Outlook 2024: Buyers sail home on rising supplies

Agri Commodity Markets Research

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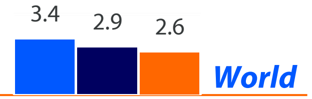
Global agri commodity markets outlook 2024: Key takeaways

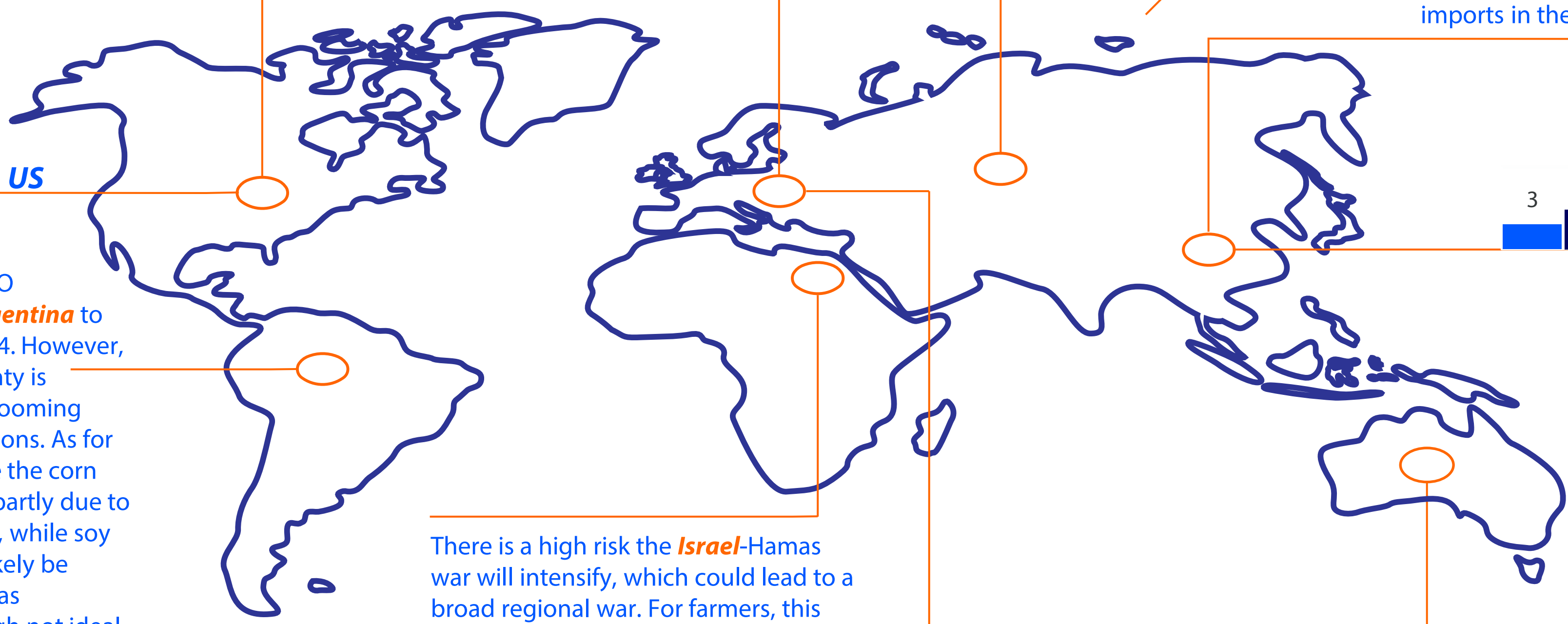
For the **US**, we expect a sharp increase in corn ending stocks this season, leading to a reduction in corn area in 2024. Meanwhile, the winter wheat area will likely decline due to low wheat prices.

The **EU** is facing challenges on several fronts. These include wet weather across much of Europe, energy supply concerns, and adjusting to the new EU Deforestation Regulation.

The war in **Ukraine** continues to rage. We anticipate G&O exports to be well below normal levels, but due to maximized exports via alternative routes, we will likely see volumes up marginally. As for **Russia**, production and stocks will likely be high, and we therefore expect record exports.

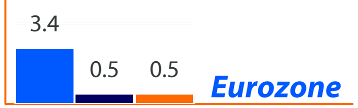


The deceleration of the **Chinese** economy may limit soy and dairy imports in the coming seasons.



We anticipate G&O production in **Argentina** to recover in 2023/24. However, political uncertainty is prominent amid looming presidential elections. As for **Brazil**, we foresee the corn area contracting partly due to weakening prices, while soy production will likely be modestly higher, as plantings, although not ideal, are not a concern.

There is a high risk the **Israel**-Hamas war will intensify, which could lead to a broad regional war. For farmers, this could increase fertilizer and diesel costs.



Australia has turned hot and dry (textbook El Niño) in recent months, and we expect wheat yields to suffer.

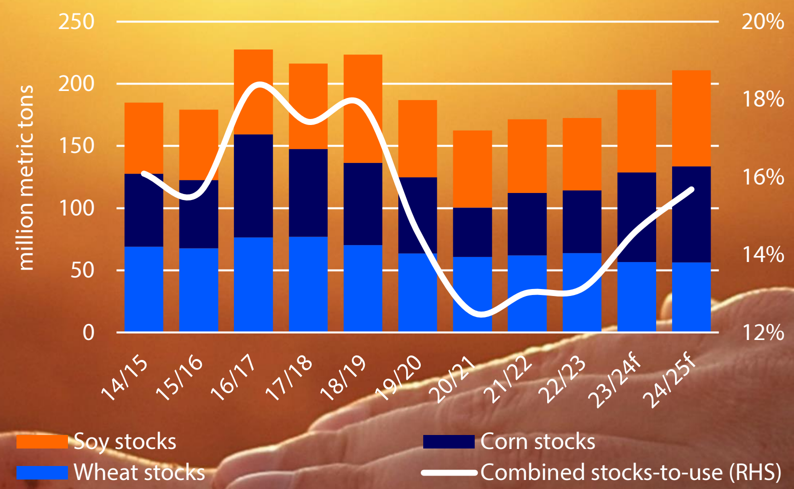
GDP growth (%) ***2022*** ***2023**** ***2024****
**Rabobank forecast*

Introduction

The last three years have been extremely volatile and challenging for farmers, traders, and food processors. Successive waves of drought, disease, and war pushed agricultural commodity prices to record levels and left even the most experienced buyers in uncharted territory. Titles of our previous outlooks predicted the challenges for consumers: 2022's "Hell in the handbasket" forecast soaring prices, which gave way to 2023's "Tightening the belt," where we saw consumer demand erode in response to affordability. The US Federal Reserve also tightened lending conditions, raising rates and keeping the US dollar strong, which, in conjunction with a weak Russian ruble and Chinese yuan, further depressed prices of commodities such as wheat and soybeans.

Our 2024 outlook, entitled "Buyers sail home on rising supplies," marks the prompt arrival of "amber waves of grain" that cool food inflation and dampen price volatility before more fulsome relief, particularly for El Niño-exposed commodities like sugar, robusta coffee, and cocoa, arrives. Indeed, while agricultural prices are generally falling – the S&P GSCI Agriculture Index is down 15% YTD – soft commodities like sugar, robusta, and cocoa have been rallying through much of 2023, in part due to the El Niño-correlated dryness that has been present in much of Southeast Asia, India, Australia, and parts of Africa. Yet El Niño's relatively short duration (expectations are for neutral ENSO in mid-2024) and improvements in sugar production in areas like Brazil will limit the pain period and allow prices of these commodities to join the downward trend of feed grains and oilseeds at a later stage. The main beneficiaries of a downward trend in agri commodities should be baking, dairy, and animal protein producers, who can expect lower prices for grain-and-oilseed-heavy ingredients.

Major grain and oilseed exporters' stockpiles/stocks-to-use are expected to climb in 2024/25 and pressure prices

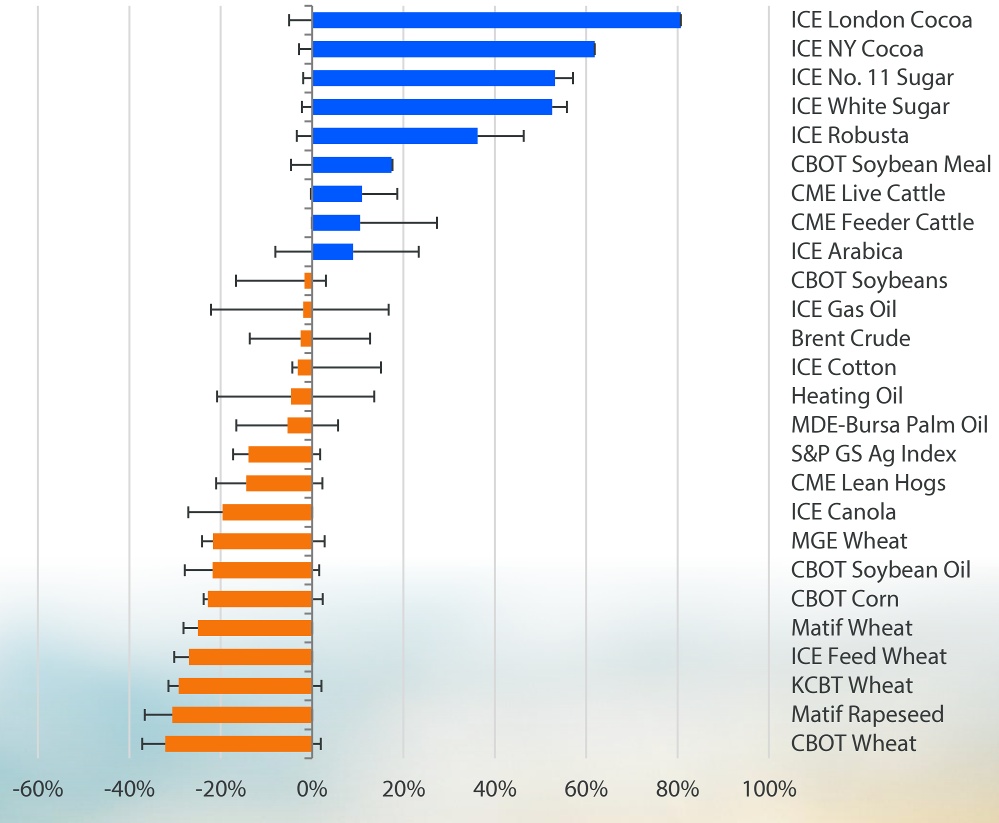


Source: USDA, Rabobank 2023

After a year of historic demand contraction in corn and soybeans, 2024 will deliver enough well-priced supplies to support a natural rebound. A 10% increase in US corn acreage (the third highest on record) and record Brazilian safrinha in 2023 leave the world awash in feed grains, but consumers with shrunken pockets and stomachs mean a feeding frenzy is not in the cards. In China, a bumper corn harvest and expectations for a shrinking hog herd are muting import and demand expectations. Modest feed demand growth in other regions, including the US, will likely fail to prevent reserves from expanding and price volatility from easing.

World coarse grain demand will rise 2% YOY and stocks nearly 4%. Global oilseed crush will rise a modest 3% in 2023/24 while stocks expand 11%. Naturally, as prices fall, demand will increase further, both for consumption and in China's case also for storage. Generally, buyers are wary following a lengthy period of high food inflation that will take time to unwind. Over time, producers of all species – and ultimately consumers – stand to benefit from falling feed prices. The early 2024 return of South America – from La Niña drought to full G&O production – would mark the major inflection point for volatility and signal cheaper prices ahead.

Price changes Nov 10, 2022-Nov 10, 2023



Source: *Bloomberg, Rabobank 2023*

El Niño at play

In 2023, we saw the exit of La Niña. For Argentine, Brazilian, and North American G&O farmers, it was a welcome goodbye, as the weather phenomenon had contributed to notably weaker yields over the past three years, particularly for wheat and soy production. With La Niña out of the picture, NOAA officially declared El Niño factors are present as of June 2023. As usual, the event is expected to be at its strongest between November and January, when it's expected to peak around two degrees Celsius above normal temperatures – a level categorized as "historically strong." There have only been four of these events recorded in the past 73 years. A strong El Niño event will create new challenges in different parts of the world: A number of crops in varying locations could be adversely impacted by El Niño in the coming months, in particular Indonesian palm oil and Australian wheat. At the same time, there is potential for some crops to benefit, like those in southern Brazil, Argentina, and parts of the US. It's too early to know what 2H 2024 will bring, but following NOAA's definitions, there is a roughly 33% chance of El Niño, La Niña, or neutral conditions.

Can policymakers stick the landing?

