



North American agribusiness review

Rabobank







RaboResearch
Food & Agribusiness

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Report Summary

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Economy

The cutting cycle has started

US

- The Fed now has greater confidence that inflation is moving sustainably toward 2%. Therefore, the Fed cut its policy rate by 0.50 percentage points in September, shifting its attention from fighting inflation to supporting the labor market. Fed Chair Powell expects a 0.25 percentage points cut in November and another in December. We anticipate another cut in January, but the outcome of the US elections will be decisive. The Fed expects to continue cutting well into 2026. However, if Trump wins the presidential election and imposes a universal tariff, inflation could rebound in 2025, likely halting the cutting cycle in its tracks. Presidential candidate Harris has rejected a universal tariff and is likely to continue Biden's policy of targeted tariffs, aimed at China. This is likely to be less inflationary and could therefore allow the Fed to continue cutting rates.

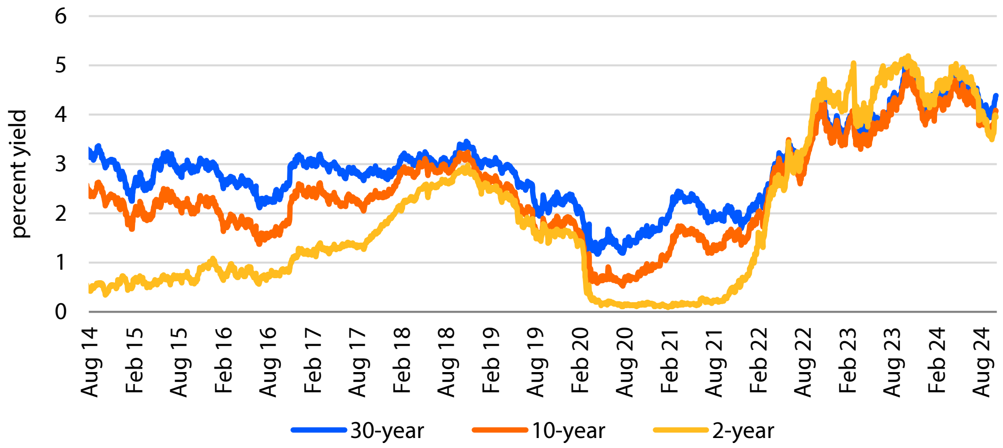
Mexico

- Banxico decided to cut the overnight rate by 0.25 percentage points from 10.75% to 10.50% in September. Banxico cited cooling headline CPI inflation and subsiding supply-side shocks to the non-core component, as well as additional cooling in core CPI inflation. Headline CPI inflation expectations were revised downward for Q3 2024 and Q4, while core expectations were revised downward for Q4 2024 and Q1 2025. We forecast two more 25bp cuts this year at the November 14 and December 19 meetings, bringing the year-end rate to 10.00%. This in addition to a total of 200bps cuts throughout next year, bringing the overnight bank interest rate to 8.00% by 2025 year-end. We expect USD/MXN at 20.00 at the 12-month horizon.

Canada

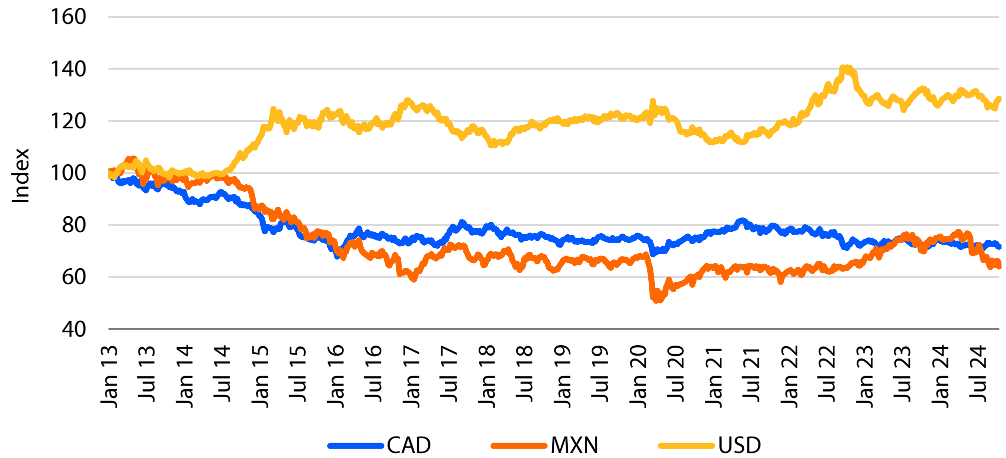
- The Bank of Canada decided to cut its policy rate by 0.25 percentage points for the third time in a row, bringing the policy rate down from 4.50% to 4.25%. The bank was keen to highlight that decisions will be made on a meeting-by-meeting basis and will be data dependent. They noted two main opposing forces likely to impact policy: On the upside, shelter inflation and some services components; on the downside, excess supply in the economy and slack in the labor market. We expect two more 25bp rate cuts this year, pulling the policy rate down to 3.75% by year-end. We expect USD/CAD to rise to 1.42 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

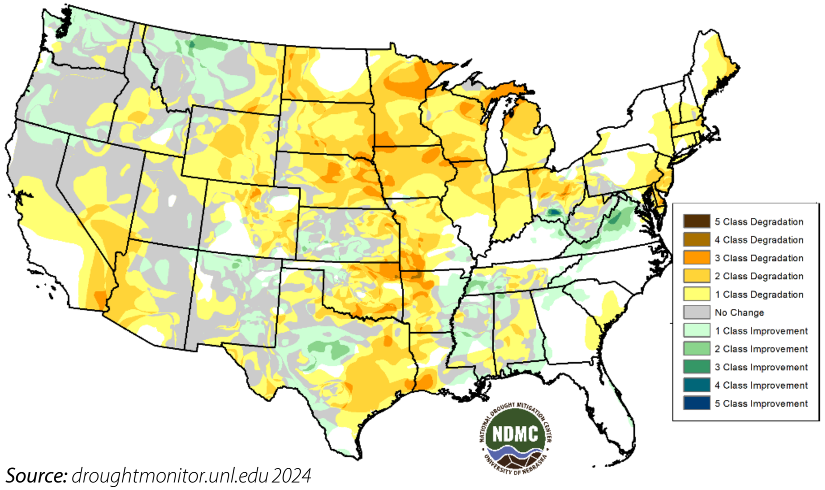
Winter surprise

- After a period of excellent growing conditions and record yield forecasts, the weather pattern has shifted. **Widespread warmth and dryness have settled across much of North America**, with temperatures 4-12°F above normal in the western three-fourths of the US and western Canada over the past week. **This has accelerated harvest progress but also intensified drought concerns in some areas.** The most notable weather event was Hurricane Milton, which smashed Florida's Gulf Coast, causing damage to the state's citrus crop before harvest season. Meanwhile, the Lower Mississippi River is experiencing low water levels, complicating grain transportation during the peak harvest period.

- Despite early concerns about excessive heat and dryness in June, **the 2024 North American growing season has exceeded expectations, resulting in record-breaking yields for major crops**. The USDA's latest forecast projects corn yields at an all-time high of 183.8 bushels per acre, up 6.5 bushels from last year. Soybean yields are expected to reach a record 53.1 bushels per acre, an increase of 2.5 bushels from 2023. These impressive figures are attributed to excellent growing conditions that prevailed across much of the continent, especially in the Midwest, following the early summer concerns. Timely rains and moderate temperatures during critical growth stages have contributed to these exceptional yields. However, it's worth noting that while overall production is high, some regions, particularly in the Southern Plains, have experienced localized challenges due to persistent drought conditions.

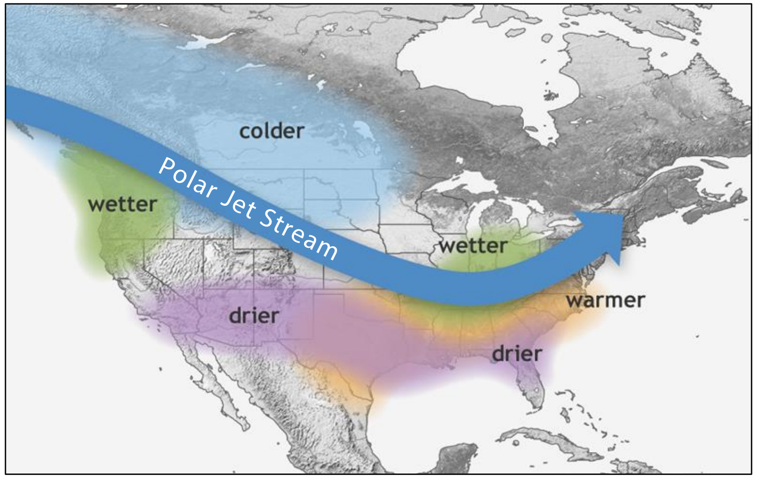
- **The emergence of La Niña conditions comes as a surprise** because just a month ago, forecasts were leaning toward ENSO-neutral conditions. While the predicted La Niña is expected to be weak, it could still have notable impacts on North American agriculture: In the southern United States, warmer and drier winter conditions could stress winter wheat crops, particularly in Texas and Oklahoma, and reduce soil moisture for spring planting. Conversely, the northern United States and southern Canada might experience colder temperatures and increased snowfall, potentially improving soil moisture for the spring but also risking planting delays in the Midwest and Corn Belt. The Pacific Northwest could see wetter than average conditions, boosting water resources for irrigation. Remember, the weak nature of this La Niña means its impacts may be less pronounced than in stronger La Niña years.

Drying out: US Drought Monitor class change – Oct 15 2024 vs. Aug 20 2024



Source: *droughtmonitor.unl.edu 2024*

Typical La Niña winter patterns



Source: *Climate.gov 2024*

Logistics

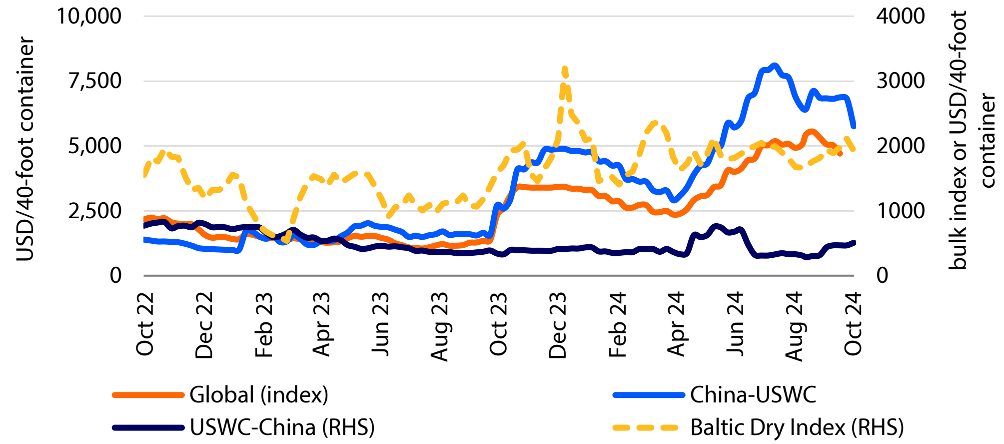
North American supply chain recovers from weather and labor disruptions

- **Temporary labor agreements were reached at the US East and Gulf Coasts after a three-day strike.** Ports in Florida have resumed operations two to three days after Hurricane Milton, due to the risk of flooding and power shortage. The strike surcharge (up to USD 2,000/FEU) quickly subsided, and the North American supply chain is recovering swiftly from disruptions due to labor strikes and weather events. Despite agreeing to a 62% wage increase over the period of six years, both parties, the United States Maritime Alliance (USMX) and the International Longshoremen's Association (ILA) still need to finalize details by the new Jan 15, 2025 deadline. One key issue is port automation, which poses further threats to port operations. Automation is essential to improve efficiency and reduce congestion. With US ports experiencing high labor costs and low productivity, continued modernization is likely, despite pressure from labor unions against automation. US ports are modernizing, though at a slower rate than peers in Asia and Europe.

- **On the reefer side, prices on the North America-Asia route are returning to positive growth in Q3 2024**, at approximately USD 3400/FEU on a blended contract and spot price basis. This is a reversal from the declining trend seen a year ago. Container trade between the US and China significantly impacts the scheduling and availability of this reefer route, with reefer containers commonly carried as part of backhaul trade. Therefore, dry container shipping dynamics as well as extreme trade imbalance will continue to strengthen this route in the near future. The North America-Asia reefer route remains highly imbalanced at close to 76%, compared to the overall 12% North America imbalance.

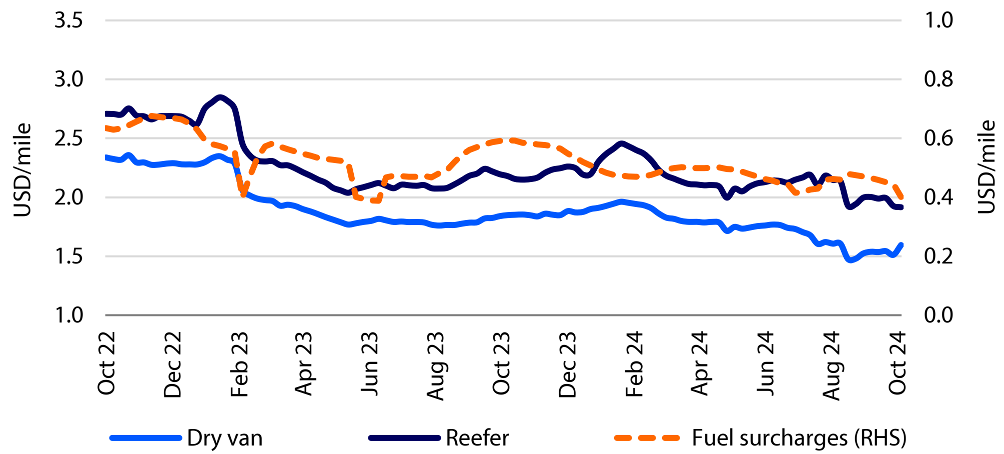
- **US trucking demand remained soft through a mild peak season**, as most holiday merchandise entered the country this summer. Long haul loads were down 16.5% YOY as of August 2024, while short haul loads declined by 3%. This is good news for shippers but bad news for operators. We maintain the view that a major spot rate recovery for truckload is unlikely until mid-2025, while the LTL market stays resilient.

