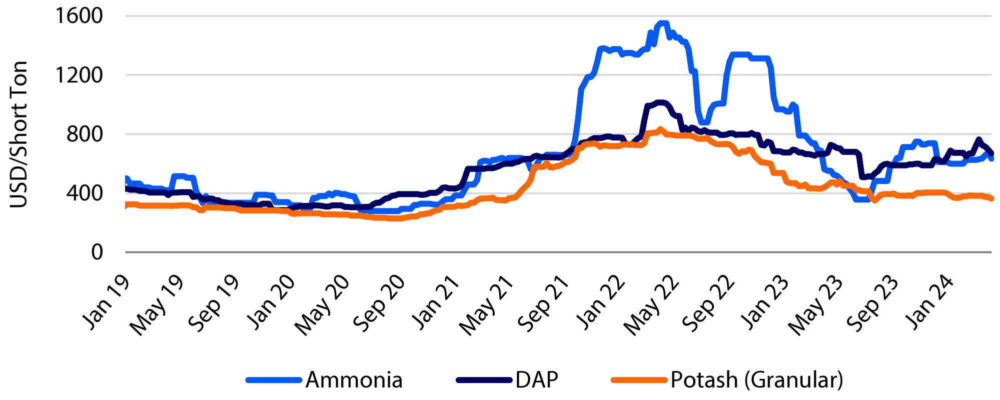


Source: *USDA, Rabobank 2024*

Input Costs

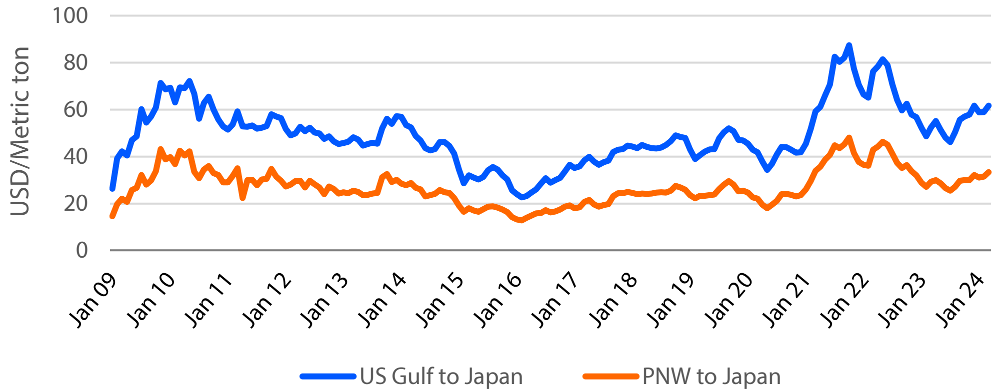
As of April 15, 2024

*Corn Belt input prices**



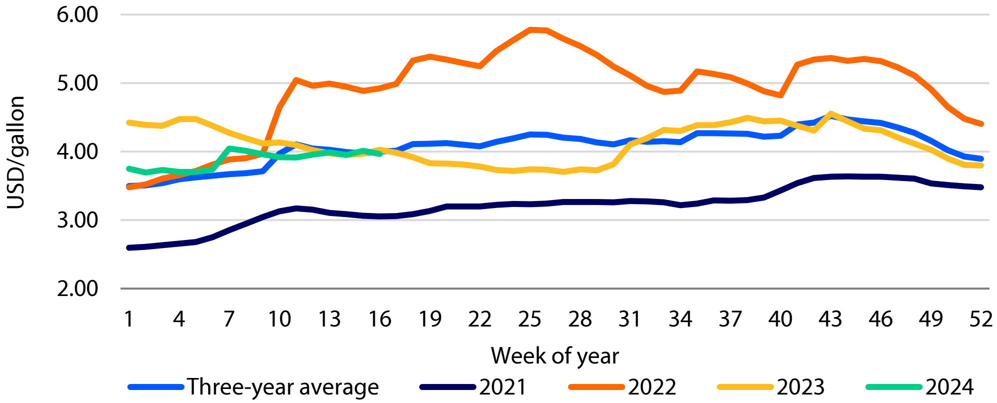
*** Note:** *granular potash*
Source: *CRU, Rabobank 2024*