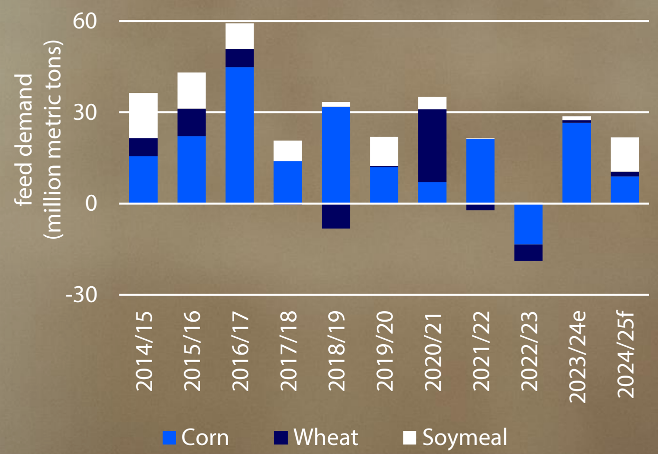
Monetary and fiscal policymakers in the big economies are all in a gymnastic balancing act that aims to achieve a "soft landing": getting inflation under control without causing too much damage to the economy and/or financial markets. History and common sense suggest that success is by no means a given.

Global economic growth over the past year has been more resilient than expected. In particular, the US but also the European economy held up a little better than projected, with stronger activity in services sectors partly offsetting weak manufacturing output. The Chinese economy, on the other hand, has disappointed somewhat.

Despite the resilience throughout 2023, the picture that has been emerging in recent months is one of more sluggish global growth: The weakness in the manufacturing sector is increasingly spreading to the services sector instead of industry catching up with services. That broadly fits with our view that global growth will be lower over the next few quarters. After 3.4% in 2022, global growth is seen at 2.9% for this year and then slowing further to 2.6% next year. Following the energy shock in 2021-2022 and the war in Ukraine in 2022, higher interest rates are now starting to bite.

Over the next four quarters, we forecast a mild recession in both the US and the eurozone, but their timings differ. Whereas the eurozone has already fallen into a contraction in 2H 2023, we expect growth in the US to decline below the zero line by the end of this year or early next year. Annual growth in the US is projected at 0.2% next year after 2% this year. Eurozone GDP growth is projected at 0.5% for both 2023 and 2024. After accelerating to 4.8% this year, Chinese economic growth is expected to grind lower to 4.5% in 2024, as (largely controlled) debt deleveraging weighs on activity and the authorities do not appear to have the appetite for a large boost to demand. All in all, that's a global economic landing of sorts, but not one that juries usually award a lot of points for.

Feed demand is expected to increase but from a low base. Corn to be favored



Source: USDA, Rabobank 2023

(Tail) risks on both sides remain considerable

Moreover, there are significant (and more than usual) risks to both sides of this baseline projection. First, there is still considerable uncertainty over whether the rate hike cycle has been sufficient to achieve a timely and sustainable return of inflation to central banks' targets. Although we believe most central banks (including the Fed, European Central Bank, and Bank of England) are done hiking, they will probably have to keep rates at elevated levels for longer than the market is projecting. At the same time, the hiking cycle has been so aggressive and swift that its full impact is unlikely to have been felt already. After all, for the US it was the biggest rate hike since the 1980s, while for the eurozone, it was arguably the quickest in the post-World War II period.

Secondly, accelerating changes in climatological conditions and in global security pose significant risks in the form of new stagflationary shocks. The worrying developments in the Middle East are just the latest example in a long string over the past eight years. Against the backdrop of high public and private debt and structurally higher inflation, interest rates, and budget deficits, they also raise major future policy dilemmas, such as "food versus nature," "guns or butter" (defense versus social spending), and "free markets or national security."

Regarding the latter, there is a clear trend toward reshoring and friend-shoring. Industrial policies to rebuild strategic sectors such as semiconductors domestically are on the ascent, protecting both national security and national industries. Meanwhile, international policy coordination is declining. The risks of global economic (and eventually military) conflict have risen in tandem. At best, this leads to slower growth in international trade and finance that is manageable for governments and businesses. At worst, it leads to a severe fragmentation of the global system.

Beside these broad, long-term trends, there are also several downside risks in the short term. This includes: i) a more significant impact from a deflationary deleveraging contagion stemming from China; ii) a commercial real estate-induced regional/small banking crisis in the US; or iii) a protracted crisis in European manufacturing, as its competitive position has been structurally eroded by high energy prices and/or an unlevel playing field. Obviously, a broadening of the conflict in the Middle East in the near term could have major repercussions for global commodity prices and push economies into a deeper economic contraction.

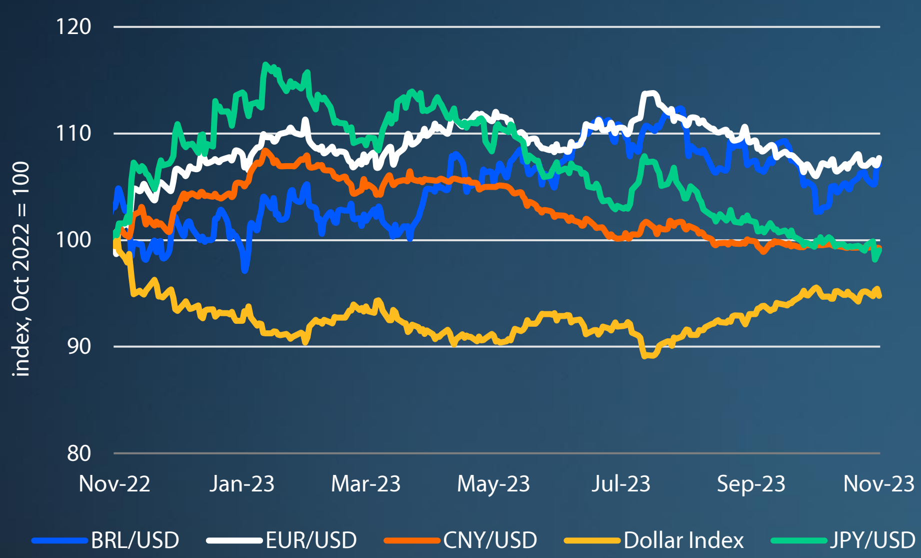
An upward-risk scenario includes resilient US and European labor markets and thus a stronger recovery in real wages and consumption as key elements. Another, less likely, upside risk is a big and effective policy impulse in China after all. But, against the backdrop of persistent underlying inflation, any signs of such upside risks would quickly turn the spotlight back on to central banks. Global interest rates would rise even further in such a scenario.

Walking the balance beam has never been easy, but this time around, sticking the landing may prove an even more daunting exercise for policy makers.

Currencies: US dollar – short of alternatives

For much of 2023, the market was of the view that the Fed would cut rates before the end of the year. This view prevailed despite ample warnings to the contrary from policymakers. From July 2023 onward, the resilience of US economic data gave credence to the hawkish position of the Fed, and the US dollar was lifted on the view that rates would remain higher for longer. Although the US jobs market started to loosen in late 2023 in response to monetary tightening, the aging demographic suggests scope for worker shortages across most of the Organization for Economic Cooperation and Development in the years ahead. Adverse weather conditions and the changing nature of geopolitical risk also suggest plenty of scope for inflationary forces to reemerge over the medium to longer term. This reinforces the view that neither inflation nor interest rates are likely to return to the lows recorded after the global financial crisis. The higher-for-longer interest rate theme along with slow growth in China and scope for a technical recession in the eurozone in late 2023 and potentially in the US in early 2024 will weigh on risk appetite. This favors the safe haven of the US dollar. Traditionally, the US dollar has an inverted relationship with risky assets, suggesting that it may hold firm until the Fed is on the brink of cutting rates.

The US dollar will likely hold firm until rate cuts materialize



Source: *Bloomberg, Rabobank 2023*

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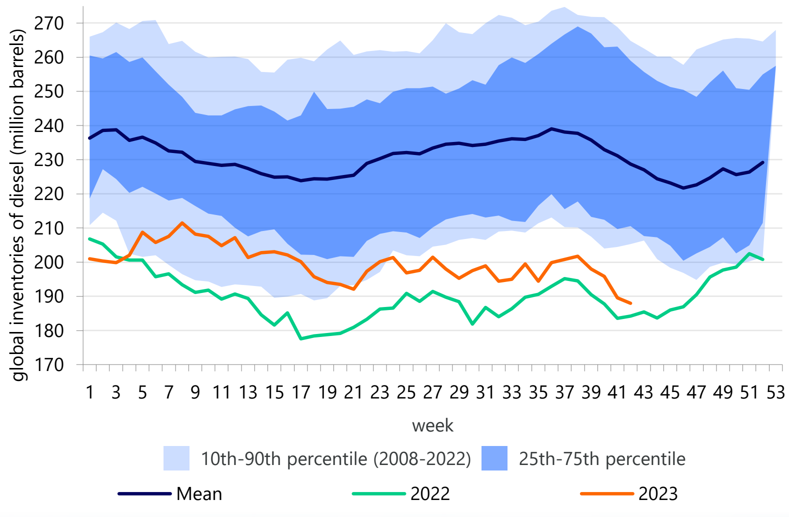
Energy

The era of increased volatility for crude oil, refined products, and natural gas markets will continue in 2024. OPEC and Russia have shown a willingness to cut production (and in Russia's case, temporarily ban exports of refined products) to buoy prices and cause economic harm to their geopolitical rivals. In addition to the ongoing war in Ukraine, the Israel-Hamas war that began in October provides massive geopolitical risk to crude oil markets and liquified natural gas (LNG) prices. The threat of closures and disruptions to energy flows remains a large support to prices across the board, with the possibility of further spikes on escalation.

The significant drivers of crude oil prices next year will be OPEC's supply decisions against the slowing US oil production growth rate as companies face decreased capex and investment with higher interest rates and the effects of widespread economic malaise on demand. Diesel has been robust while inventories remain close to a 30-year low globally. Gasoline demand is flipping between strong and weak data points, with higher prices discouraging use but limited refinery supply capacity providing some support. Electric vehicles will further erode gasoline fuel demand in the coming decade (1.5m barrels per day of product has already been substituted!), and crack spreads for gasoline are likely to stay muted and help keep prices moderate compared to diesel, jet fuel, and plastic feedstocks.

As long as supplies from Russia are not forthcoming, Europe remains at the mercy of the now global LNG market and thus usage, competition for supply, and the vagaries of temperature worldwide for natural gas. With the volatility of 2022 behind us, prices will remain higher than in the past decade. The new floor price of EUR 20/MWh remains for the spring and fall, with higher prices due to winter gas usage, returning EU industrial demand, and Norwegian supply disruptions. American (Henry Hub) prices will need to see significant supply growth to offset the growing appetite for demand at home as coal plants are replaced by natural gas power, and the increasing pull of LNG exports to Europe, Japan, South Korea, China and India.

Global diesel shortage boosts volatility



Source: *Macrobond, Bloomberg 2023*

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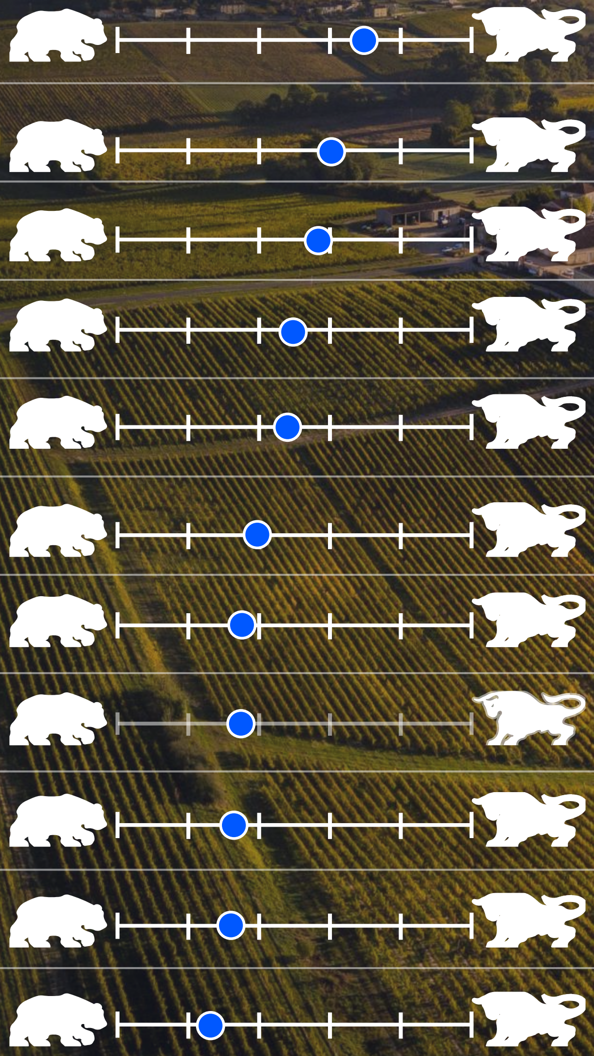
Rabobank's 12-month price outlook



Palm oil	El Niño's strength will determine palm oil's price peak in 2024
Live cattle	Herd rebuilding is on hold, and smaller supplies offer support
Dairy	The global dairy market is at an inflection point
Wheat	Prices to be supported due to another deficit ahead
Lean hogs	Slow decline in breeding herd to limit lean hog recovery
Sugar	Another season of sugar maximization in Brazil is expected
Soybeans	Stockpiles set to swell next year and bring buyers home
Soy oil	Consumers find high-priced CBOT Soy Oil unpalatable
Corn	Buyers return on amber waves of grain
Soymeal	Argentine soybean recovery will relieve stretched US supplies
Coffee	Higher supply ahead should lead to low prices