Select ocean freight rates, Oct 2022-Oct 2024

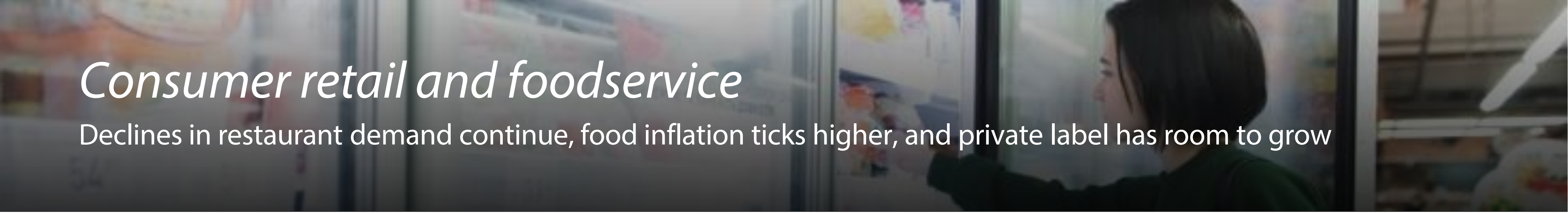


Source: *Freightos, Baltic Exchange 2024*

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



Source: *Truckstop.com, Bloomberg 2024*

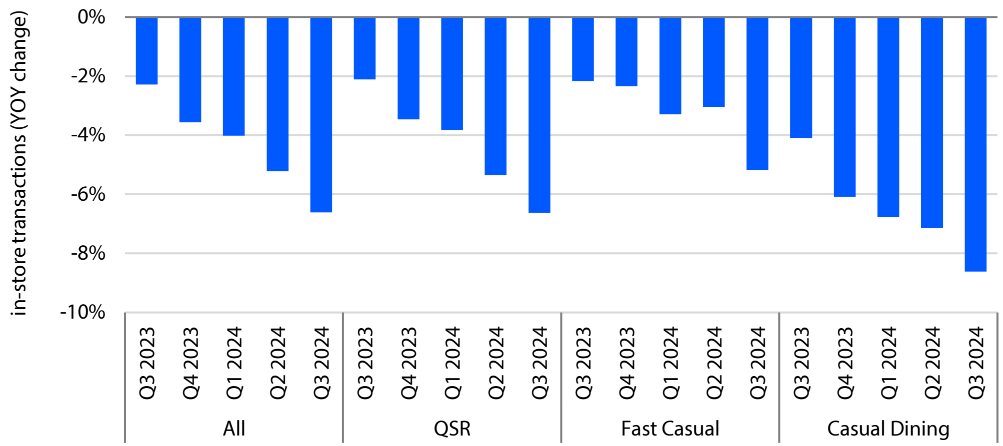


Consumer retail and foodservice

Declines in restaurant demand continue, food inflation ticks higher, and private label has room to grow

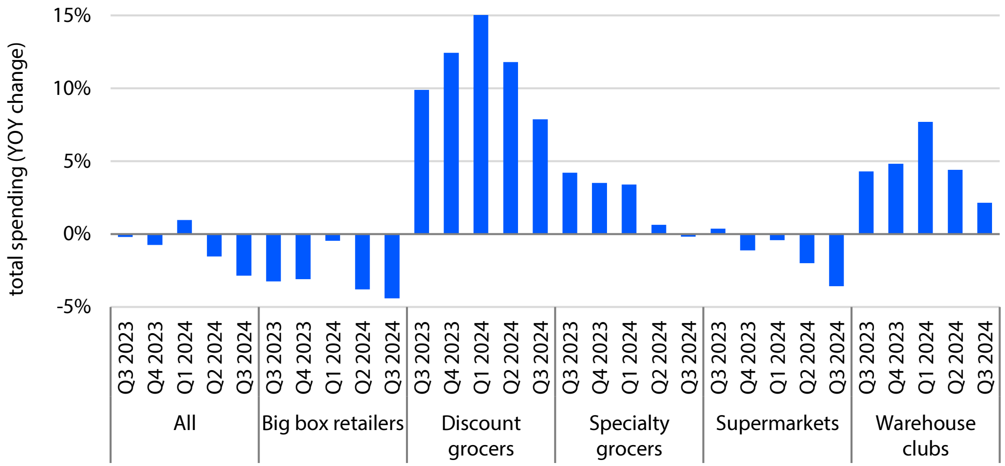
- **Inflation continues to ease:** CPI data took another step lower in September to 2.4% YOY (from 2.5% in August). However, food inflation increased slightly to 2.3% (from 2.1% the month prior), following a 0.4% monthly increase in food-at-home prices in September – the highest level since January. On a yearly basis, food-at-home inflation remained at 1.3%, which is below the all-item CPI and food away from home inflation rate (3.9%).
- **Exceptional uptick in food inflation:** According to the Bureau of Labor Statistics, “five of the six major grocery store food group indexes increased over the month (September). The index for meats, poultry, fish, and eggs rose 0.8% in September as the index for eggs increased 8.4%. The fruits and vegetables index increased 0.9% over the month, following a 0.2% decline in August. The index for other food at home rose 0.2% in September and the index for cereals and bakery products increased 0.3%. The dairy and related products index increased 0.1% over the month, while the non-alcoholic beverages index was unchanged in September”.
- **Foodservice inflation remains hot:** Persistently higher foodservice prices can be explained by high rent and labor pressures, which represent roughly two-thirds of restaurant costs. As highlighted in previous editions, rent and labor aren’t volatile and rarely decrease, except during economic recessions. Last month’s increase in most food prices didn’t help either. Despite pressure on costs, restaurants have adjusted their pricing, even adding discounted options and deals, to regain consumers. However, traffic continues to decline, reaching -6.6% in Q3, indicating these efforts have yet to prove their ability to attract cash-strapped consumers. The impacts of Hurricane Helene on Florida, Georgia, and North Carolina in the last week of September likely contributed to lower restaurant traffic, with further impacts expected in Q4 (Helene’s aftermath in addition to Hurricane Milton in Florida).
- **Consumers are trading down, but the grocery sector has yet to fully benefit from slow foodservice:** Data from Earnest Analytics shows the grocery sector hasn’t fully absorbed the demand pivoting from foodservice. Spending through all food retail categories slowed in Q3 on a year-on-year basis. Lower spending is likely due to a combination of lower volume and consumers opting for lower priced brands and private labels. We expect some rebound or at least stabilization in the current quarter.
- **Talking about private label… Our view on what is next for retailer brands:** According to a recent RaboResearch report, private-label grocery brands now make up 19% of US sales, offering 25% to 60% discounts compared to branded products. Despite modest growth from 17% in 2014 to 19% in 2023, economic pressures and market shifts are boosting their appeal. Consumers are increasingly choosing private labels due to financial strain, and retailer consolidation is enhancing quality and availability. To grow further, retailers are launching premium brands, and both domestic and international suppliers are ramping up production. With a focus on quality and value, private label market share could reach 30% by 2033, especially as regional players adapt to local trends.

Declining restaurant sales continue to worsen, down -6.6% in Q3



Source: *Earnest Analytics, RaboResearch 2024*

Grocery reflects a consumer who is spending less, by -2.8% overall in Q3



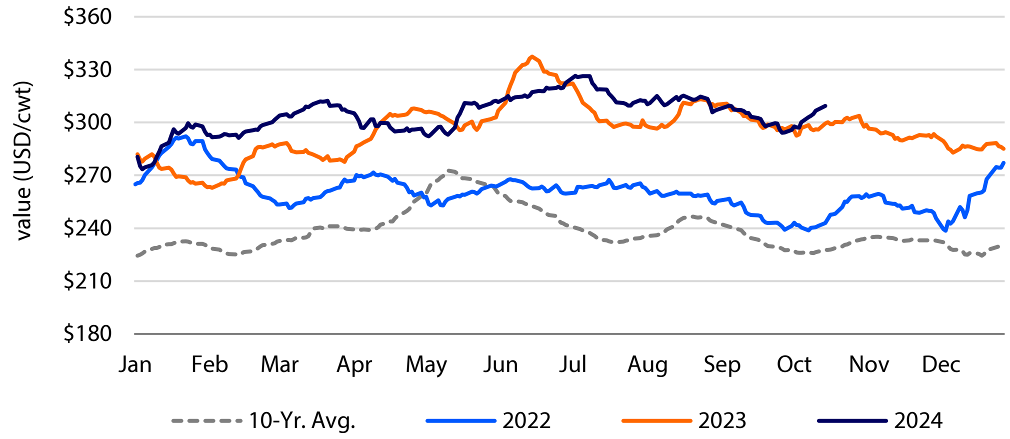
Source: *Earnest Analytics, RaboResearch 2024*

Cattle

Shifting precipitation patterns alter North America cattle supply trends; US beef demand remains strong

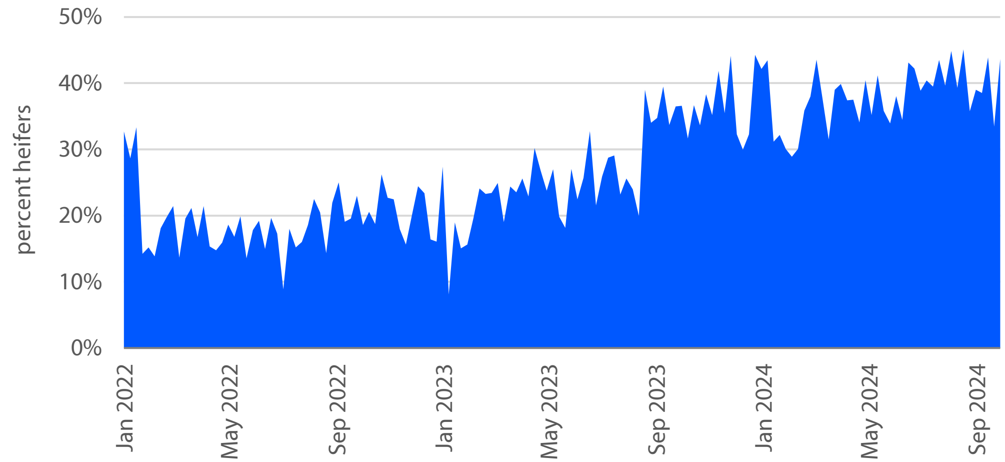
- **US cattle supply continues to be ample.** The USDA reported that as of January 1, 2024, the feeder cattle and calf supply outside of feedyards was down by more than 1m head (4%) compared the prior year. However, January to August feedyard placements have been more resilient – declining by only 285,000 head (2%) compared to the same period last year. This smaller decline in feedyard placements can be partially attributed to more aggressive imports of feeder cattle from Mexico, which are up nearly 200,000 head over that time. As a result, fed cattle supplies remain comparable to last year. The September 1 feedyard inventory is 0.6% higher than last year, and January to September steer and heifer slaughter is only down 0.4%.
- **Fall US beef demand proves resilient.** The USDA boxed beef cutout was under pressure in the third quarter. The 2024 USDA Choice-Select composite cutout daily high was USD 326/cwt on July 2. The wholesale market then eroded, reaching lows near USD 294 on September 26, the lowest value since mid-May. However, beef buyers found value at those price levels. Since that low, the cutout has improved by more than USD 15/cwt, with chuck, round, loin, and rib primal values all adding value to the carcass. Year-to-date consumer beef demand is 5% higher than last year and remains the second highest in the last 30 years.
- **Canada slaughter declines reflect less cow liquidation.** From January to August, cattle slaughter is down 94,600 head (-5%) compared to last year, with declining cow slaughter accounting for 50,300 head of the year-to-date decline. This shift points to slower herd liquidation for beef and dairy cow operations. Now, attention turns to the fall calf run to assess producer interests in heifer retention. Above-average late summer precipitation from British Columbia and into southern Alberta eased short-term drought concerns for some cattle producers. While heifer slaughter remains elevated, heifers accounted for 34% of placements into feedyards from June to August, compared to 42% last year and a 10-year average at 39%.
- **Drought continues to limit herd growth opportunities in Mexico.** The beef cow herd has been growing for the last 10 years, reaching an inventory of 8m to start 2024. However, further expansion into 2025 is unlikely, as two years of extreme drought is stalling additional herd growth. Feeder cattle and calf exports to the US remain strong, allowing prices to stay 9.4% above last year at MXN 69.65 per kg. From January to August shipments totaled 940,000 head, up 25.5% compared to last year. In YTD 2024, 37.5% of those were heifers, based on USDA weekly data. During the same period last year, the heifer mix was at 23.9%, and it averaged 18.2% in 2022. As drought conditions limit forage availability, producers are shipping more heifers, slowing breeding herd growth potential going into next year.