Ocean freight



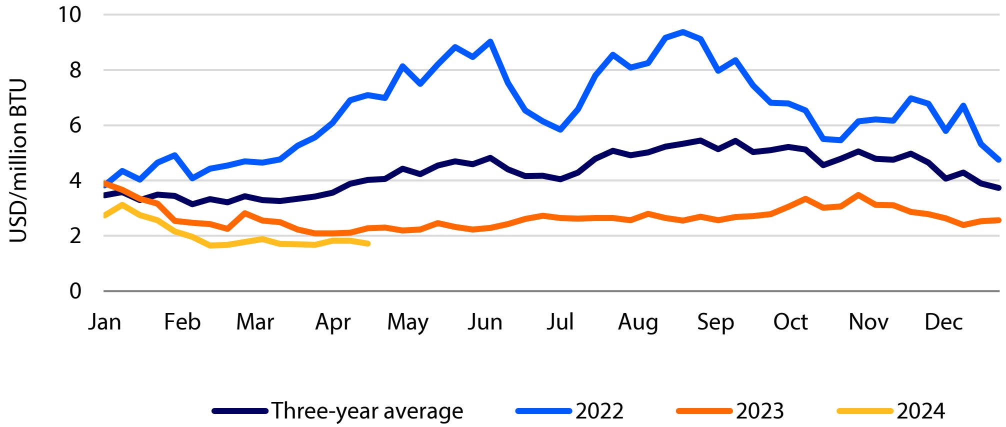
Source: *O'Neil Commodity Consulting, USDA AMS, Rabobank 2024*