Source: Rabobank 2023

Agri commodity outlooks

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Rabobank's quarterly agri commodity average price forecasts for 2024

Commodity	unit	Q1'23	Q2'23	Q3'23	Q4'23e	Q1'24f	Q2'24f	Q3'24f	Q4'24f	Q4'25f
Wheat (CBOT)	USc/bu	729	650	623	583	600	635	645	645	640
Corn (CBOT)	USc/bu	660	627	501	470	485	490	485	480	460
Soybeans (CBOT)	USc/bu	1,510	1,433	1,410	1,330	1,340	1,315	1,300	1,250	1,150
Soy oil (CBOT)	USc/lb	60	53	66	50	49	48	47	46	43
Soymeal (CBOT)	USD/st	485	425	421	420	415	410	400	390	350
Palm oil (MDEB)	MYR/mt	3,969	3,585	3,862	3,697	3,900	4,100	4,300	4,400	4,800
Sugar (ICE #11)	USc/lb	19.6	24.7	25.0	26.0	25.0	24.3	24.0	23.0	19.6
Arabica coffee (ICE)	USc/lb	172	182	157	158	158	156	155	155	150
Robusta coffee (ICE)	USD/mt	2,043	2,500	2,490	2,350	2,280	2,280	2,260	2,240	2,100
NY Cocoa (ICE)	USD/mt	2,698	3,029	3,489	3,900	3,900	3,800	3,700	3,600	3,330
London Cocoa (ICE)	GBP/mt	2,056	2,311	2,758	3,270	3,150	3,050	2,900	2,850	2,650
Live cattle*	USD/cwt	162	172	181	185	187	190	188	195	N/A
Lean hogs (CME)	USc/lb	80	82	91	76	79	91	92	84	N/A
Dairy (WMP**)	USD/mt	3,240	3,160	2,850	3,000	3,050	3,150	3,250	3,350	N/A

** US Five-Market Fed Steer price* ***WMP Oceania*

Source: *Bloomberg, USDA, Rabobank 2023*

Our price forecast methodology

A range of quarterly price forecasts is presented throughout this outlook. The base case represents the most likely price trajectory in our view, given a set of drivers discussed. However, agri markets are inherently volatile and influenced by a range of both probable and unforeseeable factors. We discuss the range of price scenarios that have a lower probability of being realized in the high- and low-case price scenarios. These high and low cases represent potential quarterly average highs and lows, not a daily high or low. Forecasts are done on the first contract for grains and oilseeds, with the exception of forecasts on palm oil (third contract). For coffee and sugar, price forecasts are done on the second month. Price forecasts are current as of November 9, 2023. Finally, please note that all figures for corn, wheat, soybeans, and soy products referencing data from the USDA within this report are figures drawn from the November WASDE report.

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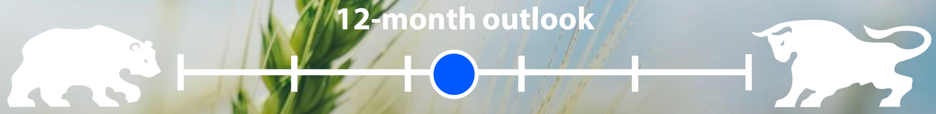
Wheat

Prices to be supported due to another deficit ahead

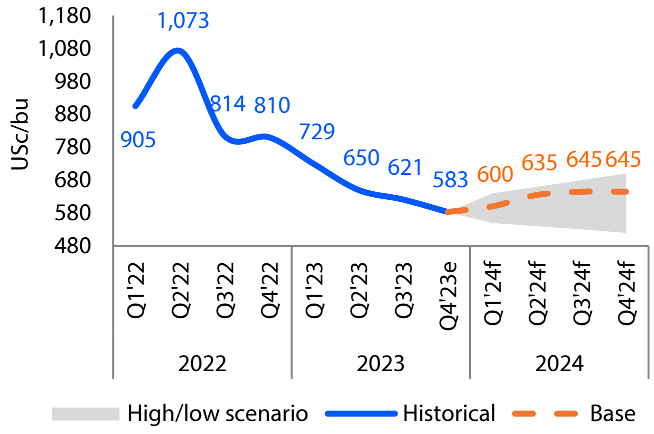


Wheat prices have declined about 27% since the start of 2023 and now trade well below levels seen before the war in Ukraine. Wheat's price weakness comes largely from strong Russian exports, a decent flow of Ukrainian exports even after the cancellation of the main grain corridor agreement, and pressure from declining corn prices. However, following several downgrades around the world, 2023/24 is now clearly a deficit season – the fourth in a row – with the USDA showing over 10m mt of deficit. We believe production out of Russia might be slightly higher and exports out of the EU lower than USDA estimates and, therefore, arrive at a smaller deficit of "only" 7m mt in 2023/24.

Despite this deficit, the wheat curve has been trading in sharp contango for much of 2023. Wheat is usually in contango due to consumers' pressing need to get a guaranteed price (a lot of value is built on wheat) and their willingness to pay more to lock in prices in the future. But there are other reasons. More grain than ever comes from Russia, the result of a combination of low cost of production, policy, and a depreciated currency. In the 2023/24 season, Russia is expected to account for almost a quarter of global exports, but the local players cannot hedge wheat against international futures contracts. When Russian wheat is exported, it depresses the spot price and, therefore, the front end of the curve. In a contango situation, it is always difficult for speculators to get excited about going long on wheat, as they would lose money on the rolling of the contracts. In a situation of stability in the market and in the shape of the curve, expecting prices below the forward curve is a safe bet. However, little about today's wheat market is stable. High Russian production and exports in 2024/25 cannot be taken for granted, and export policy is uncertain.

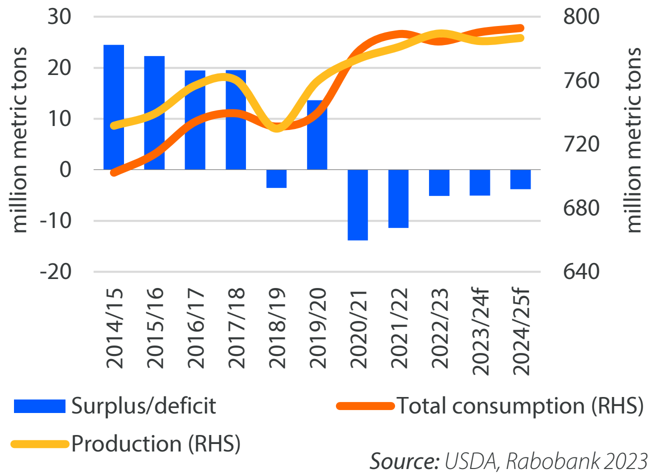
To start with, we may see another global deficit in 2024/25, although likely smaller than in 2023/24. This is partly because the planting season in the US, the EU, Ukraine, and Russia is not too promising. Initial indications for US plantings are OK but not great, a combination of ongoing dry weather in much of the winter wheat belt (parts of Kansas, Oklahoma, and Texas) and prices trading below the cost of production of the most inefficient farms. This is likely to result in decent support to wheat prices and the first sign of production destruction due to low prices.

CBOT Wheat prices expected to see some support in the coming year due to another global deficit



Source: Bloomberg, Rabobank 2023

Five consecutive deficits will keep prices supported and well above cost of production



Source: USDA, Rabobank 2023

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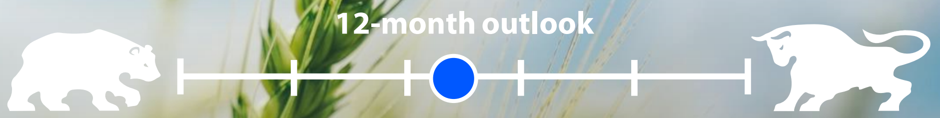
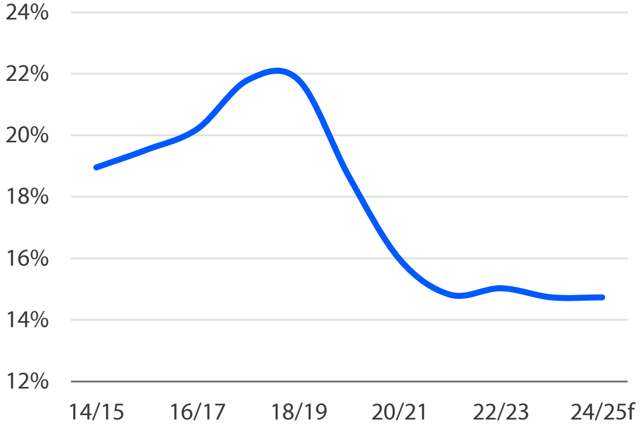
Wheat

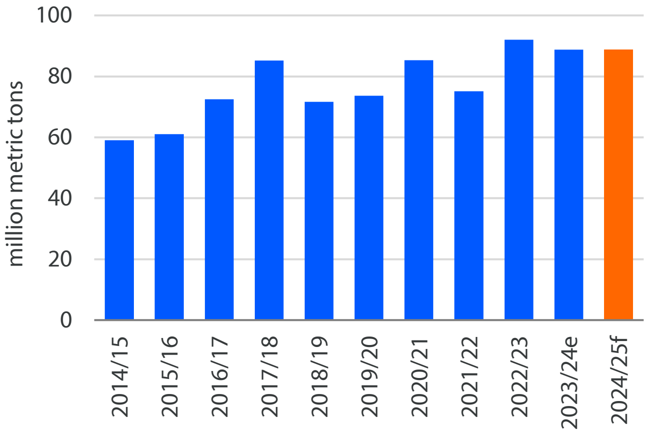


Stocks-to-use in major exporters outside Russia and Ukraine expected to stay tight



Source: *USDA, Rabobank 2023*

Russian 2024/25 output is subject to a lot of uncertainty, but for now we assume it will be similar to 2023/24



Source: *USDA, Rabobank 2023*

Furthermore, Russia may not have another bumper crop. The last two winters have been relatively mild in Russia's wheat areas, but there is no reason to assume a third such winter.

Base case

In our base-case scenario, we assume the 2024/25 Russian wheat crop will stay at around 88.7m mt, but, as usual, it will be subject to a lot of weather and export-related uncertainty. Meanwhile, the Southern Hemisphere crops have been trimmed several times. We are now looking at an Australian crop of 26.9m mt in 2023/24, and we keep our hopes low for the 2024/25 season, as El Niño could leave the fields with little moisture ahead of the planting season. Argentina is experiencing another disappointing year in 2023/24, but 2024/25 could bring much better prospects, especially if combined with a liberalization of the currency controls. Generally, we have little optimism for Southern Hemisphere crops in the coming 2023/24 harvest. In this scenario, we also assume exports out of Ukraine will continue to flow via alternative routes, but the country will have a shrinking exportable surplus in the coming years.

High case

Russia could see a lackluster crop and, at the same time, have a more restrictive wheat export policy. Furthermore, constant aggression on Ukraine's ports could lead to reduced production and exports out of Ukraine. The potential for escalation in the Middle East could also lead to several countries in the area increasing imports "just in case." Under this scenario, there will be significant stock decline in the US and the EU amid increased export demand.

Low case

Russia can easily have a higher-than-expected crop if there is another mild winter. If that is the case, a restrictive export policy is unlikely, and the depreciation of the ruble could lead to even more aggressive selling. The Ukraine conflict could come to a partial solution and/or the Black Sea Grain Corridor could be renewed, thus preventing a further decline in production and exports. Furthermore, we may see India coming back to the market in 2024 and exporting a few million tons more.

Corn

Buyers return on amber waves of grain

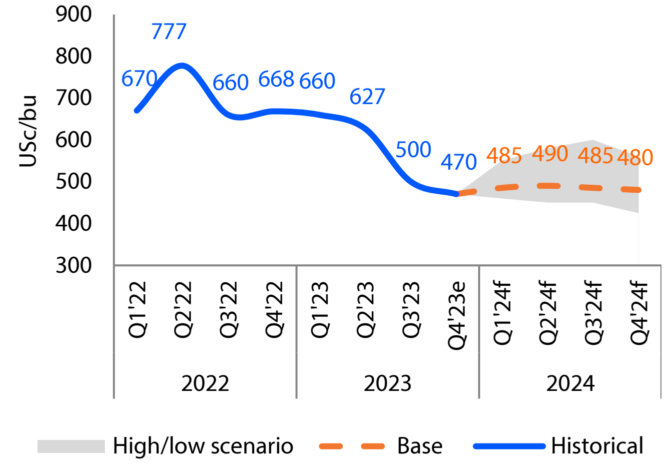
Corn buyers are back on top. After three bull years, CBOT Corn prices fell heavily in 2023 thanks to inflation-weakened demand and harvest resupplies in the US and Brazil. We predicted consumer relief in last year's outlook, but the extent of it surprised even ourselves. CBOT is down 23% YOY, near a two-year low of USD 4.70/bu. US farmers planted corn with abandon (95m acres, +7% YOY), Brazil recovered from La Niña (+21m mt), and Ukraine exported its accumulated wares via the Black Sea Grain Initiative. Demand was equally conducive to lower grain prices. Consumers rationed corn (global use -3%, the first feed cut in a decade), high interest rates propped up the US dollar, and speculators piled into a massive short position (about -146,232 lots, the most in over three years). The result: 2023/24 exporter corn stockpiles surged 40%, blanketing CBOT risk and volatility. Consumers nostalgic for the USD 4 corn years of 2013-2019 should beware. Inflation has driven the production costs for feed ingredients up by a third since 2020, and while those inputs will remain high, the prices of those ingredients are falling. With many farmers seeing prices near or at cost of production, selling (and planting) enthusiasm is increasingly scarce.