USDA boxed beef cutout values are trending higher after Q3 erosion



Source: *USDA, RaboResearch 2024*

Mexico sending a higher percentage of feeder heifers and heifer calves to the US



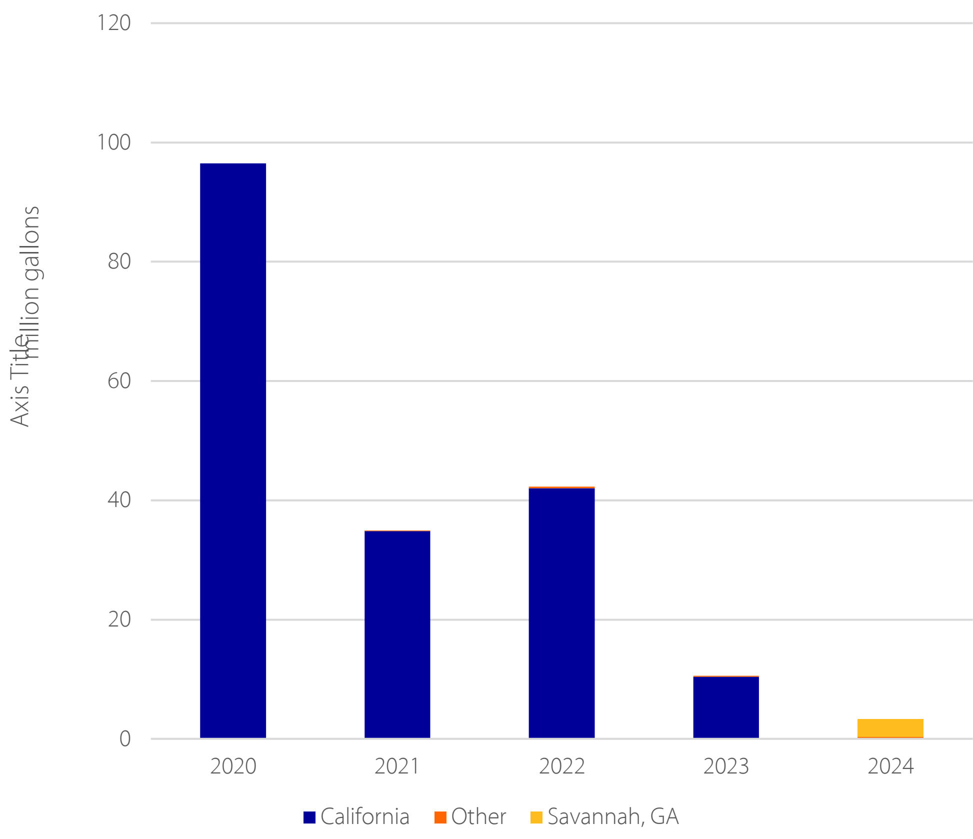
Source: *USDA, RaboResearch 2024*

Corn

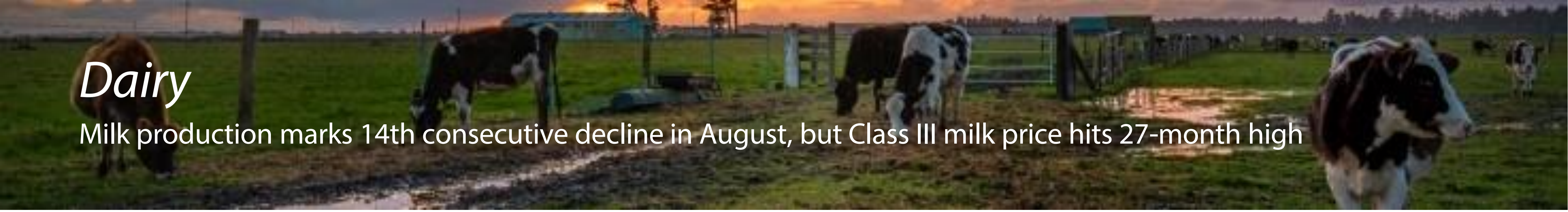
Inflation Reduction Act extends an opening to Brazilian ethanol imports

- In early October Inpasa rolled out the expansion of its Sinop, Mato Grosso corn ethanol refinery, bringing the facility's capacity to 2.1bn liters (550m gallons) annually – ranking it among the world's largest. This expansion builds on Brazil's long history of cane ethanol production and significantly boosts a corn ethanol industry that was non-existent prior to 2013. Today, roughly 1 in 5 gallons of Brazilian ethanol comes from corn, with 2024 production estimated at 2bn gallons for corn-based ethanol compared to 7 bn gallons from cane.
- Brazil has been a major exporter of ethanol to the US in the past. However, the presence of a blenders tax credit has kept biomass-based diesel (BBD) blending margins strong enough to effectively box Brazilian participation in the undifferentiated advanced volume mandate of the Renewable Fuel Standard (RFS). Without access to the D5 Renewable Identification Number (RIN) value, Brazilian ethanol has been at a cost disadvantage to US ethanol in recent years, limiting imports. Logistical challenges at California ports, specifically related to ethanol storage have posed additional hurdles.
- The structure of the Inflation Reduction Act could change this dynamic. The Blenders Tax Credit is set to expire on December 31, 2024, and will be replaced by the 45Z clean fuel production tax credit. While 45Z stipulates that the clean fuel must be domestically produced, it currently allows for imported feedstocks.
- Benefitting largely from the use of biomass in fuel processing, Brazilian cane ethanol and Brazilian corn ethanol have both been modeled to have lower average carbon intensity (CI) scores than US corn ethanol. While the 45Z tax credit may preclude Brazilian ethanol from direct use in ground transport, it does accommodate its use as a feedstock in Alcohol-to-Jet (ATJ) sustainable aviation fuel (SAF) production. Here, it's low CI score gives it a tax advantage over US feedstock. Indeed, Savannah, Georgia, home to SAF manufacturer LanzaJet, has been the primary hub for Brazilian ethanol imports this year - with zero fuel ethanol going to California according to census data.
- While US ethanol interests are battling Brazilian incursion into the ATJ SAF market, US farmer groups are pushing back against the use of imported feedstocks, specifically tallow and used cooking oil (UCO), in BBD production. In response, Midwestern congressmen have introduced the Farmer First Fuel Incentives Act, which aims to restrict 45Z participation to fuels made from domestic feedstocks.
- Meanwhile, Brazil, reinstated a tariff on US ethanol imports in February of 2023. Despite US pressure to overturn it, Brazil decided in June of this year to uphold the tariff. Prior to the initial application of tariffs in 2018, US ethanol exports to Brazil reached a high of 500m gallons per year.

US imports of Brazilian fuel ethanol by region (through August of each year)



Source: *IBGE, RaboResearch 2024*

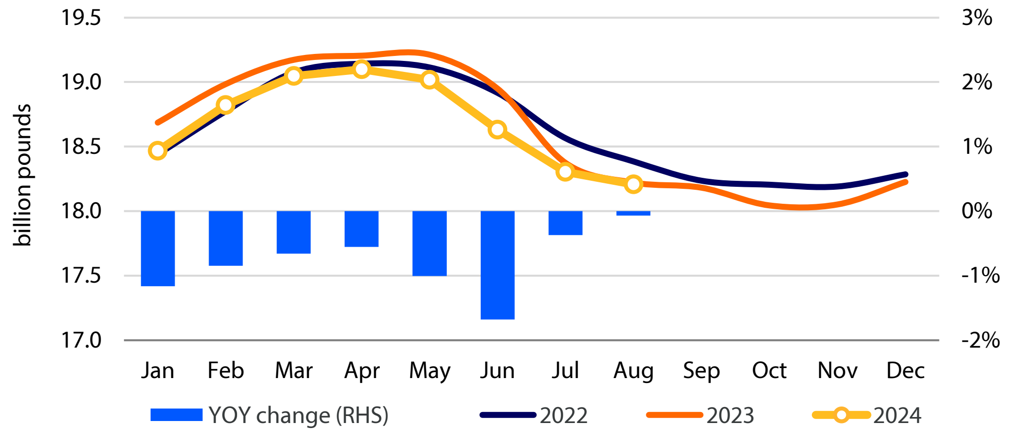


Dairy

Milk production marks 14th consecutive decline in August, but Class III milk price hits 27-month high

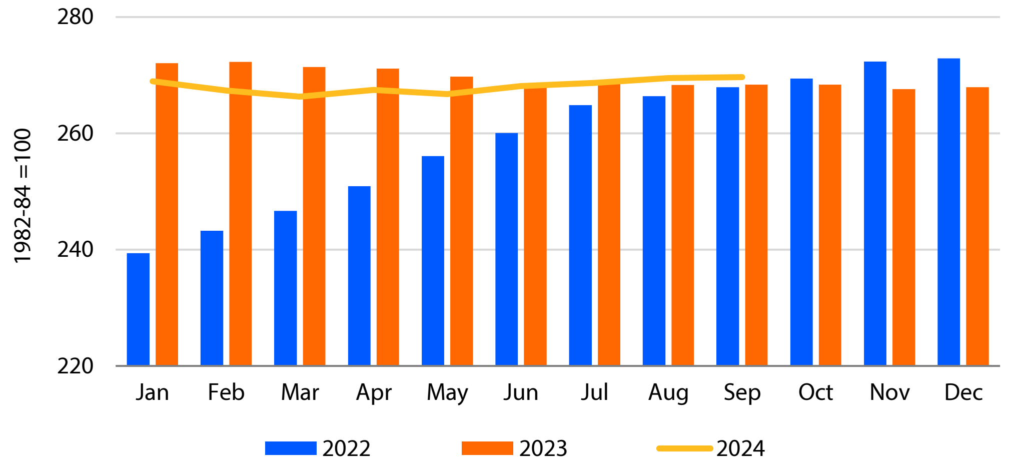
- **August milk production fell 0.1% versus the prior year, marking the 14th consecutive month of weaker year-on-year output.** The year-on-year deficit has tightened significantly as prior year comparable data points are now easier to match or exceed.
- The herd size was unchanged from July to August, holding steady at 9.325m head, but **cow numbers are still down 40,000 head year-on-year**. Milk per cow grew 0.4% in August, the strongest year-on-year gain since May 2023.
- RaboResearch anticipates that milk production will soon exceed prior year levels in a return to growth, but the gains will not be significant. **Replacement heifers remain close to (or at) record high prices,** limiting farmers' ability to quickly add cows to the herd to drive milk production meaningfully higher in the near term.
- In addition, highly pathogenic avian influenza (HPAI) continues to spread, with the impacted area shifting west. There were 97 newly confirmed cases in dairy herds in the 30-day period from mid-September through mid-October, with **95 of those cases in California** and two in Idaho. It is likely that HPAI is negatively impacting California milk production, but a return to output growth in other states should largely offset California's possible weakness in the coming months.
- The on-farm margin outlook has improved in recent weeks, driven aby both higher milk prices and lower feed costs. **The September Class III milk price settled at USD 23.34 per hundredweight, the highest since June 2022.** Class IV was similarly impressive at USD 22.29 per hundredweight, the strongest since November 2022. After weak margins throughout much of 2023 and 1H 2024, the improved on-farm financial outlook into Q4 is much needed.
- Despite lower milk production so far this year, cheese and butter output has remained elevated. **Butter volume is up 4.8% YOY on a year-to-date basis**, driven by firm prices and supply concerns that have kept cream flowing to churns. Total cheese production is up 0.2% YOY from January through August, driven by Italian-style output (+2.8% YOY YTD) at the expense of American-style cheese (-4.4% YOY YTD). Less milk has flowed to balancing plants, with combined nonfat dry milk/skim milk powder production down 15.6% YOY YTD.
- Domestic demand was up 0.7% YOY in August following two consecutive months of weakness. Export disappearance was also higher, up 1% YOY, pushing **total demand up 0.7% in August**.
- After 11 successive months of deflation from September 2023 to July 2024, **the dairy consumer price index is again higher year-on-year,** up 0.4% in August and up 0.5% in September.