Diesel – Midwest



Source: *EIA, Rabobank 2024*

Natural gas spot



Source: *NYMEX, Rabobank 2024*

Forward Price Curves

As of April 15, 2024

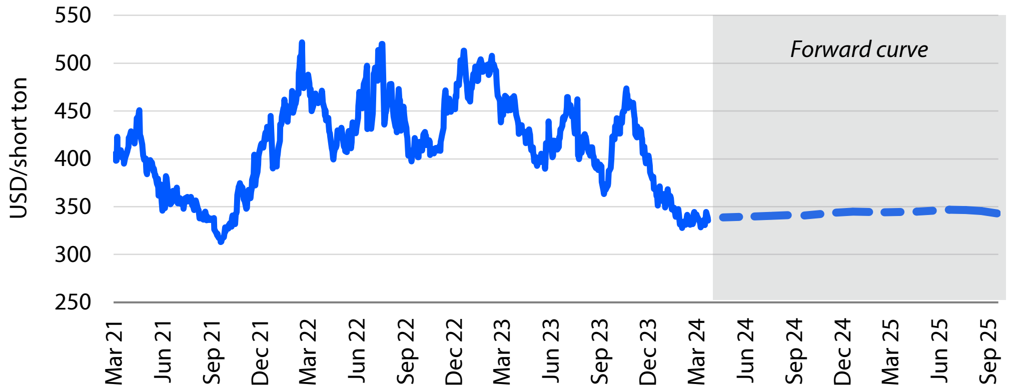
CBOT – Corn

Source: *CBOT, Rabobank 2024*

CBOT – Soybeans

Source: *CBOT, Rabobank 2024*

CBOT – Soymeal



Source: *CBOT, Rabobank 2024*

CBOT – Soy oil

Source: *CBOT, Rabobank 2024*

Forward Price Curves

As of April 15, 2024

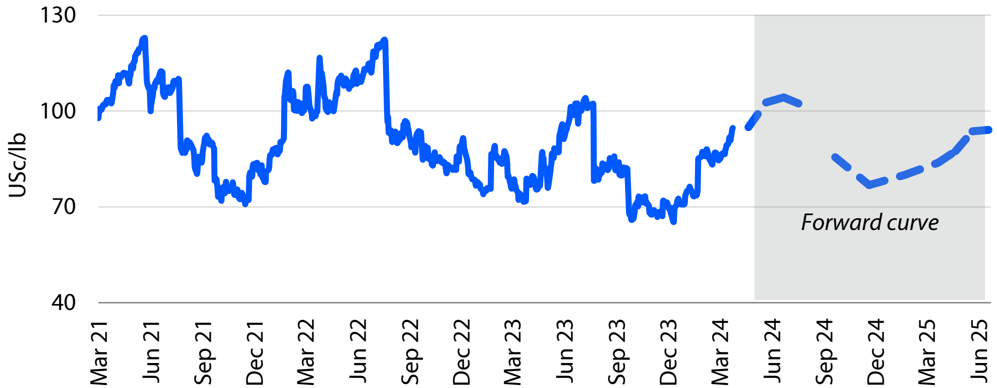
CBOT – Wheat

***Source:** CBOT, Rabobank 2024*

CBOT – Feeder cattle

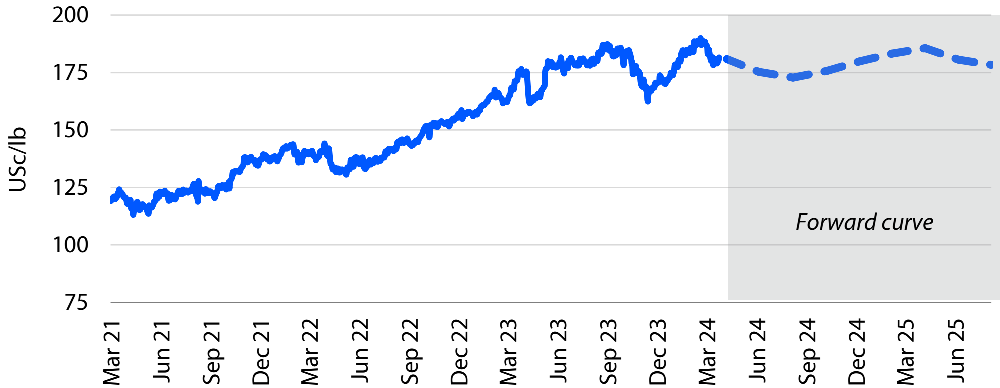
***Source:** CBOT, Rabobank 2024*

CBOT – Lean hogs



***Source:** CBOT, Rabobank 2024*

CBOT – Live cattle

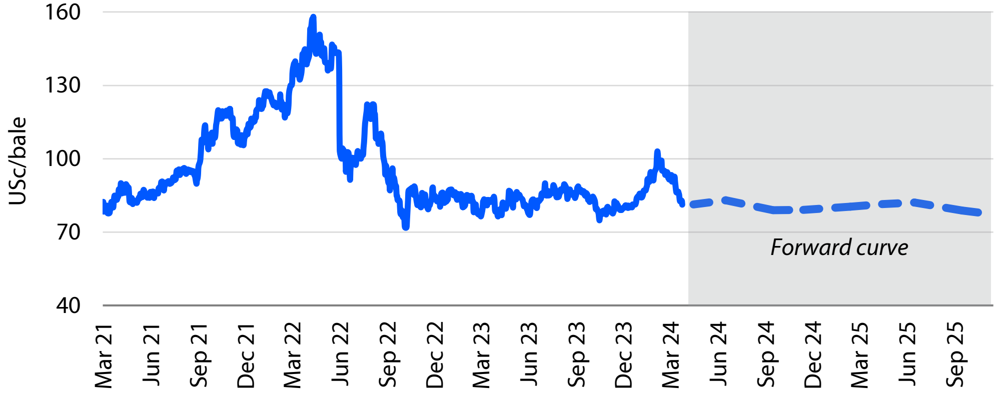


***Source:** CBOT, Rabobank 2024*

Forward Price Curves

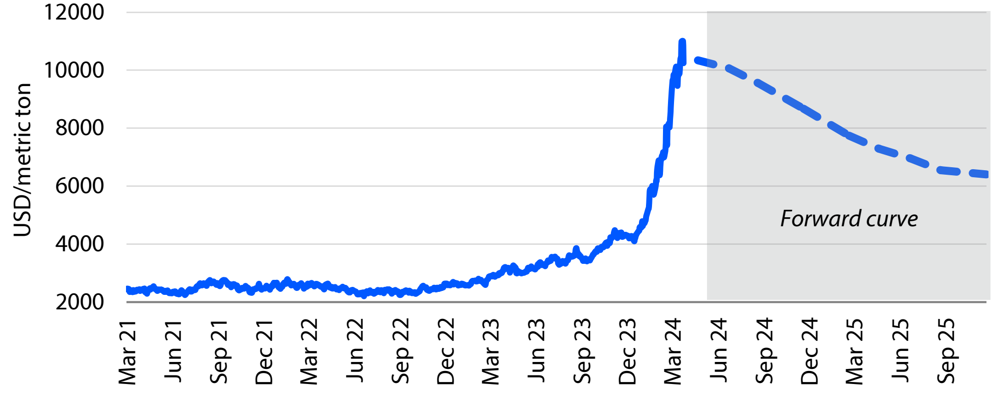
As of April 15, 2024

ICE – #2 Cotton



Source: *ICE, Rabobank 2024*

ICE – Cocoa



Source: *ICE, Rabobank 2024*

ICE – FCOJ

Source: *ICE, Rabobank 2024*

ICE – #11 Sugar

Source: *ICE, Rabobank 2024*

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