Buyers should reap the rewards of their longstanding patience. Corn's shift from backwardation to carry is warranted amid soaring interest rates and a huge 2023/24 harvest that reduces future planting prospects. Looking ahead, we expect CBOT Corn to trade in a new-normal range between USD 4.50 and USD 5.50/bu. The high cost of corn production and relatively attractive soybean prices (CBOT Soy/Corn ratio is >2.5) will lead US farmers to shed nearly 5m corn acres in 2024. Even so, consumers can be more selective and opportunistic in coverage; G&O exporter reserves are moving from scarce to comfortable – measured as the capacity to withstand a harvest failure in a major origin.

Base case

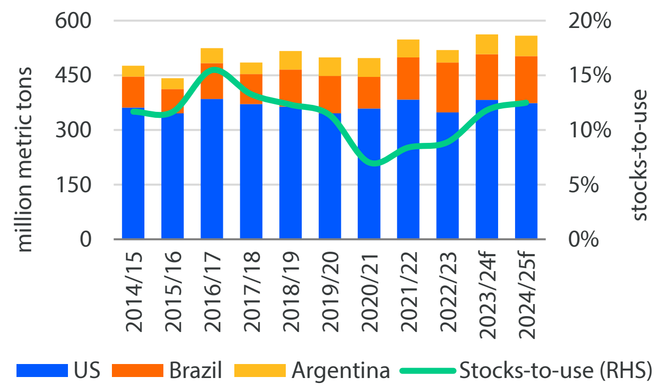
We expect CBOT Corn to ease further as the market weighs well-supplied grain farmers and a dramatic reduction in 2024 plantings. On balance, 2024 looks to be another bearish year. Jettisoning corn acres and production (-12m mt in Brazil, -13m mt in the US) may prevent exporter bins from bursting and stabilize the market, but it won't trim the heavy balance sheet. US 2024/25 STU is seen at 17% (+11% YOY and a 19-year high).

CBOT Corn will experience further pressure ahead



Source: *Bloomberg, Rabobank 2023*

The 2023/24 surge in US production raises exporter STU by one-third to a five-year high of 12%; this should remain steady in 2024/25

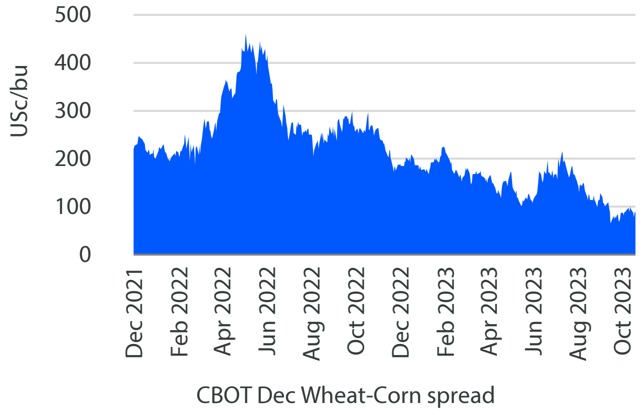


Source: *USDA, Rabobank 2023*

Rabobank

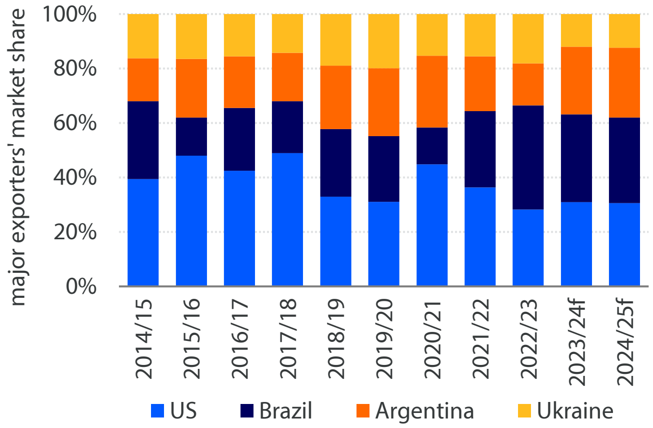
Corn

Wheat is the new corn; the CBOT Wheat-Corn spread has collapsed, giving feeders options



Source: *Bloomberg LP, Rabobank 2023*

The era of US corn export primacy is likely over, as 2023 resupply fails to materially raise export share



Source: *USDA, Rabobank 2023*

Corn demand's rebound from last year's rationing has been strengthened by discounts, but consumers still face economic headwinds. The strong US dollar and increased feed grain optionality for countries like China, which is collecting a bumper corn harvest (around 15m metric tons higher YOY), will make US exports and stock reductions particularly elusive. Farmers are well capitalized after years of positive returns but undersold, and a lack of storage space (especially in Brazil) will pressure them to sell some corn at cost. The 2024/25 season will likely see risk premia and input costs decline across agricultural commodities and allow CBOT Corn to fall to USD 4.80/bu by December 2024 and USD 4.75/bu by December 2025 – about 7% below the futures curve.

High case

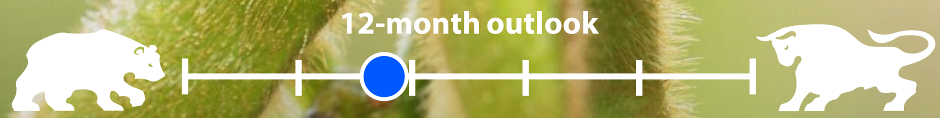
Our high case for CBOT Corn to USD 6.00/bu would involve mid-2024 harvest failures in South America or the US that cut production by 50m mt. A South American harvest issue would be more manageable, as US corn farmers would have time to respond with higher acreage. If crops wilted in either origin, funds would rush out of their considerable short positions while importers fan out to alternative origins and feed grains. Global corn demand would fall by approximately 30m mt, similar to what happened last year. US ending stockpiles would remain at about 1.4bn bushels, and prices would remain elevated before dropping sharply in 2H 2025.

Low case

CBOT Corn could fall to USD 4.25/bu if large 2024 harvests in North and South America are joined by renewed Ukraine Black Sea exports. The Black Sea is often the lowest cost origin for corn and wheat; unimpeded access would pressure the floor for CBOT Corn, with the US being forced to discount to attract global buyers. Lower corn import demand from China, due to conflict or larger harvests, would have a similar effect. Additional pressure could come from a strong US dollar and commensurate weakening consumer demand for both animal protein and gasoline. US 2024/25 stockpiles would balloon to as much as 2.8bn bushels, especially if Ukraine's access came after US plantings, and stubborn input inflation would prevent prices falling further in 2025. The new range for CBOT Corn would likely be USD 4.00 to USD 4.50/bu.

Soybeans

Stockpiles set to swell next year and bring buyers home

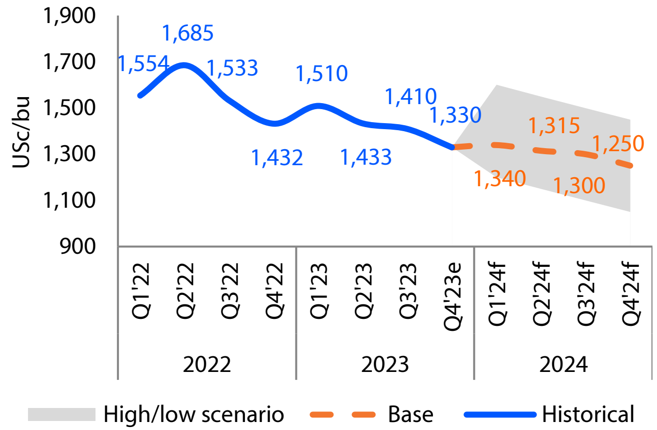


CBOT Soy's dramatic arc bent back to earth this year after a global soybean demand contraction and a massive Brazilian harvest provided relief for US stockpiles in their third year of decline. CBOT Soy plunged toward our bearish USD 13/bu projection, engulfed in a sea of grain spanning from Russia (wheat) to the US (corn). US farmers reduced acreage by 5% last year in favor of corn, but global buyers – particularly China – did the same to high-priced US soy. Two years after African swine fever recovery and La Niña put CBOT Soybeans to boil, a record 162m mt Brazilian harvest, negative Chinese hog margins, and resurgent feed grain availability are removing the lid and stabilizing US 2023/24 stocks at 249m bu (-20m bu YOY). US 2023/24 ending stockpiles are low, and Brazilian plantings are delayed, but volatility appears contained by an imminent resupply in 2024. The principal US soybean sales window is closing, and commitments are the second-lowest of the last five years. Unlike most other row crops, soy is still a moneymaker thanks to the biodiesel sector and low stockpiles, but that dynamic may not last. Drought-threatening La Niña is gone, and soy acreage will rise in North and South America. The harvest issues that plagued Argentina and the US last year are unlikely to repeat in 2024. We are doubtful export demand can keep up. China likely reached peak soybean imports last year (102m mt, of which some went to stockpiles), hog herds may shrink, and the global economy is on unsure footing. US crush is strong (2023/24: 2.31bn bu, +4.4% YOY); yet soy oil demand growth for biodiesel, long the primary driver of crush margins, is cooling considerably amid alternative oil availability and the increasingly intense food vs. (bio)fuel debate. Soy consumers have been adrift for two years, but with ending stockpiles set to swell next year, the tide will soon bring them home.

Base case

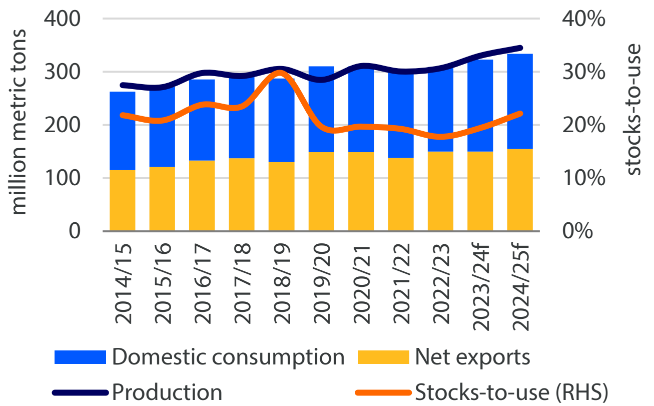
Additional bearish headwinds for CBOT Soybeans are appearing on the horizon, as production and stockpiles look set to rise across major producers. With La Niña gradually giving way to wetter El Niño conditions, Brazilian farmers are wrapping up plantings in decent shape (2024 production is seen +3.2%, at a record 163m mt); Argentina is well on its way to recovery following last year's harvest failure in the world's foremost exporter of soy byproducts. Following a Q1 2024 South American soy bonanza, US planted acreage should also rebound just shy of 90m acres (+7.5% YOY),

CBOT Soybeans will continue easing with production recovery



Source: *Bloomberg, Rabobank 2023*

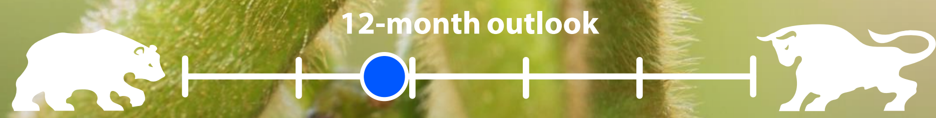
Major soybean exporter production will grow this year and next, returning STU to comfortable levels



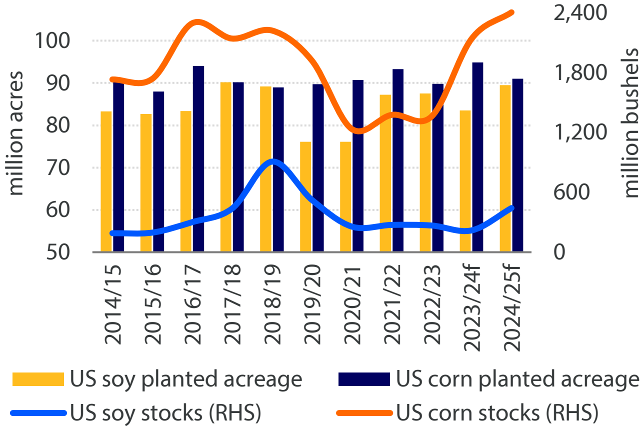
Source: *USDA, Rabobank 2023*

Rabobank

Soybeans

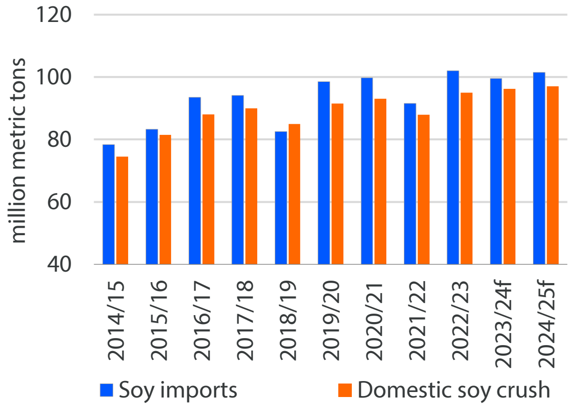


US farmers will shift en masse to soybeans in 2024, thanks to favorable returns, price ratio to corn, and crop rotation



Source: *USDA, Rabobank 2023*

China's soy imports have peaked due to lower soymeal inclusion ratio and pork price, with excess sent to stockpiles



Source: *USDA, Rabobank 2023*

thanks to positive margins, natural rotation, and growth in crush capacity. The high CBOT Soy/Corn ratio (currently >2.5) will further favor soybean plantings over corn. Cumulatively, around 50m mt will be added to exporter supplies, throwing a wet blanket over CBOT Soy volatility. As the US, with its strong dollar and high cost of production, continues to receive a paltry ~30% of export demand, the lowest since the trade war years, 2024/25 stockpiles will nearly double to 471m bu. CBOT Soy will experience selling pressure from both funds and farmers, especially if crush margins remain subdued and China import demand fails to impress in the post-holiday season, though low prices would incentivize China to add to stockpiles. We expect CBOT Soybeans to trade down to USD 12.50/bu by Q4 2024 and USD 11.50/bu by Q4 2025, 5% to 9% below the futures curve. That price would more closely reflect cost of production for many Midwest farmers, where the bulk of soybeans are produced.