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



Source: *USDA NASS, RaboResearch 2024*

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



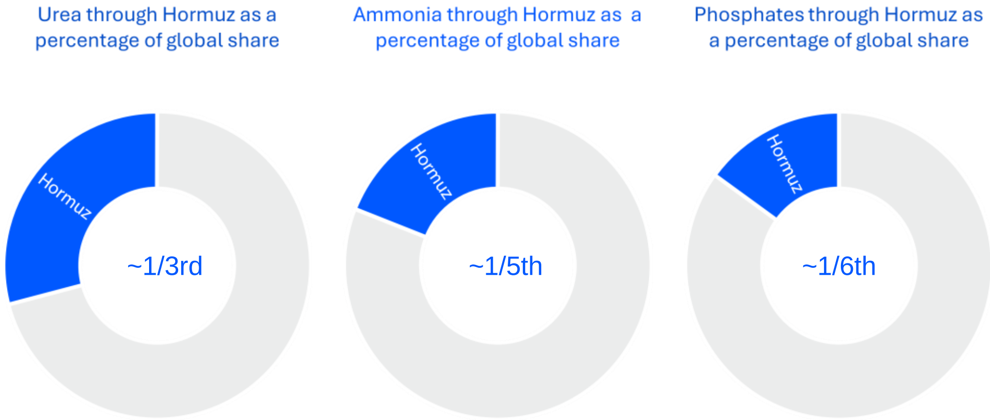
Source: *Bureau of Labor Statistics 2024*

Farm inputs

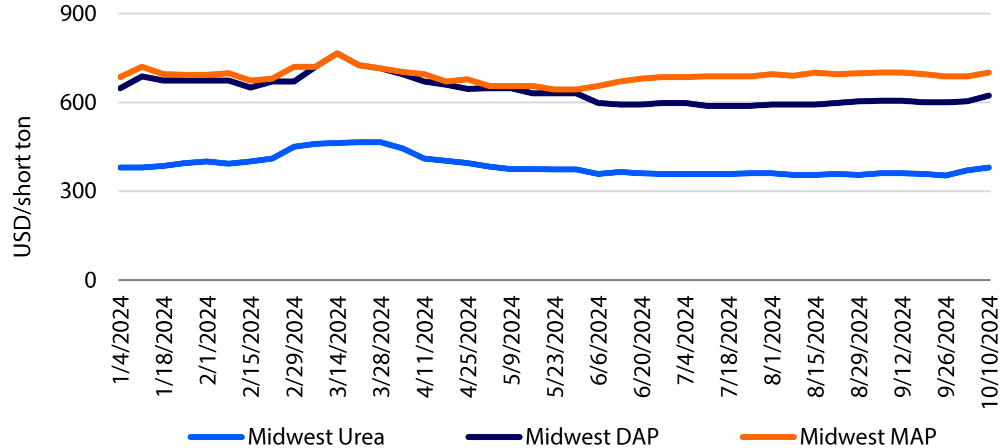
Strait of Hormuz: The nutrient highway

- Fears of a broader escalation of conflict in the Middle East have catalyzed the hydrocarbon market (and its derivatives) since mid-September. Oil prices have risen close to 15% since the end of September as funds unwind their short positions to reflect the region's importance to the complex.
- The region is equally significant in the global fertilizer industry, particularly the Strait of Hormuz, which serves as a crucial bottleneck – a nutrient highway for the global supply of nitrogen and phosphate fertilizers.
- Industry estimates suggest that up to one-third of global urea exports originate through this strait, along with one-fifth of ammonia trade and one-sixth of global DAP/MAP/TSP products. Regional urea prices have risen approximately 10% since the end of September, in line with the higher bounds of our forecasts in our semi-annual fertilizer update.
- Adding to these concerns is an adjustment in fundamentals, with China remaining absent from the urea export market in October. The combined effect of expected Indian seasonal demand, tight China exports, and potential disruptions in one of the key global nutrient highways has added price volatility risk to the upside over the coming weeks and months. North American markets do not operate in isolation, and we have seen inland prices move approximately 6% since the start of September, while coastal (import) prices have increased closer to 10% in the same time frame.
- Phosphate markets remain expensive starting this marketing year, with potential risks ahead. The Strait of Hormuz is a crucial route for the global supply of phosphorus fertilizers, and any disruption here can impact the availability and price of these fertilizers. Due to the high costs, the demand for phosphorus is already under pressure in many cropping systems, especially in North America, where prices are particularly high. Consequently, the high existing prices have kept the reaction to potential supply disruptions relatively subdued. While the full impact of Hurricane Milton is still being assessed, early signs indicate that the worst-case scenarios have been avoided in terms of fertilizer supply.

Importance of the Strait of Hormuz to global fertilizer trade



US fertilizer prices show modest increases



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

Feed

DDGS prices settling below the five-year average

Soybean meal:

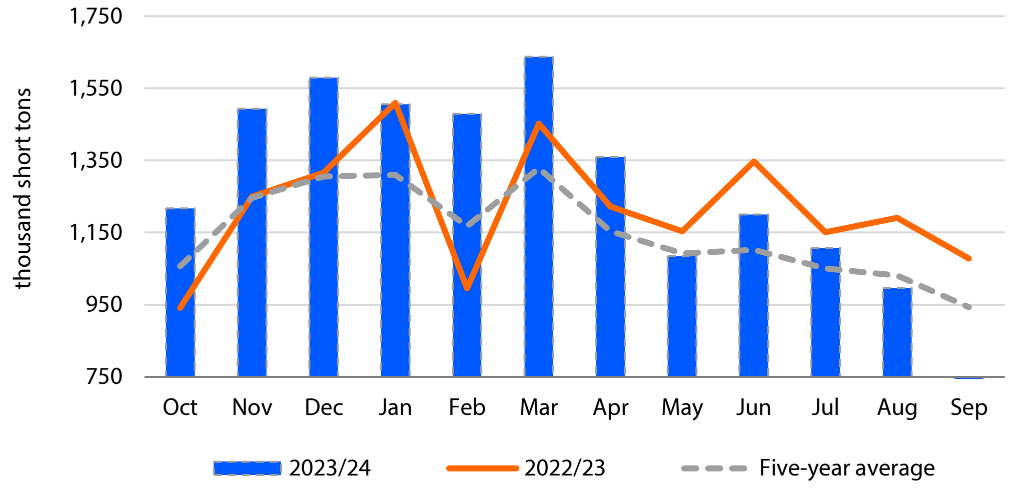
- **Soymeal production** is estimated to reach a record high for MY 2023/24. Production for 2023/24 till August stands at 46.6m short tons, compared to 45.3m short tons in MY 2022/23, marking an increase of approximately 3%. However, soymeal production declined in August due to many crush plants being closed for maintenance. US soybean production is expected to achieve another record year moving into 2024/25.
- **Soymeal exports** continue their streak of record years, with marketing year-to-date figures up 8.38% compared to the same period last year and 14.2% compared to the five-year average. Maintaining this export pace is crucial for crushers to keep margins at profitable levels.
- **Soymeal prices** have attracted market attention due to their volatility, despite record production numbers. Soymeal prices have come down from their high levels in 2022/23 and, for most of MY 2023/24, prices have stayed well below the five-year average. In central Illinois, soymeal prices for MY 2023/24 ended at 384 USD/short ton, which is approximately 15% below last MY and approximately 3% below the five-year average. For MY 2024/25, the US needs to continue its export program to avoid further price declines.

DDGS:

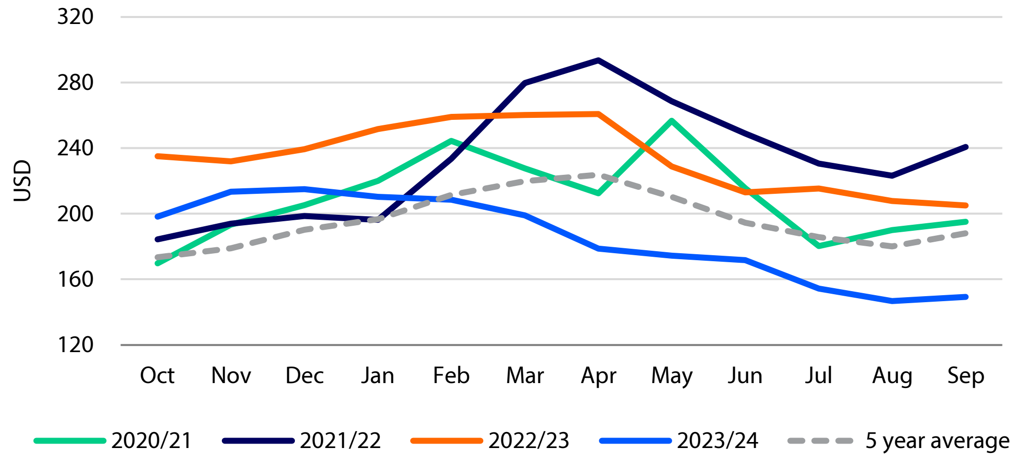
- **DDG production** is on track to reach the five-year average from pre-Covid levels. Since the Covid-19 pandemic, ethanol and DDG production have struggled to recover due to reduced commuting. The increased production of DDGS is a welcome relief for the feed market, which has struggled to maintain rations and feed cost under control due to high corn and meal prices.
- **DDGS exports** are on track to be higher than last year. From January to August of 2024, exports increased by 15% compared to the same period last year. Mexico continues to be the top buyer of US DDGS, with exports growing 18% YOY from January to August.
- **DDGS prices**, like other commodities, are starting to decline. This is partly due to their correlation with other energy/oil-meal commodities and partly due to increased ethanol production. Prices have finally fallen below the five-year average after three years above 200 USD/short ton. For most of MY 2023/2024 , prices were below 200 USD/short ton, settling at an annual average of 185 USD/short ton. Historically, prices are not yet below pre-Covid levels, but current prices should provide some relief to animal protein producers.

Sources: USDA, RaboResearch 2024

Soymeal exports reach record levels despite decline in the last four months



DDGS prices for Central Illinois fall below the five-year average



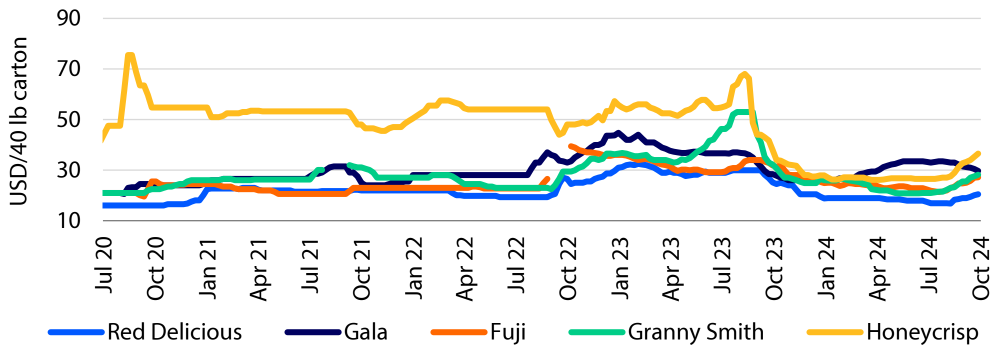
Source: USDA, RaboResearch 2024

Fruits

Apple prices shift from downward to upward trend for some varieties

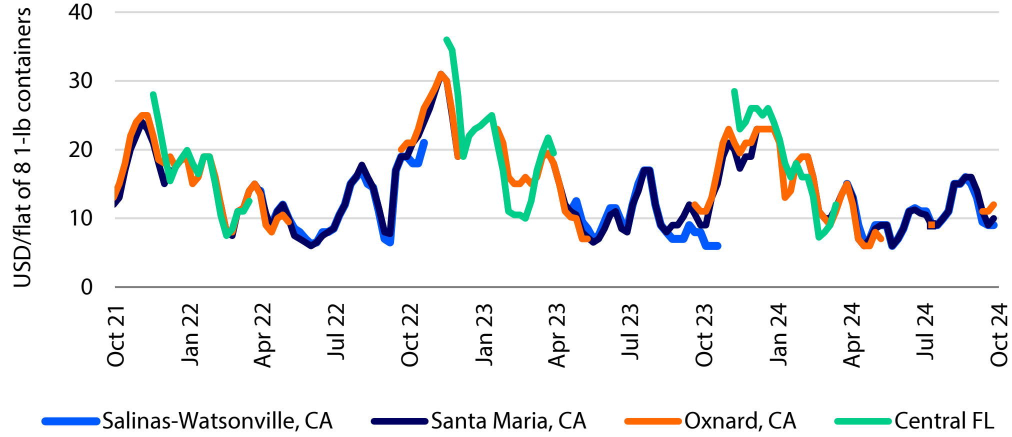
- **Strawberry** shipping-point prices for non-organic fruit were around USD 10 per flat, up about 10% YOY for product from California, by mid-October. Shipments over the past four weeks have been up about 10% YOY as the California season extends with warm weather. The Florida season will be delayed due to impacts from the hurricanes in September and October. **Blueberries** started the US import season with improved supplies year-on-year from Peru during October. Prices in September were up 11% YOY, closing a relatively favorable US season. Demand is expected to be steady during the US offseason.
- **Lemon** shipping-point prices for 140s were around USD 34 per carton, down 21% from the multi-year highs a year ago, and down 9% against the five-year average for mid-October. **Valencia orange** prices for 88s were around USD 35 per carton, up about 42% YOY and reaching a multi-year high for mid-October.
- By the end of the California **avocado** peak season, shipping-point prices for 48s were around USD 57 per carton, averaging USD 58 during the 2024 season, up about 13% compared to the unweighted average shipping-point price observed during the 2023 season. Prices are likely to show a downward trend, from elevated summer levels, during Q4 2024 as supplies from Mexico improve.
- Despite a recent change in trends, fresh **apple** prices continue to show lower levels than a year ago for most varieties. Shipping-point prices for Red Delicious, Fuji, Granny Smith, and Honeycrisp were down 19%, 14%, 12%, and 4% YOY, respectively. On the other hand, Gala prices were up 4% YOY. Prices are expected to continue to improve as the 2024 crop is estimated to return to historical average production, following a bumper crop in 2023.