High case

CBOT Soybeans could rise to USD 15.00/bu if Brazil experiences drought in December or January, losing perhaps 30m mt of supply potential just as China's hungry gaze turns south. In turn, US farmers would plant 92m acres of soy to meet global demand needs, even as byproduct and local crush margins surge. US 2024/25 ending stockpiles would remain tight at around 250m bu before the cycle repeats itself in January 2025 and swiftly brings prices back down toward USD 13.50/bu by Q4 2025. Another major risk to soy would be 2024/25 US summer harvest losses, which would include grains and soybeans. Burgeoning US wheat and corn stockpiles have been a major drag on CBOT Soybeans this year, diverting feed demand and leaving plenty of room for soy acreage expansion. Should major weather issues hit US G&O between Q2 and Q3 2024, price risk would jump higher.

Low case

The most bearish case for CBOT Soybeans would involve war between the US and China in Q3 2024, directly after plantings, causing cessation of their soybean trade. However, even without that possibility, the confluence of current economic/geopolitical turmoil, the US dollar's continued strength, bumper harvests, shrinking feed demand in China, or lower US biodiesel targets would all cause US bins to bulge to 600m bu in 2024 and pressure CBOT Soybeans down to USD 10.50/bu by 2025.

Soy oil

Consumers find high-priced CBOT Soy Oil unpalatable

CBOT Soy Oil flared out in 2023 as price-rationed global demand (-2.1% YOY) offset Argentina's drought-plagued harvest and a biodiesel-absorbed US market. At triple historical levels, soy oil's near-record price in early 2023 made it a standout among vegetable oils, to the extent that consumers turned to alternative vegetable oils (both origin and type) that offered attractive replacements. CBOT Soy Oil's veneer of invincibility is fading; in pricing terms, it has made lower highs and lower lows through a year of falling volatility that pushed prices below our bearish USc 58/lb forecast. The market should continue to drift lower in the months ahead as soy supply growth in South America soothes buyers.

Base case

CBOT Soy Oil finds itself dragged from its perch by stabilizing global vegetable oil supplies and lower prices. Soy oil prices have fallen but remain overstretched – in both absolute and relative terms (BOPO premium of USD 320/mt, down from USD 700/mt but typically USD 120/mt), largely trading a poor Argentine crop and increasingly domesticated US soy oil market. Global demand, led by India and China, shifted back to rapeseed, palm, and sunflower oils in 2022/23, relieving soy oil supplies until a mammoth South American crop is achieved in Q1 2024. Meanwhile, cracks are forming in biodiesel's growth story, the clearest argument for higher-for-longer CBOT Soy Oil, amid strengthening food vs. fuel arguments and recession fears. In 2022/23, soy oil's global industrial use growth fell by nearly half, and while Brazil has resumed its march toward B15, US biodiesel demand growth is forecast to fall to 3.2% in 2023/24 (from 19.5% last year). The renewable diesel sector remains a bright spot, but next year, higher soybean supplies and more modest US biodiesel demand will combine to pressure CBOT Soy Oil. We expect prices to drop to USc 46/lb by Q4 2024 and USc 42.5/lb by Q4 2025.

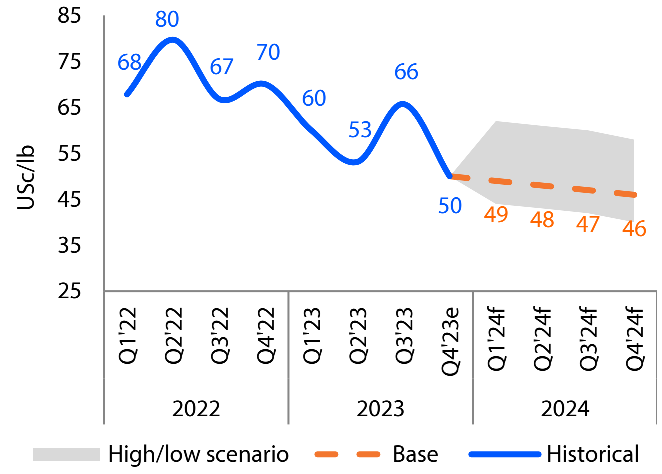
High case

Harvest failure in South America, or La Niña drought in palm-intense Southeast Asia, combined with a poor 2024 US soy harvest would shrink vegetable oil availability to critical levels, force rationing, and push CBOT Soy Oil to USc 65/lb by Q4 2024. Prices would likely ease back down to USc 55/lb in 2025.

Low case

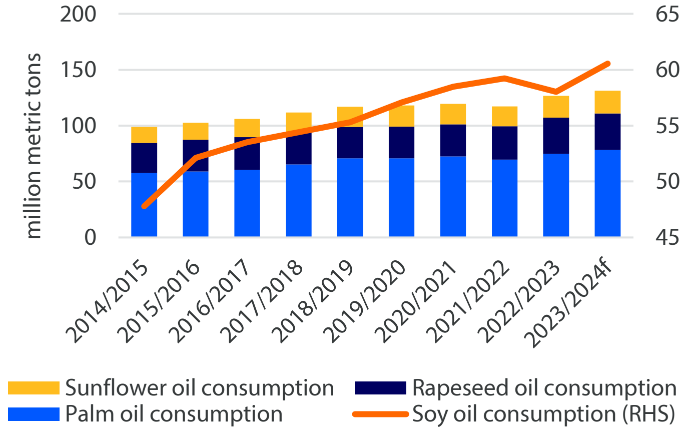
A bumper South and North American soy crop in 2024, combined with good palm output in Southeast Asia, would break CBOT Soy Oil's risk premium with downside seen to USc 40/lb. Argentina's elections may also portend a sharp devaluation of the peso, which would encourage farmer sales. Conflict between the US and China would choke soybean exports and deliver a deluge to US crushers, providing immense relief to domestic demand and exports.

CBOT Soy Oil will continue to flare out



Source: *Bloomberg, Rabobank 2023*

Global soy oil use fell for the first time in 14 years as demand grew for cheaper, more ample options



Source, *USDA, Rabobank 2023*

Rabobank

Soymeal

Argentine soybean recovery will relieve stretched US supplies

A third-consecutive year of La Niña drought-driven price volatility left soymeal consumers fed up, but South America's forthcoming harvest offers hope. CBOT Soymeal prices have since whipsawed in a USD 100/short ton range, as consumers grappled with harvest failure in Argentina. The result: CBOT Soymeal ended in our high-range scenario of USD 460/st, amid Brazilian substitution in soy exports (+12m mt YOY, including for Argentina) and US substitution in meal exports (+736,000 st, or +5% YOY). Consecutive years of flat global demand have been a consequence of, and eventual cure for, our high-price scenario. Next year portends improvements in production as historic soybean scarcity unwinds, first in South America and then in the US. Greater availability may encourage speculators to shed their massive holdings. Consumption should also rebound, though China's hog herd and consumption growth are questionable amid low crush, pork prices, and hog margins. More importantly, China's efforts toward self-sufficiency and a less soymeal-intense diet in animal feed will likely persist.

Base case

Our base case for CBOT Soybean meal is bearish, as South America's El Niño-juiced soybean production will arrive from February 2024 to sate the world's appetite (2023/24 meal demand seen up 3.1% YOY). The US will also experience a margin-boosted crop rotation (2024/25 soy production +9%) and be forced to store the lion's share of new supplies (ending stockpiles +223m bu to 471m bu, a five-year high). Structural growth in US crush for biodiesel and the low price of feed grains may act as a tarp for CBOT Soymeal volatility. Falling crush margins should temper price declines below USD 390/st. A return to soybean surplus in 2024/25 should provide enormous risk relief for consumers.

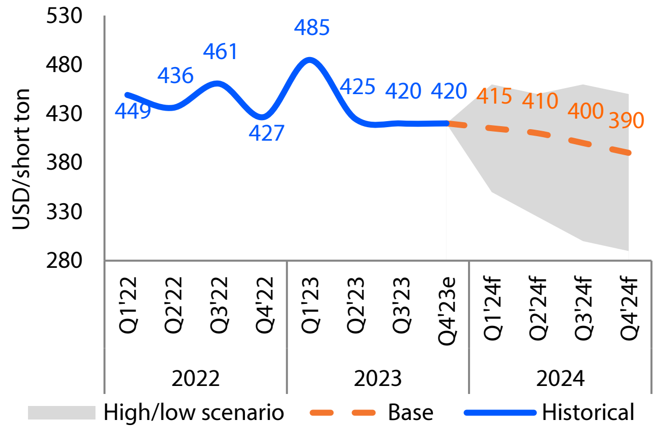
High case

Our high case involves drought-weakened production in South America, concentrated in Argentina, the world's largest meal (and soy oil) exporter. Brazil and US supplies would be called upon to avoid rationing but ultimately fall short given low reserves, with CBOT Soymeal rising to USD 460/st by Q4 2024. A drought-impacted US 2024/25 soy crop would yield similar results.

Low case

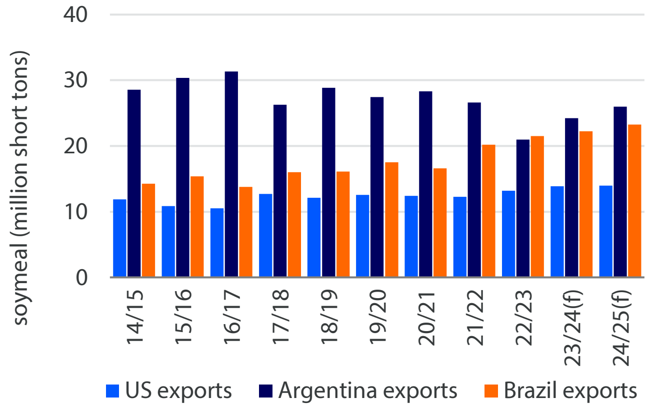
A US-China conflict coinciding with bumper harvest prospects in South and North America by mid-2024 would double US 2024/25 soybean reserves and cut CBOT Soymeal more than a third to USD 290/st.

CBOT Soymeal price risk remains high amid supply scarcity



Source: *Bloomberg, Rabobank 2023*

Argentina's 2023 soybean harvest failure led to record US and Brazil soymeal export programs; supply pressure should ease next year



Source: *USDA, Rabobank 2023*

Rabobank

Palm oil

El Niño's strength will determine palm oil's price peak in 2024

Rabobank expects global palm oil prices to increase year-on-year in 2024. The combination of limited year-on-year total palm oil production increases in Indonesia and Malaysia, due to El Niño, and stable year-on-year biodiesel demand growth in Indonesia in 2024 will result in a global palm oil deficit in 2023/24. The slight surplus in global soft oil (soy oil, rapeseed oil, and sunflower oil) reserves in the 2023/24 season, however, could keep palm oil price increases in check in 2024.

Base case

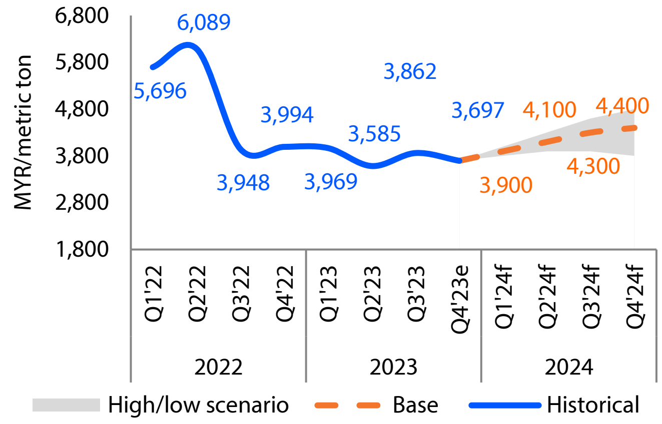
Total global supply (production plus imports) of palm oil and soft oils in 2023/24 is forecast to increase by 4.5m mt (+1.7% YOY) to 278m mt, driven mainly by a 3.3m mt rise in global soft oil supply. Meanwhile, total global palm oil and soft oil usage (consumption plus exports) is forecast to increase by 8.7m mt YOY, or 3%, to 279.7m mt in 2023/24. Hence, total global palm oil and soft oil inventory levels in 2023/24 are expected to decrease by 6.4% YOY, or 1.8m mt. The stocks-to-use ratio for total global palm oil and soft oils is poised to fall 1% YOY to 9.3% in 2023/24.

Global palm oil production in 2023/24 is forecast to increase by 0.4m mt, or 0.5% YOY, to 82.9m mt. In our base case, we expect El Niño, which started in 2H 2023 and is expected to continue until mid-2024, to negatively affect palm oil production yields in Southeast Asia in 2024.

The harvested area of Indonesian oil palm trees is expected to increase by 1.9% YOY, to 15.5m ha, in 2024. However, Indonesian palm oil production is only expected to grow by 0.6% YOY to 51.3m mt in the 2023/24 season due to the impacts of El Niño. Meanwhile, the harvested area of Malaysian oil palm trees is expected to be flat year-on-year, at 5.4m ha, in 2024. However, we expect the impacts of El Niño to result in a 0.8% YOY production decrease in Malaysia to 18.3m mt in 2023/24.

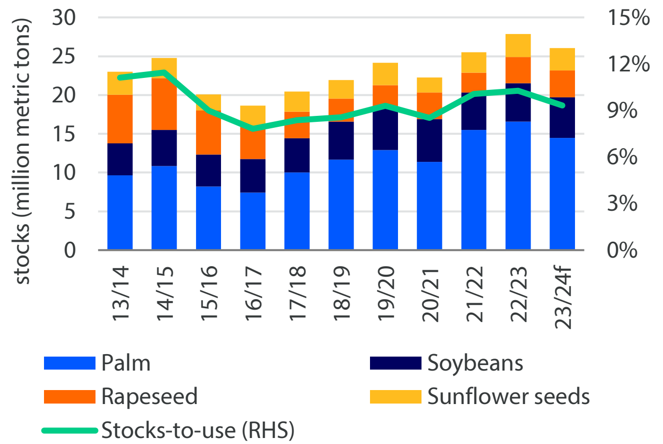
Meanwhile, 2023/24 global palm oil demand is forecast to grow 3.2m mt, or 4% YOY, to 82.9m mt. We forecast Indonesian domestic palm oil consumption to rise 1.1m mt, or 4.5% YOY, to 24.8m mt in 2023/24. In our base case, we expect the Indonesian government will still implement the B35 mandate, instead of B40, in 2024.

Palm Oil prices seen rising on El Niño dryness and healthy demand



Source: *Bloomberg, Rabobank 2023*

The STU of global palm oil and soft oils will decrease to 9.3% in 2023/24

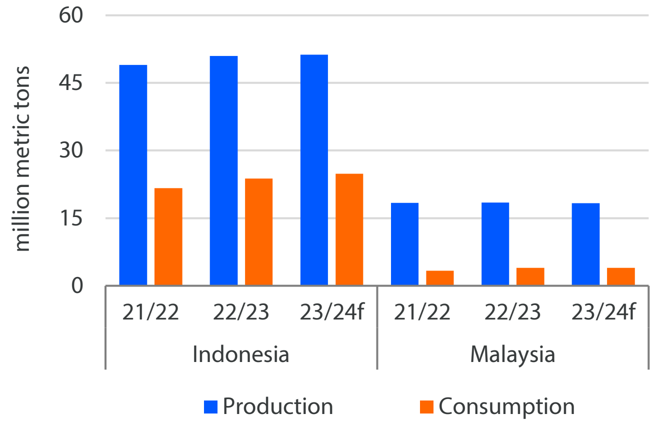


Source: *USDA, Rabobank 2023*

Rabobank

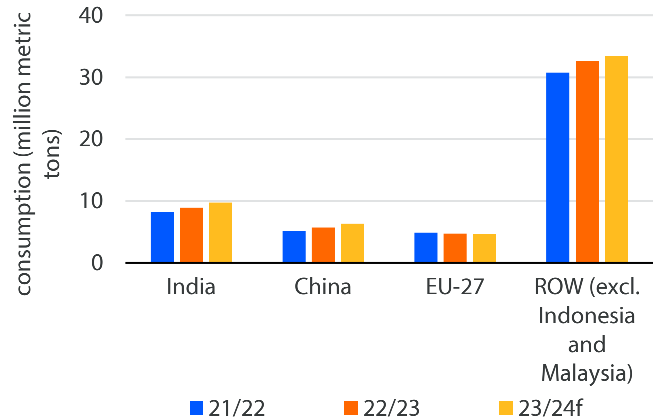
Palm oil

Indonesia and Malaysia will produce 51.3m mt and 18.3m mt of palm oil, respectively, in 2023/24



Source: GAPKI, MPOB, Rabobank 2023

Palm oil consumption in India and China is expected to improve year-on-year in 2023/24



Source: USDA, Rabobank 2023

Therefore, we forecast that Indonesia will consume 13.2m kiloliters of palm oil-based biodiesel domestically in 2024 vs. 12.5m kiloliters in 2023.

We forecast Indian palm oil consumption to increase to 9.8m mt in 2023/24, a rise of 0.9m mt or 9.5% YOY, due to lower domestic soy oil production. Even though Indian farmers planted a larger area of soybeans in 2023/24, Indian soybean production will only reach 11m mt in 2023/24, a decrease of 1.4m mt YOY, as yields were negatively affected by a lack of rainfall during India's 2023 monsoon season.

We forecast Chinese palm oil consumption to reach 6.3m mt in 2023/24, an increase of 0.6m mt or 10.5% YOY, on the back of a recovery in palm oil demand in the processed food and foodservice industries. EU palm oil consumption is expected to be flat year-on-year, at 4.6m mt in 2023/24.

Based on the supply and demand factors of palm oil and global vegetable oils as a whole, we forecast that BMD active palm oil contract prices will increase by 10% from 2023 levels to an average of MYR 4,175/mt in 2024.

High case

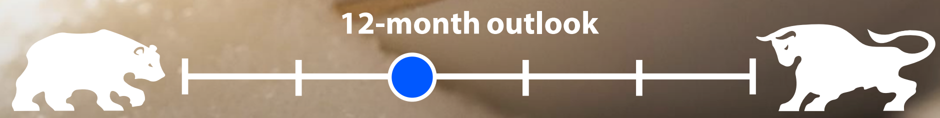
A stronger-than-expected El Niño would result in a larger drop in domestic palm oil production in Southeast Asia in 2024. Heightened geopolitical tensions, which limit global vegetable oil export availability, and global crude oil prices persistently above USD 100/bbl could also lead to our high case. Higher-than-expected domestic biodiesel consumption in Indonesia or stronger-than-expected import demand from India and China would also be bullish catalysts. Combined, this results in an average price of MYR 4,425/mt in 2024 in our high case.

Low case

Our low case sees weaker-than-expected import demand from India and China or lower-than-expected domestic biodiesel consumption in Indonesia and Malaysia. Higher-than-expected Indonesian and Malaysian palm oil production would have a similar impact, as would a correction in global crude oil prices. Combined, this results in our low-case average price of MYR 3,850/mt in 2024.

Sugar

Another season of sugar maximization in Brazil is expected

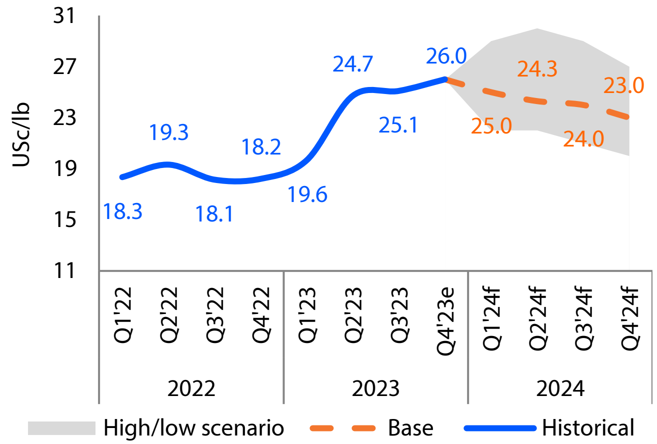


In 2023, the sugar market saw the highest prices since 2011, fueled by disappointing crops in Thailand and India in 2023/24 amid the ongoing El Niño event that usually coincides with dry weather across much of Southeast Asia. The current El Niño event continues to have the potential to increase the probability of dry weather in three out of the four largest exporters of sugar in the world (India, Thailand, and Australia), but in India and Thailand, low rainfall in the next four to six months (the dry season) will be less crucial and potentially aid harvesting efforts. Rainfall over the Australian sugar belt would be more needed in order to support the growth of the cane next season.

Funds have ridden the bull wave by staying very long through the year, but the highs of the Managed Money position seen at the start of the year failed to climb further later on. The surprisingly strong cane volumes harvested in Brazil, combined with a maximization of the sugar share, led to a surge in sugar output that has prevented a further rally. It is still early days, but it is quite likely that Brazil will maximize sugar production (to the detriment of ethanol) in the 2024/25 season and see additional crystallization capacity coming online. The premium of sugar over the ethanol parity has reached record levels in 2023 (of over USc 12/lb), and we are not far from those levels. Also, cane ethanol production is increasingly complemented by more corn ethanol production. A small increase in ethanol demand and/or energy prices will not be enough to lead to a lower sugar mix next season. An escalation of the Israel-Hamas war could result in very volatile energy prices ahead, but for now we assume a sugar max in all three price scenarios.

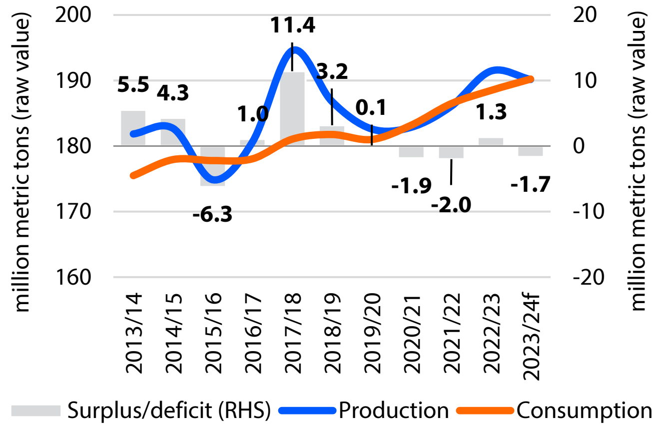
Thailand will likely see a drop in production in 2023/24, and with that, the white premium is likely to remain strong globally. However, in 2024/25, Thailand could recover both in terms of area and harvest yield (this is, however, by no means certain), leading to a lower white premium from Q4 2024 onward. India will delay announcement of export quotas, if any. Typically, export quotas are announced in September or early October, but we are not expecting any announcement until early 2024. We expect sugar output to be just over 30m mt, but it is not about

ICE #11 Sugar prices expected to decline even more than the forward curve in 2024



Source: Bloomberg, Rabobank 2023

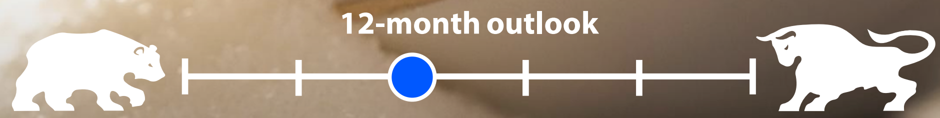
Global S/D shows a deficit in 2023/24, though relatively small in historical perspective



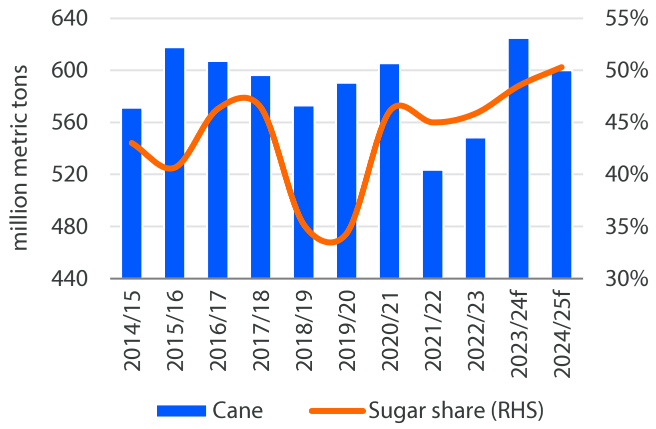
Source: F.O. Licht, Rabobank 2023

Rabobank

Sugar

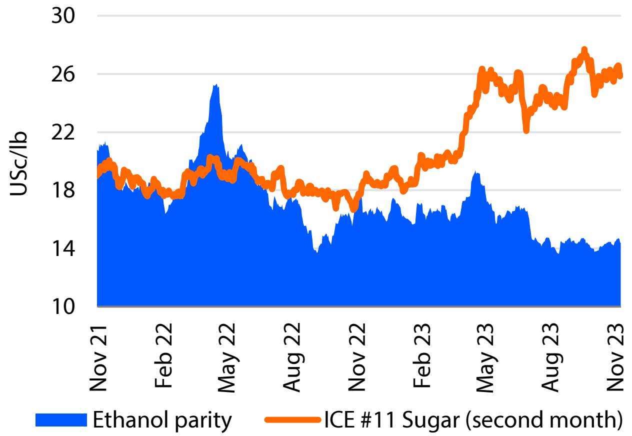


Brazil CS could see an even larger sugar mix in 2024/25 due to higher crystallization capacity



Source: Rabobank 2023

Sugar premium over ethanol in Brazil is at record levels: Next year is also likely a sugar max



Source: F.O. Licht, Rabobank 2023

whether there is availability in the country or not; it is about whether the government of India believes that there is more than enough sugar in the country, so that allowing export quotas will not have an impact on local prices. India will have to have physical stocks piling up at mills in order to allow more quotas. Meanwhile, India could see an improvement in cane output in 2024/25, but it is entirely possible that any increase could go to ethanol. The increase in ethanol use in India will continue to limit the export surplus available to the global market in the coming years.