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



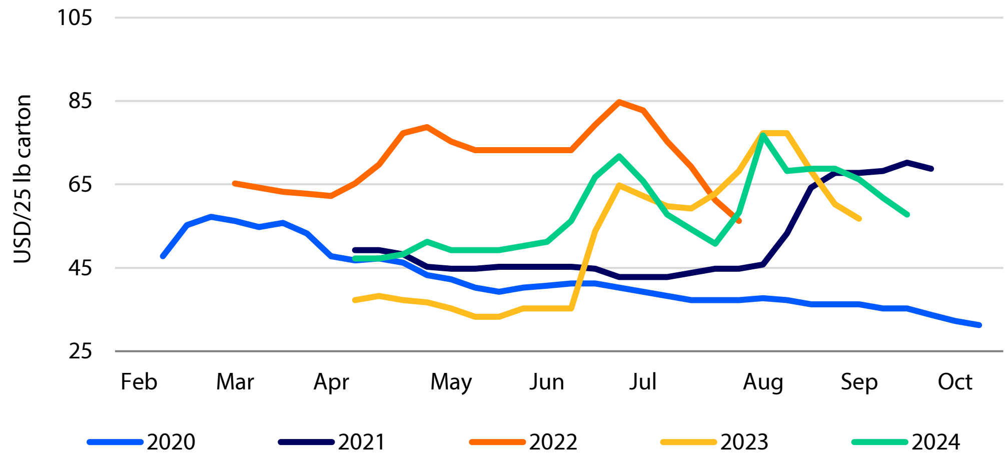
Composite of fine appearance and standard appearance prices
Source: *USDA AMS, RaboResearch 2024*

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



Source: *USDA AMS, RaboResearch 2024*

California Hass avocado shipping-point prices, non-organic -48s-, 2020-2024



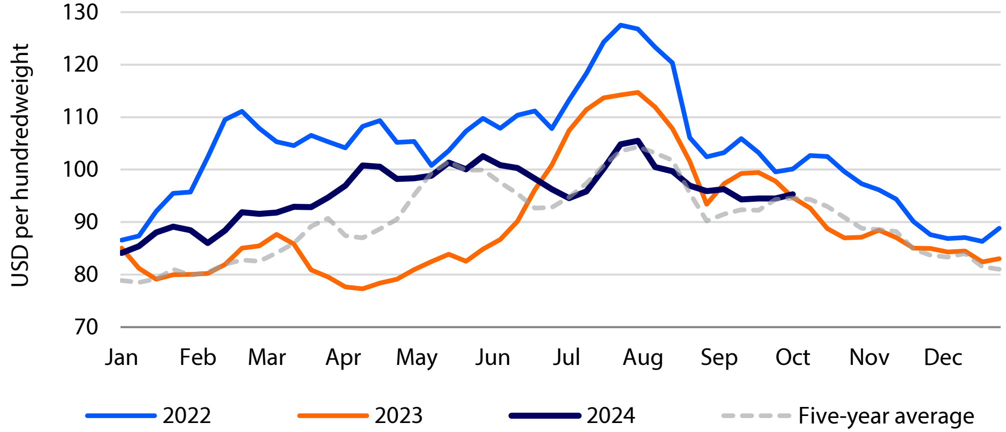
Source: *USDA AMS, RaboResearch 2024*

Pork

Steady markets as supply and demand remain well-balanced

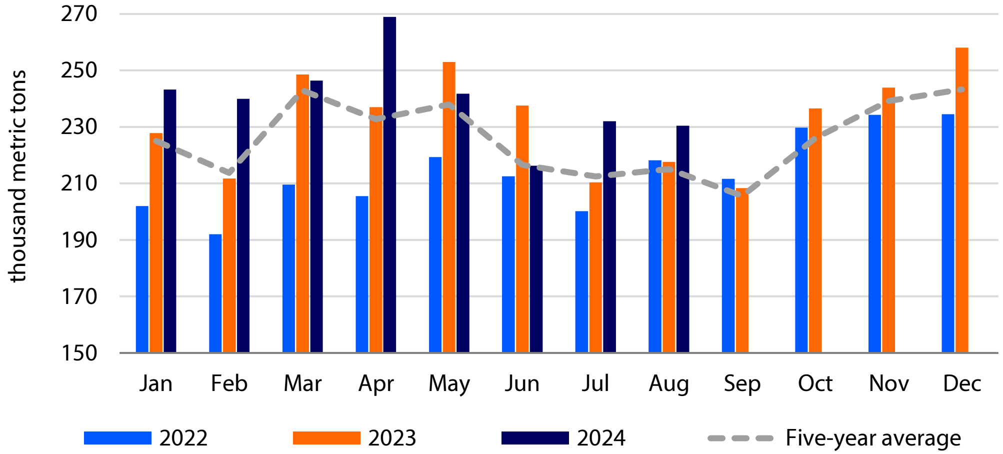
- **US breeding herd liquidation slowed, with hog inventories up 0.5% to 76.5m head on increased productivity.** The September USDA Hogs and Pigs report showed fewer-than-expected sows kept for breeding (-2.2% YOY), but this has been offset by a 0.9% YOY increase in productivity. After relatively flat production through 1H 2024, the industry produced 4% more pork in Q3 2024 compared to the previous year. Contrary to seasonal trends, slaughter has slowed over the past month, and weights have not compensated this slowdown. We expect a return to heavier weight hogs as temperatures fall in the coming weeks and hogs benefit from fresh, low-cost corn. Sow numbers and farrowing intentions were in-line with expectations, reflecting the slowdown in liquidation efforts and gradual rebuilding. Despite herd stabilization, expansion efforts are expected to be limited by seasonal slaughter capacity constraints and the high cost of building and restocking.
- **The pork cutout has remained relatively steady through the fall and is now above year-ago levels at USD 95 per cwt (+1% YOY).** Q3 2024 pork prices averaged 7% below last year, at USD 98 per hundredweight. Larger pork supplies weighed on the market, despite relatively good consumption trends. Prices have stabilized as production has slowed, currently trending in line with year-ago levels. While belly prices remain volatile, ham, rib, and loin values are relatively stable. Packers remain profitable at current levels and are expected to keep supply and demand in balance to ensure steady profitability this fall.
- **Pork export volumes were up 6% YOY in August, reaching 239,000 metric tons, and up 9% YOY in value.** Shipments to most destinations increased, with stronger shipments to Mexico (+4% YOY) and several South and Central American countries more than offsetting weaker sales to Japan (-6%) and South Korea (-3% YOY). Despite potential missed shipments due to recent port disruptions from labor disputes and weather-related issues, overall movement has been good. YTD export volumes remain 4% above year-ago levels, while export values are 7% higher. Pork imports were up 2% YOY in August, at 38,000 metric tons, with sizable increases from Europe and Brazil, offset by lower shipments from Canada and Mexico.
- **Mexican productivity has normalized, driving hog prices down to MXN 39.55 per kg.** Hog prices experienced some recent volatility, peaking at MXN 51.25 per kg in July before dropping 23%. RaboResearch expects prices to remain at current levels, slightly above last year. Imports of pork are up 5.6% YOY, with double-digit gains from the US and Canada. Brazil also continues to ship much larger volumes than last year (+81% YOY). Import volumes remain elevated despite an 8.4% YOY devaluation in the MXN to 19.48 per USD. Consumer preference for pork is limiting the impact of the exchange rate.

Pork cutout entered October steady and above year-ago levels



Source: USDA 2024

US pork exports rebound in late summer



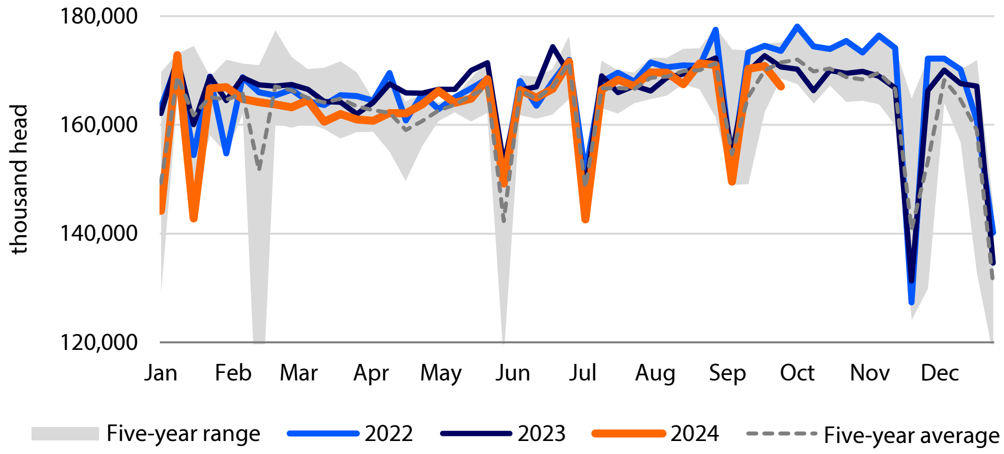
Source: USDA, RaboResearch 2024

Poultry

Chicken prices remain ahead of year-ago on strong consumer trends

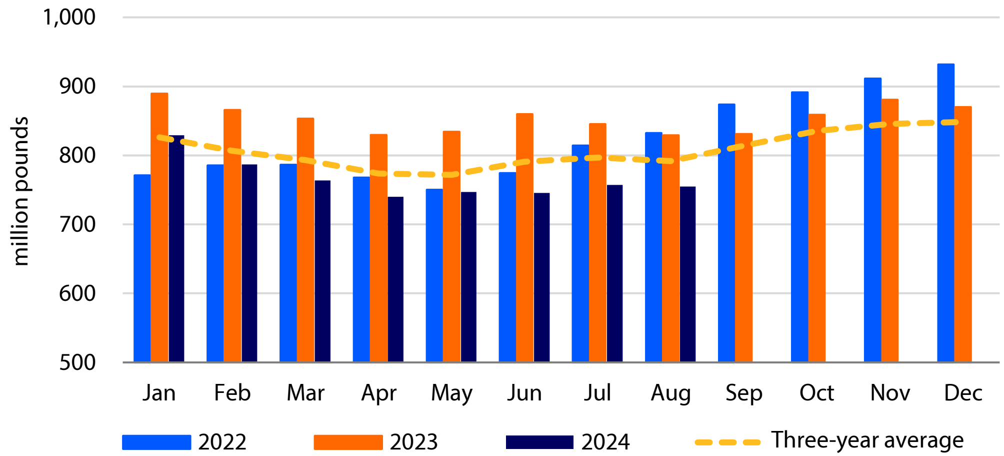
- **Ready-to-cook chicken production has averaged 1.5% above year-ago over the last two months, as heavier weight birds (+2.6% YOY) more than offset reduced chicken availability.** An improvement in hatchability in September (from record-low levels) will support a year-on-year increase in slaughter in Q4 2024, despite ongoing productivity challenges. Lower-cost corn supplies and the benefits of fresh corn in the feed ration should also support some improvement in availability. Favorable margins over the past several months will encourage industry growth, although egg supplies remain constrained, likely limiting a faster response. The full impact of Hurricane Helene on barns and production is not yet known. RaboResearch expects some loss in production, with much of the impact expected in the coming weeks. Currently, RaboResearch projects a +0.7% YOY increase in chicken production.
- **Chicken prices remain well ahead of year-ago levels despite a seasonal slowdown in demand and softer export trends.** Good foodservice support for breast meat and wings has kept prices above year-ago levels, up 15%, and 46% YOY, respectively. Strong dark meat prices are also helping boost composite values, with strong domestic demand increasing deboning activity. Looking ahead, we expect the high cost of grinds to support increased feature activity at retail and more frequent inclusion of chicken on foodservice menus. We remain optimistic about the 2H 2024 price outlook as all chicken inventories remain historically low (-9% YOY) and production growth remains constrained.
- **September chicken export volumes were weak, down 13% YOY at 269,000 metric tons, while total export value increased by 1% YOY.** Weaker sales to Mexico (-1% YOY), Cuba (-35% YOY), and China (-60% YOY) drove the decline, far outweighing stronger shipments to the Philippines, Angola, and Canada. YTD chicken exports are down 11% YOY. HPAI-related disruption and challenging conditions continue to limit exports into Cuba and China, while Canadian supplies remain adequate. High leg quarter prices (+55% YOY) are also negatively impacting trade. Leg quarter inventories remain historically low (-11% YOY), and given limited production growth and strong domestic dark meat demand, prices are expected to remain supported. RaboResearch is forecasting ongoing export weakness through year-end.
- **Mexican chicken prices have stabilized.** Live chicken prices are currently MXN 23.05 per kg, on par with the five-year average. During July and August prices dropped 45% after production normalized. Producers sent a large volume of product to the freezer to reduce available supply and limit additional losses. Prices remain volatile as the market works through the oversupply. RaboResearch expects normalization in Q4 2024 as excess stocks are absorbed by the market, with prices expected to remain near the five-year average.