Probably the biggest surprise came from the EU, where sugar output is expected to be up to 10% higher YOY, despite the ban on neonicotinoids. This could even lead to considerable exports out of the EU, but to some extent, the exportable surplus will depend on the imports of sugar from Ukraine, which, at the moment, is an unknown quantity.

Base case

The current El Niño leads the way to normal conditions after Q1 2024, and there is enough water in the reservoirs in India to sustain the 2024/25 crop. We expect export quotas out of India of 2m mt to be announced in early 2024. Brazil will have another excellent sugar output, with a higher crystallization capacity, but might struggle to export it. Under this scenario, we would expect prices to decline even more than the current forward curve is predicting.

High case

A second consecutive El Niño event could continue to put upside pressure on prices (one-third chance). Meanwhile, in Brazil, we would still expect a maximization of the sugar share, like in the other scenarios, but with lower cane volumes. India would have no export quotas.

Low case

Demand could be limited in 2024, although there has been relatively little sign of that so far. The crystallization capacity in Brazil might be higher than expected, and this could be combined with an increase in available cane. Furthermore, a currency depreciation would lead to funds aggressively selling their position and prices diving to USc 20.

Rabobank

Coffee

Higher supply ahead should lead to low prices

The coffee market will likely transition from a fairly neutral balance sheet in 2023/24 to a surplus of 6.8m bags in 2024/25. We believe this is not fully priced into the market today. This surplus assumes a modest demand recovery off currently depressed levels and slightly higher arabica and robusta output. In any case, 2023/24 starts with very low stocks in destination countries, and therefore a high level of price volatility is likely.

Besides all the uncertainties about supply and demand, the EU Deforestation Regulation (EUDR) will bring many unknowns to the European market, responsible for about 32% of global imports. Similar legislation could also be adopted in the US and elsewhere. Changes will be needed along the supply chain to ensure traceability ahead of implementation at the end of 2024, and there is a possibility of an EUDR-compliant coffee premium appearing, with discounts elsewhere. This fragmentation could also affect the futures market, as most certified stocks are in Europe.

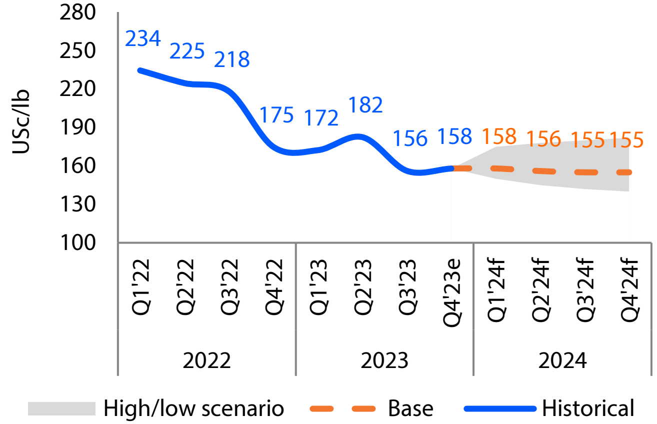
Base case

We would expect a further recovery in Brazil's arabica production in 2024/25, but estimates made at this time of the year are subject to a large margin of error. Weather risks remain, as El Niño tends to cause dryness in northern Brazil, and that dry weather pattern could move south. Bahia, in particular, could be affected. Otherwise, in our base case, we expect a further small recovery in arabica production (with Zona da Mata, Cerrado, and South of Minas producing below potential) and a further increase in robusta production.

At the same time, after three years of disastrous weather in Colombia, the weather has been a bit more normal in 2023, which should lead to better production prospects in the years ahead. However, we cannot be overly optimistic, as production costs are high, and farmers are getting about half the price they got in mid-2022 (in COP terms).

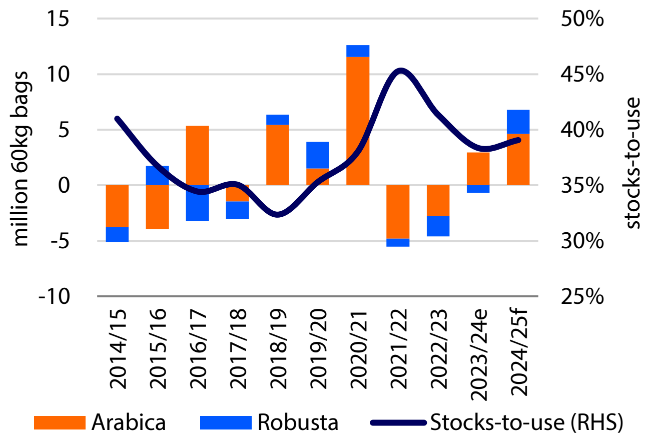
Meanwhile, in Vietnam, the main robusta producer, we don't expect to see much more production in the coming 2024/25 season. This is because robusta area has not been growing and is under pressure from other crops. Furthermore, during the Covid years, much-needed renovations were not made. Indonesia could see a recovery in 2024/25 (from currently depressed levels), but El Niño could continue to create dryness in the area.

ICE Arabica expected to decline in the coming year due to a significant surplus



Source: Bloomberg, Rabobank 2023

Global S/D will likely transition into a surplus in 2023/24 and 2024/25

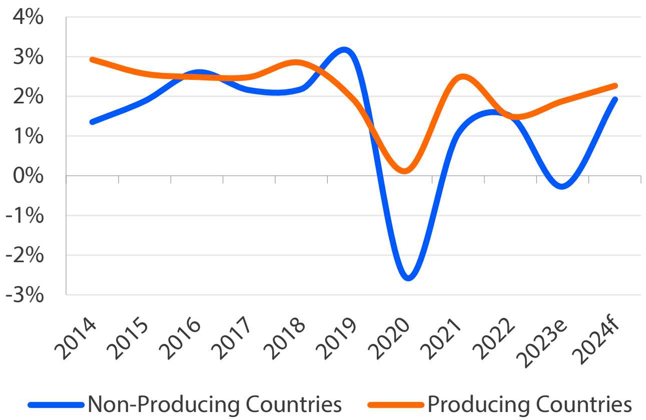


Source: Rabobank 2023

Rabobank

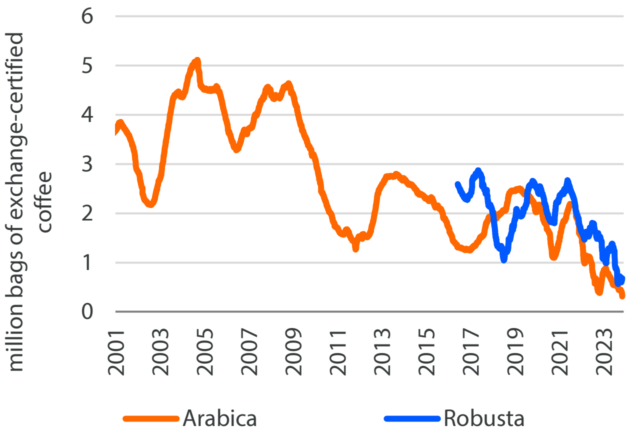
Coffee

Consumption in non-producing countries has been very weak in 2023, but it should recover



Source: Rabobank 2023

ICE Arabica and Robusta certified stocks are depressed, but some replenishment is likely in 2024



Source: ICE, BBG, Rabobank 2023

We initially estimate a 1m bag increase, but it is too early to have any certainty. In other countries, we expect some mixed fortunes, but some growth is likely after years of good prices.

A quick end to El Niño would help avoid any major dryness in Southeast Asia, allowing some increase in production among the main Southeast Asian producers. Going forward, more and more of the production growth in arabicas and robustas is likely to come from Brazil. Meanwhile, we expect to see coffee demand growing at 2% globally, after almost no growth (and actual declines in some markets) was seen in 2023.

High case

El Niño could create dryness across Southeast Asia before it goes away. This could have an impact on Indonesia's 2024/25 crop, preventing any recovery. A second potential El Niño toward the end of 2024 (one-third chance) could continue to attract speculators to the robusta market. A higher robusta shortage would translate to more demand for arabicas given the low global stocks of robusta. Furthermore, the dryness in the north of Brazil, which is associated with El Niño, could expand further south and affect parts of the coffee belt, thus resulting in the 2024/25 crop coming in below that of 2023/24 in both arabica and robusta.

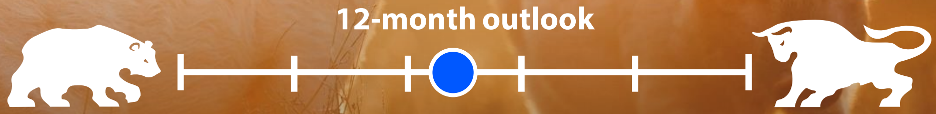
Low case

Import demand has been incredibly weak in 2023. Even though we attribute most of the drop in imports to a stock drawdown, some of the drop must be attributed to weak demand. This is likely a combination of high retail prices and a cost-of-living crisis. It is entirely possible that demand will continue to be weak in 2024, especially in light of a likely EU recession and high retail prices that will take time to come back down. Production could surprise to the upside. After years of high prices, it is possible that area expanded in countries where there is not much visibility, like Uganda, Peru, Ethiopia, and Guatemala. However, we believe the cost of production in Brazil – at around USD 1.35 to USD 1.40/lb and subject to inflation in BRL terms – will likely provide a solid floor, and only thanks to a currency depreciation will we see prices below the USD 1.40/lb level for any significant period of time.

Rabobank

Lean hogs

Slow decline in breeding herd to limit lean hog recovery



Base case

Current production will weigh on lean hogs through Q2 2024. Supplies will remain above year-ago levels, as better herd health and genetic improvements will drive a 2% YOY increase in productivity in 2024, largely offsetting the decline in the US breeding herd. Higher live hog imports from Canada will also boost total domestic availability. Continued financial losses will accelerate sow slaughter through 1H 2024, resulting in steeper declines in production beginning in 2025, with a limited projected impact on 2024 slaughter. Our baseline assumes a 0.8% YOY decline in 2024 production.

Our baseline assumes stable domestic pork consumption in 2024. Some disruption in California's pork sales in early 2024 is expected, as the Proposition 12 housing rule will be enforced after January 1, 2024, pressuring pork and lean hog values in Q1. Exports will remain stable, as US pork is relatively competitive in world markets. Our baseline assumes 2.8% export growth in 2024.

High case

More aggressive herd liquidation, slower market hog imports from Canada, and a persistent drop in slaughter weights could push lean hogs to the top of our forecast. A sharp drop in Q4 2023 hog prices would drive out high-cost or less-productive units and could drive prices to the top end of our range.

Stronger domestic pork consumption on the back of improving consumer confidence would drive a stronger pork cutout and better packer demand, resulting in stronger lean hog markets. Better trade relations, especially given tight European pork supplies, would also support a tighter pork balance sheet, driving lean hog prices to the upper end of our projected range.

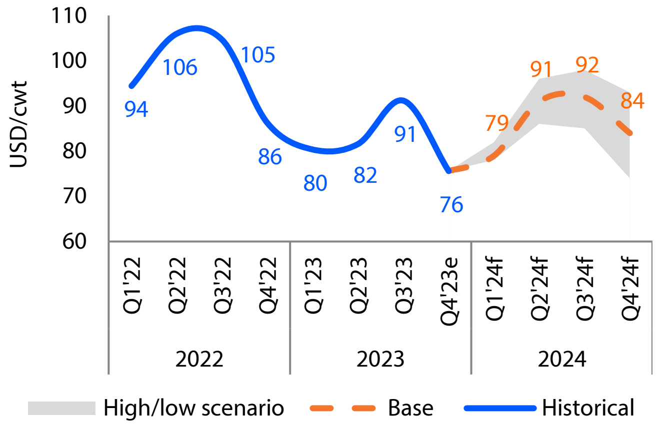
Low case

Slower herd reductions following the decline in feed costs could limit the improvement in 2024 lean hogs. Better productivity on improved herd health could also result in a larger supply of hogs than anticipated, driving prices to the lower end of our projected range.