Weekly chicken slaughter drops below year-ago levels



Source: USDA, RaboResearch 2024

Chicken cold storage inventories down 9% YOY



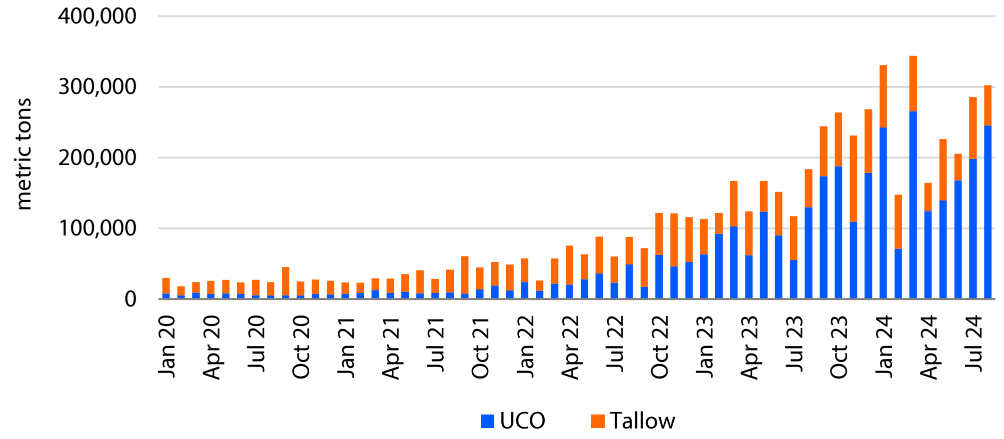
Source: USDA 2024

Soybeans

Soybean market under pressure from multiple factors

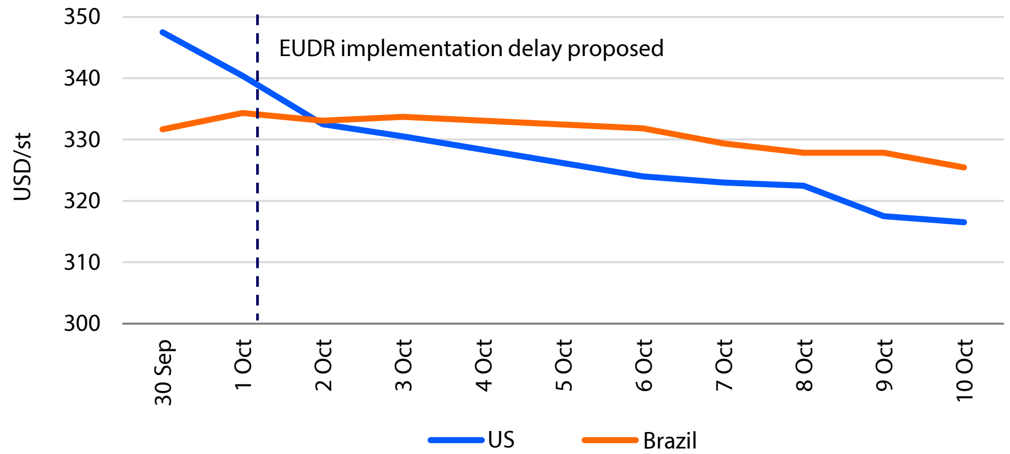
- Commodity markets have faced significant declines in 2024. Since January, wheat prices have fallen by 4%, cotton by 12%, and corn by 13%. However, soybeans have experienced the largest drop, decreasing by 24% for the year.
- Soybeans, which were recently favored for renewable diesel productions, are now facing challenges due to the fickle nature of that market. Overproduction beyond compliance mandates began last year and has accelerated in 2024, depressing the value of RINs and biofuel feedstocks generally. Additionally, soybean oil is losing market share in the renewables sector as producers have increasingly sought out low-CI used cooking oil and tallow, largely from overseas.
- Although the EU shuns genetically modified (GM) products for human consumption, the common market makes liberal use of these products when it comes to feeding animals. In 2023, the EU accounted for 7% of US soy meal exports and 14% of US bean imports. Given the importance of this market, and the US positioning itself as a climate-smart producer of soybeans, the EU's decision to postpone the implementation of the EUDR (at the request of the USDA and USTR) had an immediate impact on US meal prices. Interestingly, Brazil's spot market prices for meal were much more resilient in the wake of the announcement.
- Overall, soybean prices have been under pressure due to the general perception of abundance this year. The September WASDE confirmed expectations of a record soybean crop this year, while the upward revision to corn yields in October added additional weight to commodity markets at large.
- While the slow start to Brazil's soybean planting has sparked some optimism, there is still plenty of time to recover. Furthermore, the delays in Brazil are more relevant to safrinha corn and are unlikely to materially impact soybean yields.

US imports of used cooking oil and tallow



Source: USDA 2024

Soymeal price response to EUDR implementation delay, 2024



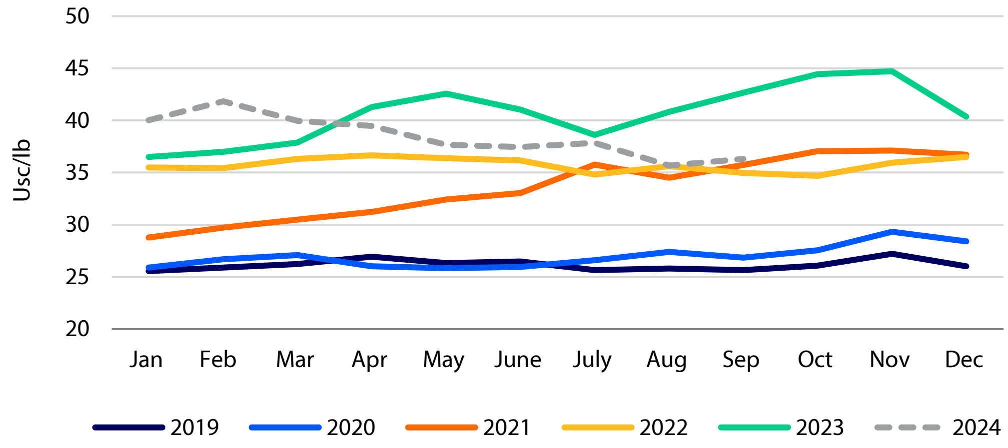
Source: USDA, CEPEA 2024

Sweeteners

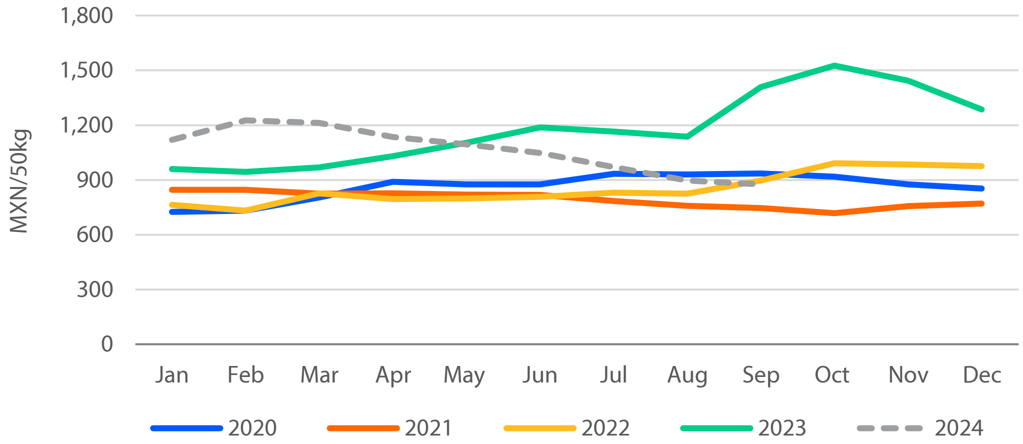
Weather added concerns to the US sugar sector, but all is fine

- The weather has been threatening and causing concern for the US sugar industry. However, the good news is that the Florida cane area was undamaged after hurricanes Helene and Milton hit the state, although logistics in the area were inevitably impacted. In Louisiana, the cane harvest began after storm Francine dissipated. Some beet-growing areas have experienced hot and dry conditions, causing some harvest delays.
- Despite all these weather challenges, the USDA expects US sugar production for the upcoming 2024/25 cycle to be slightly higher than last year: 9.4m short tons raw value (strv) compared to 9.2m strv. Most of this growth will be driven by beet sugar production, which is expected to produce 5.3m strv this coming cycle, up from 5.1m strv observed last cycle. In 2024/25, sugar cane production is expected to grow less, with Louisiana expected to compensate for a production drop in Florida.
- For the 2024/25 cycle, US imports from Mexico are estimated at 338,000 strv, down from 446,000 strv in 2023/24. This is the lowest level of imports from Mexico in almost two decades.
- For this coming cycle, we expect Mexican sugar production to be slightly higher than last cycle. If it reaches around 5m metric tons and exports to the US are 338,000 strv, Mexico needs to prepare to channel some sugar for export to different markets.
- Beet sugar and refined cane prices in the US appear stable. Mexican sugar standard prices continue to soften.
- Mexican official data indicates that Mexico imported around 722,000 metric tons during the 2023/24 cycle, the highest volume in the past 15 years.
- Low corn prices relative to Mexican sugar prices incentivized Mexico to import High Fructose Corn Syrup (HFCS). Imports from the US reached around 1.6m metric tons, the highest since 2011/12.
- During the 2023/24, most of the Mexican sugar and HFCS imports were driven by the cane crop reduction caused by the severe drought that impacted many regions. Cane yield dropped to the lowest levels of the past couple of decades.

US sugar raw prices #16 have stabilized



Mexican estandard sugar prices continue to soften



Source: *CONADESUCA, USDA, RaboResearch 2024*
**Note: From Oct 2023 to June 2024*

Source: *CONADESUCA, USDA, RaboResearch 2024*

Tree Nuts

Mostly bullish trends at the beginning of the 2024/25 marketing year

Almonds: Carry-in for the 2024/25 marketing season was reported at roughly 503m pounds, down 37% YOY, and the lowest level since the beginning of the 2020/21 season. The crop size is expected to be around 2.8m pounds, up about 12% YOY and the highest since the 2021/22 season. Total supplies (carry-in plus expected crop size) in 2024/25 are likely to be similar to those in 2023/24, but the final crop size remains uncertain. Shipments through September were down 11% YOY, with domestic shipments declining 5% YOY and exports down 14% YOY. August exports had a slow start to the season, but shipments improved significantly in September. Some sources report that average prices are up about 35% YOY, reaching the highest level since 2021.

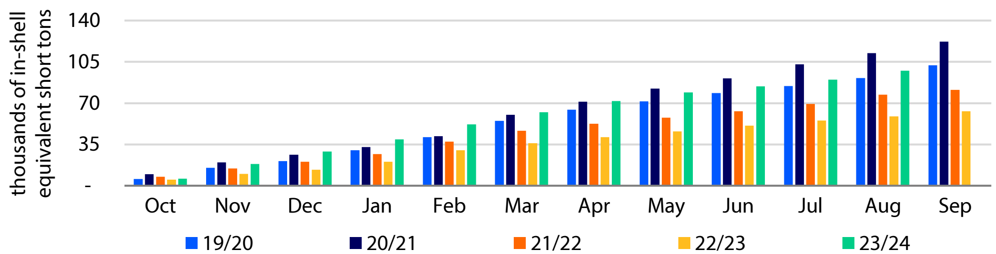
Hazelnuts: Shipments in 2023/24 through May were up 14% YOY, with kernel exports increasing 35% YOY. The 2023/24 US marketing year ended with low carry-out as the global market experiences tight supplies. As for the 2024/25 crop, industry participants are optimistic about the crop size (likely to set a record), as well as the nut size and quality. Prices are expected to be higher than in the previous season and at a profitable level for growers this season.

Walnuts: Shipments rose 15% YOY, with exports up 24% YOY and domestic shipments up 2% YOY by the end of the 2023/24 marketing year, according to industry figures. The 2024/25 crop is estimated to be 670,000 short tons, down 19% YOY. The USDA estimates that 370,000 acres will be harvested, down 4% YOY. Prices in the US have increased faster than previously anticipated as fundamentals in the global market improve.

Pistachios*:* Shipments by the end of the 2023/24 marketing year were up 31% YOY, with domestic shipments flat year-on-year, and exports (accounting for 79% of shipments) up 43% YOY. The estimated marketable inventory by the end of the season as a proportion of crop size was 12% versus 19% the previous season. At the time of writing, the harvest continues, with the crop size expected to be below 1bn pounds (versus a record 1.5bn pounds in the previous cycle).

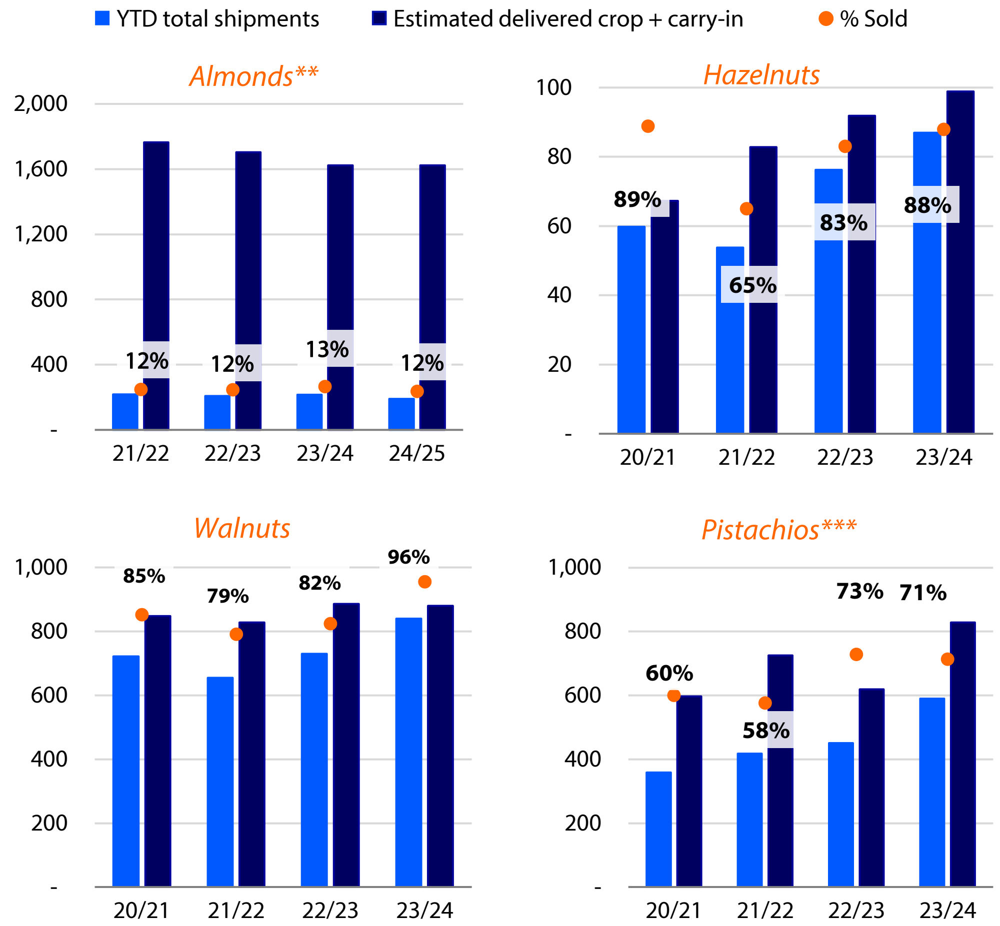
Pecans: US pecan export volumes in the 2023/24 marketing season through August were up 66% YOY, reaching the highest YTD exports since 2021, according to USDA figures. Sources report significant damages from hurricanes in parts of Georgia, hampering supplies for the 2024/25 year.

Cumulative US pecan exports by marketing year



Source: *USDA FAS, RaboResearch 2024*

*Cumulative US tree nut shipments by marketing year**
(thousands of in-shell equivalent short tons)



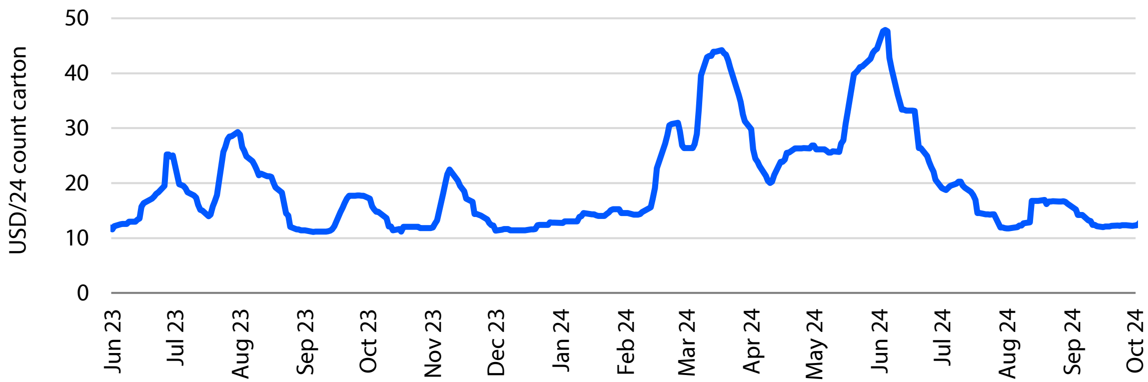
Source: *Almond Board of California, Oregon Hazelnut Industry, California Walnut Board, Administrative Committee for Pistachios, INC, RaboResearch 2024.* Through September 2024, 2024/25 marketing season for almonds; August 2024, 2023/24 marketing year for walnuts and pistachios; May 2024 for hazelnuts (industry information is delayed); **Meat pound equivalent. ***Not considering inventory adjustment/loss.*

Vegetables

US potato production forecast adjusted downward for 2024

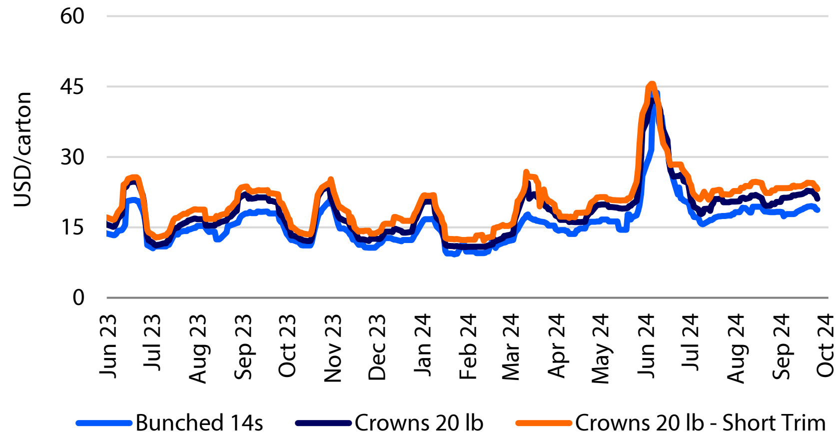
- **In recent months, "everyday demand for fresh fruit and vegetables was strong, leading to dollar, unit and pound growth for the produce department. Social media trends are reflected in sales spikes for cucumbers." according to the IFPA. In August 2024, retail fresh produce sales grew 2.4% YOY in dollars and 2.1% YOY in pounds, reflecting the strength of everyday demand with consumers more likely to prepare meals at home in recent months, according to the report.** In the seasonal spotlight section, the IFPA highlights the exceptional increase in cucumber sales at retail, partly due to the ultra-viral social media hashtag #cucumbersalad. Cucumbers generated USD 2bn in the past year, with dollar sales up 7% YOY and pound sales up 12% compared to two years ago. Other vegetables that are up both in volume and value retail sales include tomatoes, onions, salad kits, carrots, and broccoli.
- **Potatoes:** The most recent estimate for the US potato production for 2024 is at 422m cwt, down roughly 4% YOY and almost 7m cwt compared to the September estimate, according to NAPMN. Average yield prospects were adjusted downward in key producing states. NAPMN forecasts Canada's 2024 potato crop at 126m cwt, down 2.2% from a record crop size in 2023.
- **Leafy greens and brassica**: By mid-October, prices for romaine 24s and hearts (12x3) were about USD 12 and USD 14, up 9% and 8% YOY, respectively. The price for iceberg wrapped 24s was about USD 13, up 9% YOY. The price for broccoli crowns was about USD 21 per 20-pound carton, up 230% YOY, while prices for short-trim crowns were about USD 23, up 15% YOY. Industry sources report heavy supplies as warm weather in the first half of October accelerated plant development, although the heat has caused some quality issues. Supply gaps for some products are likely due to recent heat, by the second half of October. Market demand is reported as good with strength going into the transition season.

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



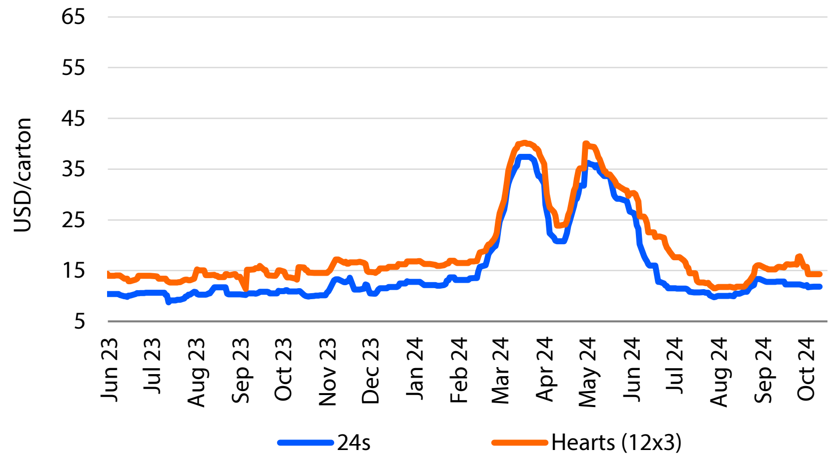
Source: *USDA AMS, RaboResearch 2024*

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



Source: *USDA AMS, RaboResearch 2024*

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



Source: *USDA AMS, RaboResearch 2024*

Wheat

Prices low for now, but watch for shifts

- **Winter acreage:** Winter wheat planting is falling 2% behind the five-year average and 1% behind last year's average. Based on the latest report from the USDA on October 15, winter wheat planting progress is at 64%. Estimates suggest that winter wheat planting might exceed expectations due to global uncertainty and lower supplies, which could incentivize more winter wheat exports. While planting progress is faring well, soil moisture remains a concern, with 47% of the winter wheat crop experiencing some level of drought.

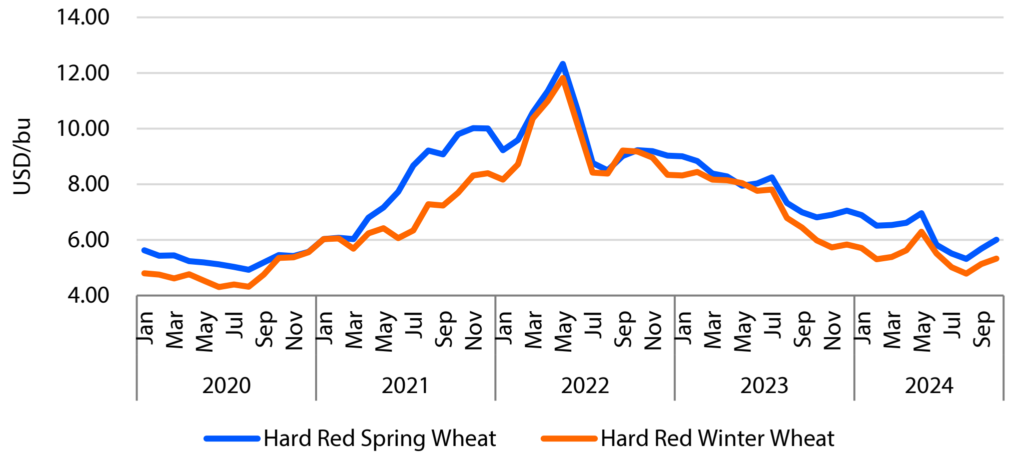
- **US stocks**: US ending stocks by class show a recovery in all classes except for durum wheat, signaling a production recovery, mainly in hard red winter wheat. The October WASDE report showed a decline in beginning stocks for all wheat compared to their previous estimate in the September report. However, all wheat beginning stocks are expected to be larger than the last two marketing years. Ending stocks for 2024/25 are showing a recovery but remain well below pre-Covid levels.

- **US exports**: US exports are performing better compared to last year's poor performance. As US production improves and prices become more competitive, all wheat exports are 19% higher YTD compared to the same period last year. Overall, top 10 importers of US wheat are buying more compared to last year, except for Taiwan. In terms of exports by class, all wheat classes are showing higher exports except for soft red winter wheat.

- **Global stocks**: Reports from different parts of the world, including the EU, Ukraine, and Russia, indicate challenges in production. Global stocks, especially from major exporters, continue to decline. The stock-to-use ratio for global stocks (excluding China) is at its lowest level since 2007/08 and the fifth lowest since 1990.

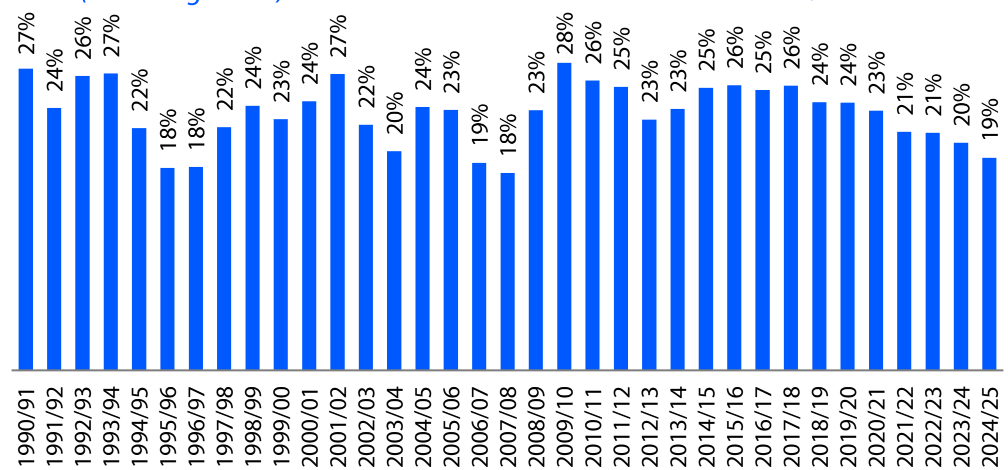
- **Prices**: The USDA WASDE report in October left the all-wheat farm price unchanged at 5.70 USD/bu despite lower ending stocks for 2024/25. If global demand and geopolitical tensions persist, combined with an already tight global stock situation, prices could easily swing to the upside. However, factors like lower corn prices and increased availability of feed wheat might keep a lid on wheat prices.

US Hard Red Spring and Hard Red Winter Wheat cash prices since Jan-2020 to Oct-2024



Source: *USDA ERS, RaboResearch 2024*

World (excluding China) stock-to-use ratio to be the lowest since 2008/2009



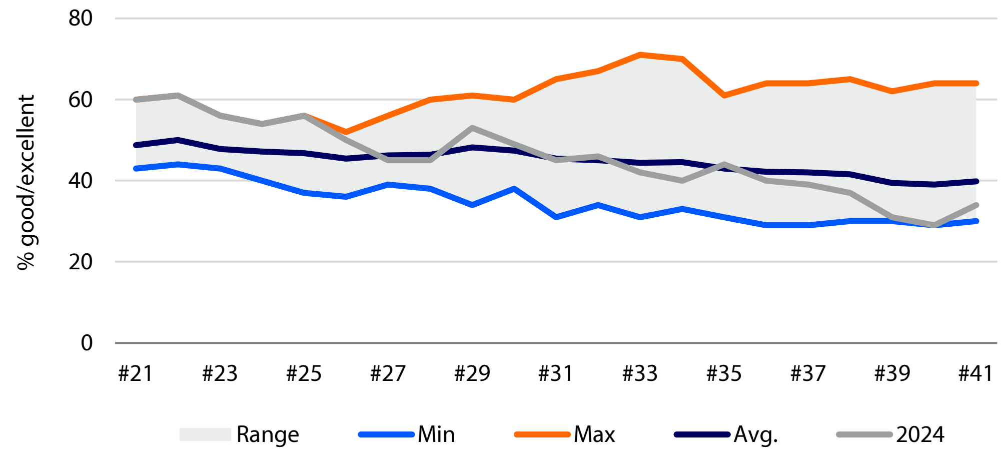
Source: *USDA ERS, RaboResearch 2024*

Cotton

Tropical storms slam southeast, but price support proves fleeting

- With a third of the country's cotton crop harvested as of mid-October, it is clear that 2024 production will not live up to early optimism.
- In Texas, early crop development was good thanks to adequate soil moisture for the first time in three years. In the southeast, warm spring temperatures allowed growers to get the crop planted in a timely manner. However, conditions worsened in both key growing regions, with dry weather returning to plague the Texas crop and, more recently, tropical storms causing heavy losses in Georgia.
- As a result, yields have been revised downward by 50 pounds over the course of the growing season. If the USDA's estimate of 790 pounds per acre is accurate, it would represent the lowest yield since 2015.
- While reports of bad weather in the southern regions have intermittently supported the market throughout the growing season, dismal export sales have consistently dampened any meaningful price rally.
- Brazilian exports will exceed those of the US for the second year in a row, while global demand remains stagnant. For US prices to recover, new demand sources are needed, which could be facilitated by affirmation of a "soft landing" for the global economy.

US cotton crop condition – 2020-2024



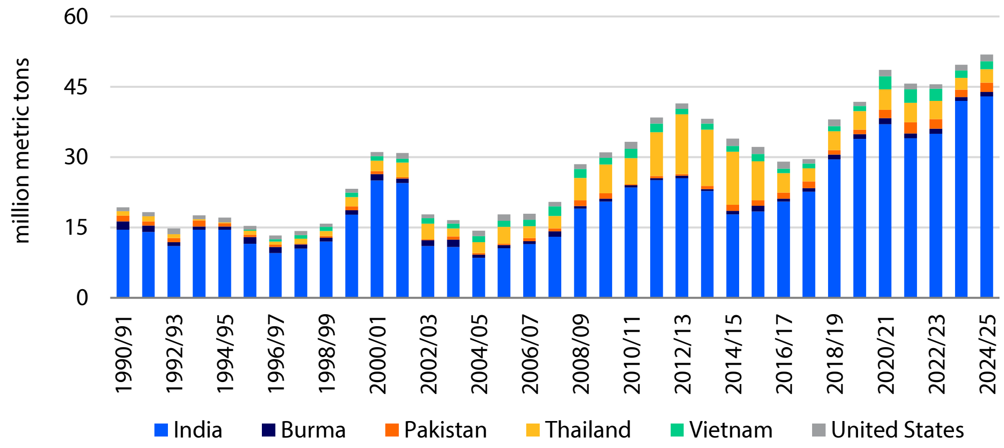
Source: USDA 2024

Rice

Record ending stocks for major exporters

- **Harvest:** The rice harvest is progressing well above the five-year average pace and last year's pace. According to the latest USDA report, as of October 13, 91% of the rice crop has been harvested, compared to 86% for both the five-year average and last year.
- **Trade:** The latest October WASDE report did not include major updates to rice exports, but total exports for 2024/25 are expected to be approximately 3% higher compared to last marketing year. A notable trend is the continued growth in US rice imports, currently estimated at 46.5m cwt, up about 4% compared to last year. Competition in 2024/25 will be challenging with India lifting export restrictions on rice exports, especially non-basmati white rice, at the end of September.
- **Price:** As production normalizes in the US and ending stocks rebuild, the season average farm price (SAFP) is estimated at 15.6 USD/cwt, an 11% decline from last year. Globally, the recent WASDE update increased major exporter ending stocks from 45.9m metric tons to 50.46m metric tons, which is expected to keep markets well supplied for this marketing year, with only a few upside opportunities in rice.

Major rice exporters ending stocks at record levels and above 50m metric tons

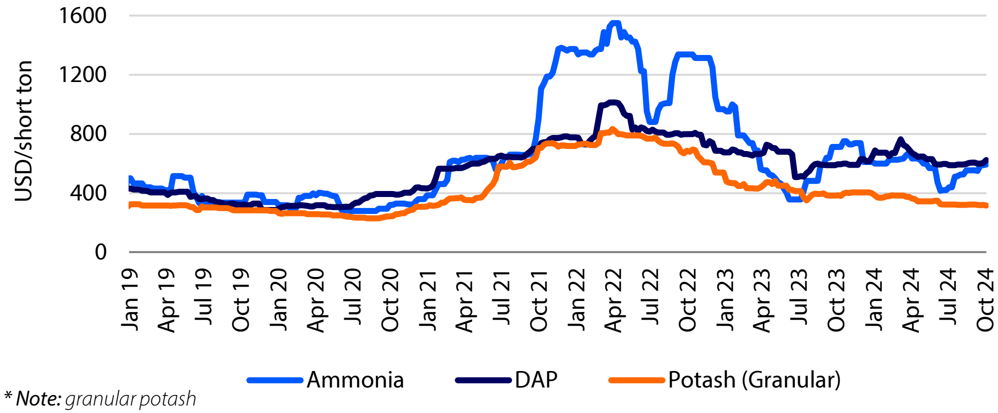


Source: USDA, RaboResearch 2024

Input costs

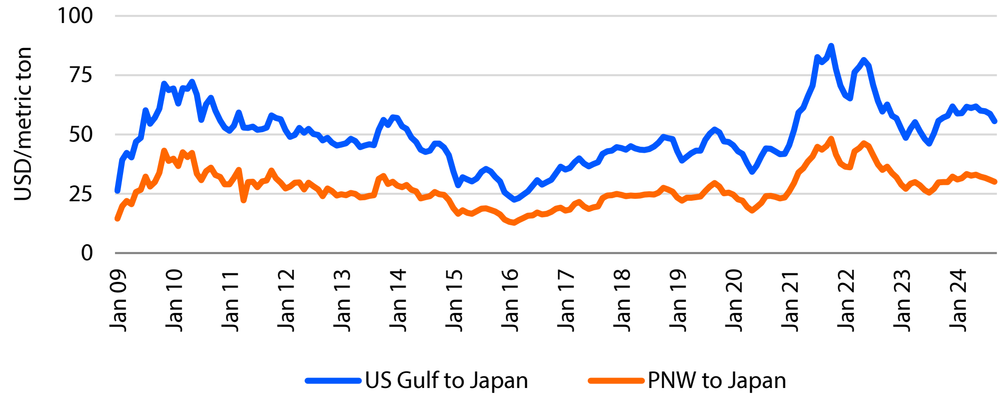
As of October 16, 2024

*Corn Belt input prices**



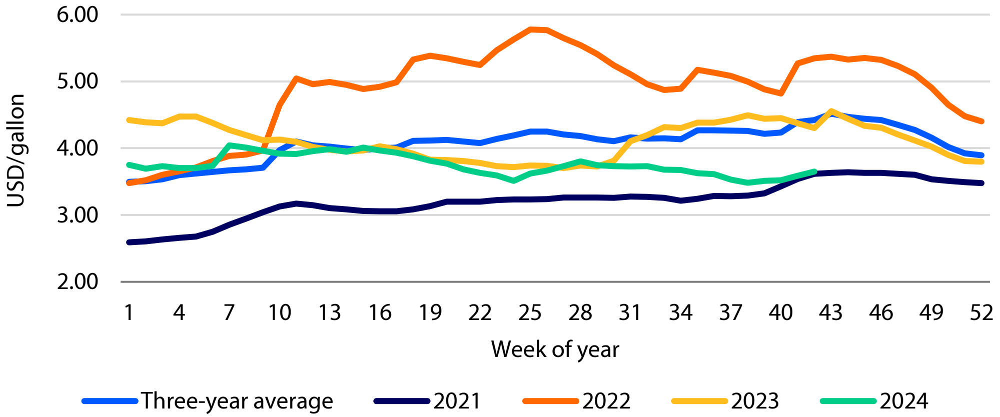
*** Note:** *granular potash*
Source: *CRU, RaboResearch 2024*

Ocean freight



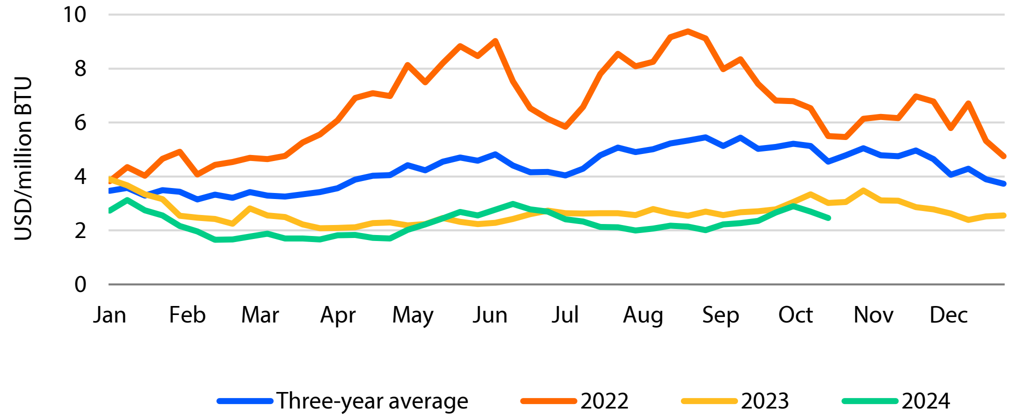
Source: *O'Neil Commodity Consulting, USDA AMS, RaboResearch 2024*

Diesel – Midwest



Source: *EIA, RaboResearch 2024*

Natural gas spot



Source: *NYMEX, RaboResearch 2024*

Forward price curves

As of October 16, 2024

CBOT – Corn

Source: *CBOT, RaboResearch 2024*

CBOT – Soybeans

Source: *CBOT, RaboResearch 2024*

CBOT – Soymeal

Source: *CBOT, RaboResearch 2024*

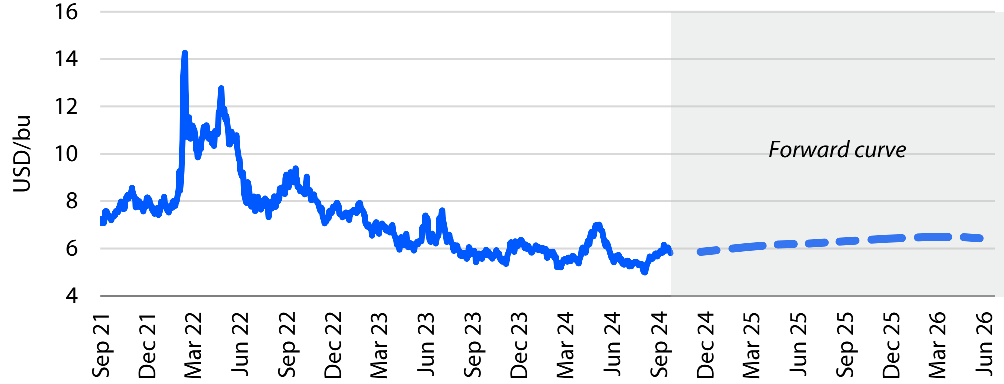
CBOT – Soy oil

Source: *CBOT, RaboResearch 2024*

Forward price curves

As of October 16, 2024

CBOT – Wheat



Source: *CBOT, RaboResearch 2024*

CBOT – Feeder cattle

Source: *CBOT, RaboResearch 2024*

CBOT – Lean hogs

Source: *CBOT, RaboResearch 2024*

CBOT – Live cattle

Source: *CBOT, RaboResearch 2024*

Forward price curves

As of October 16, 2024

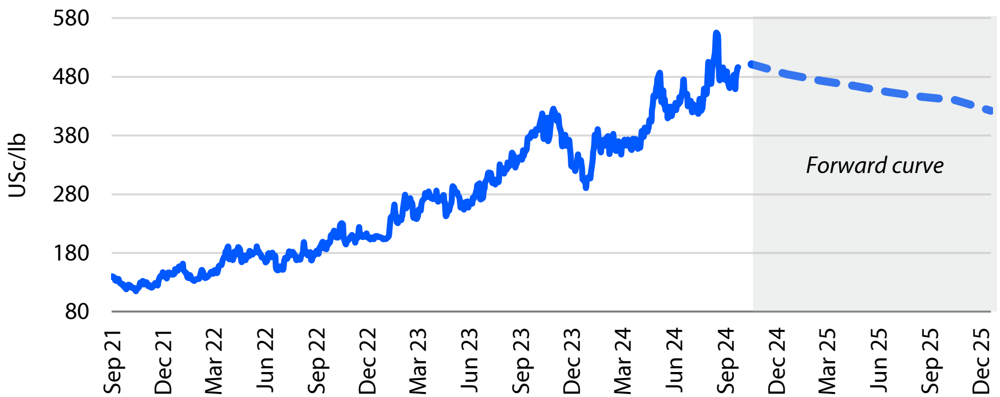
ICE – #2 Cotton

Source: ICE, RaboResearch 2024

ICE – Cocoa

Source: ICE, RaboResearch 2024

ICE – FCOJ



Source: ICE, RaboResearch 2024

ICE – #11 Sugar

Source: ICE, RaboResearch 2024

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