Weaker pork demand, particularly in export markets, would limit the upside in 2024 pork prices and pressure lean hogs. Rising geopolitical risk and weaker economic conditions in key export destinations jeopardize pork trade and will weigh on the 2024 outlook. Weaker pork sales into the Californian market, following the enforcement of Proposition 12 housing rules from December 2023 and any resulting backup in pork supplies, would also force lean hog prices to the bottom end of our forecast.

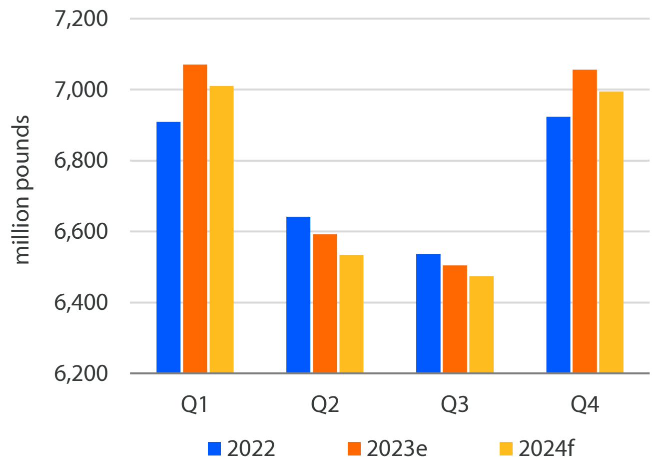
[See our upcoming Animal Protein Outlook for more details.]

Lean hog prices to stabilize in 1H 2024 and remain under pressure until supplies contract



Source: Bloomberg, Rabobank 2023

US pork production declines will be gradual

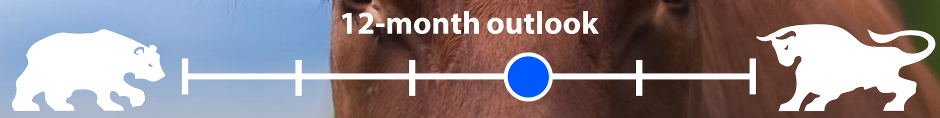


Source: Rabobank 2023

Rabobank

Live cattle

Herd rebuilding is on hold, and smaller supplies offer support



Base case

Optimism was prevalent at the start of 2023, as a strengthening El Niño weather pattern reached North America. However, it brought little pasture improvement to major production regions. Beef cow liquidation continues, and heifer retention has been minimal during the fourth quarter auction run.

The consequences of five consecutive years of cow herd liquidation will be realized across the beef supply chain over the next several years. Available feeder cattle and calf inventories will start 2024 more than 1m head lower than a year ago. Combined with fewer cows, that should lead to a 5% decline in 2023 cattle slaughter and beef production. Per capita beef supplies will decline 3% to 4% due to smaller US beef exports and larger imports.

Consumer beef demand should be softer in 2024. Stagnating personal income growth is expected to fall short of inflation rates, and consumer confidence could struggle under the weight of economic and geopolitical uncertainty. Retail and restaurant beef prices will continue to challenge recent record highs, but beef movement will be sluggish, as end users will be challenged to pass price increases on to exhausted consumers.

High case

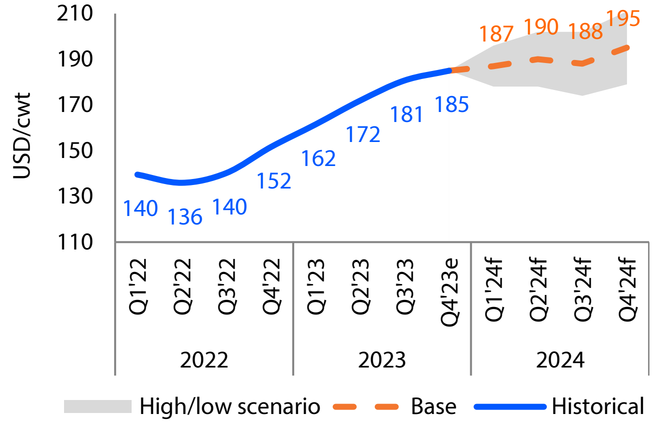
Cow-calf margins in 2023 are the strongest since 2015, but persistent drought has limited herd rebuilding. Wetter weather would reduce cow slaughter and keep more heifers on farms and ranches – lowering supplies more than forecast. Beef remains popular with US consumers. And demand continues to show resilience even as consumer behavior suggests a pullback in spending is possible. Better-than-expected income growth, fading recession concerns, or stronger US beef exports could all elevate 2024 base price projections.

Low case

The market pushed sharply lower in Q4 2023, as the USDA reported ample feedyard inventories. Similar weakness in the fed cattle cash market would confirm that market-ready cattle supplies are in line with government surveys and pressure values lower. Potential US beef demand challenges are relatively known, but global beef demand may be more fragile. The stronger US dollar continues to make beef exports more expensive, and a global recession could slow US beef movement and reduce the base projection.

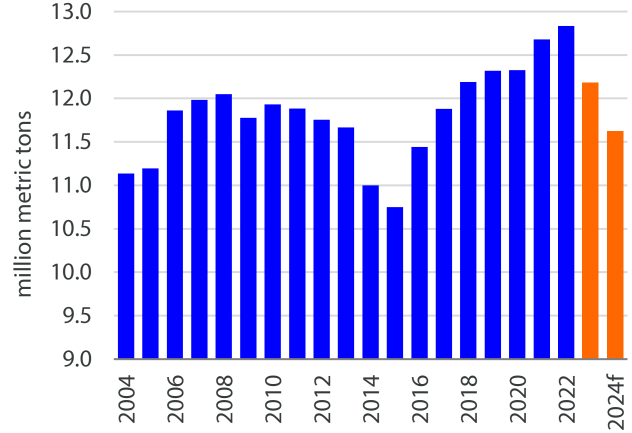
[See our upcoming Animal Protein Outlook for more details.]

Higher prices will continue at a more modest pace in 2024 as demand challenges increase



Source: CME, Rabobank 2023

Declining US beef production will offset demand concerns and support live cattle prices

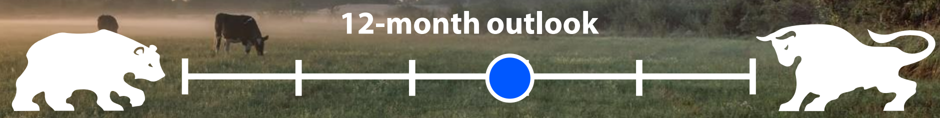


Source: USDA, Rabobank 2023

Rabobank

Dairy

The global dairy market is at an inflection point



Lower milk prices and elevated feed costs have negatively impacted producers' margins. Supply growth in key exporting regions such as the US, New Zealand, South America, and Europe has subsequently been affected as cratering farmgate prices erode profit margins. As a result, Rabobank anticipates output to climb by just 0.4% YOY in 2024 – considerably behind the 1.6% annual average gain seen between 2010 and 2020. Although we expect production headwinds to stick around in 2024, we are likely nearing a bottom for global dairy commodity prices.

Base case

The market is still awaiting Chinese demand to offset recent strong domestic milk production; however, in our base-case scenario, demand will not fully recover in 2024, as the country will likely continue to destock in the near term. Nonetheless, recent Global Dairy Trade (GDT) auctions have recorded positive results, signaling that international buyers are interested at these levels. Despite the expectation of another year of weak Chinese import data, we still expect supply to be well absorbed due to underwhelming production growth across several key exporting regions. New Zealand's spring flush will be a key driver for global supply and demand. Weaker farmgate milk prices and the potential for El Niño to impact pasture growth could lead to suboptimal milk production growth in the second half of the season – which could leave consumers searching for milk next year. Meanwhile, US production has been trending lower on a year-on-year basis in recent months, and we expect below-trend growth into 2024 amid weak farmer margins. Our base case is for a whiplash effect for Oceania prices in 2024, with WMP Q4 2024 average prices forecast to be around USD 3,350/mt.

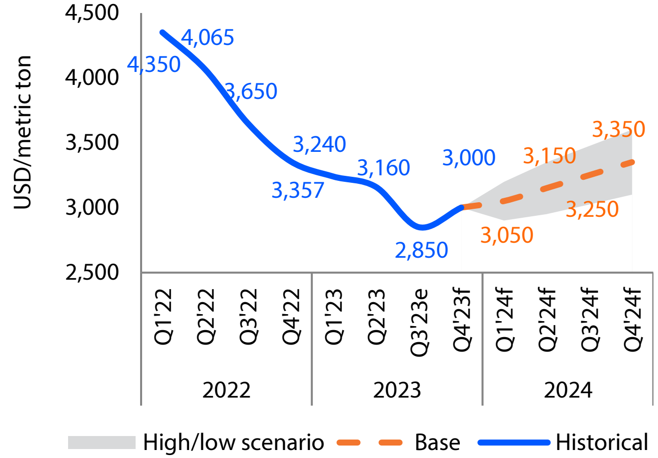
High case

Weakening consumer dairy product prices, particularly in the US, might trigger a larger-than-expected uptick in consumption. Meanwhile, compressed farmer margins across all the Big 7 exporters could continue to curb production and raise culling rates in 2024. GDT bidders may quickly become more interested as milk supply scarcity fears emerge again, especially if China reenters the market.

Low case

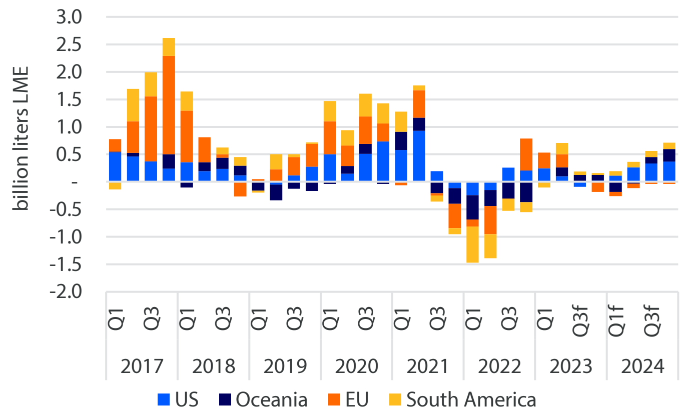
China will be a swing factor for global supply and demand in 2024, and its import demand could fall below Rabobank's current -15% YOY estimate amid weak demand, high stocks, and low consumer confidence. In this scenario, we expect to see a surplus of New Zealand dairy products compete with those of other exporters, such as the EU and South America, resulting in downward market pressures.

We expect WMP Oceania prices to rebound in 2024



Source: *Bloomberg, Rabobank 2023*

Expected milk supply growth in exporting regions downgraded to 0.3% YOY in 2023 and 0.4% in 2024



Source: *Big 7 government industry agencies, Rabobank 2023*

Balance sheets

Outlook 2024:
Buyers sail home on rising supplies

Rabobank

Global agri commodity balance sheets
Global wheat supply and demand

	USDA						Rabobank	
(1,000 ha/1,000 mt)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	287,800	284,231	297,912	284,128	272,411	269,547	269,547	262,592
Area harvested	214,857	215,374	220,494	221,919	220,607	223,046	222,147	222,336
Yield (mt/ha)	3.40	3.53	3.51	3.52	3.58	3.51	3.53	3.54
Production	729,777	759,391	773,366	781,014	789,493	781,980	783,415	786,040
Imports	174,098	188,429	194,151	199,527	211,972	204,704	202,856	201,336
Total supply	**1,191,675**	**1,232,051**	**1,265,429**	**1,264,669**	**1,273,876**	**1,256,231**	**1,255,818**	**1,249,968**
Exports	176,209	194,558	203,453	202,761	220,424	205,010	202,546	198,934
Feed consumption	139,062	139,466	163,408	161,324	155,108	157,791	157,991	159,774
FSI consumption	592,173	600,115	614,440	628,173	628,797	634,745	632,689	634,493
Total consumption	731,235	739,581	777,848	789,497	783,905	792,536	790,680	794,267
Total usage	**907,444**	**934,139**	**981,301**	**992,258**	**1,004,329**	**997,546**	**993,226**	**993,201**
Surplus/deficit	-3,569	13,681	-13,784	-11,717	-2,864	-10,862	-6,955	-5,825
Ending stocks	284,231	297,912	284,128	272,411	269,547	258,685	262,592	256,767
Stocks/usage	39%	40%	37%	35%	34%	33%	33%	32%

Source: USDA, Rabobank 2023

Global agri commodity balance sheets
Global corn supply and demand

	USDA						Rabobank	
(1,000 ha/1,000 mt)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	341,486	322,563	307,233	292,825	310,192	299,075	299,075	324,429
Area harvested	192,556	193,688	198,492	206,288	200,551	203,761	203,712	203,413
Yield (mt/ha)	5.86	5.80	5.69	5.90	5.77	5.99	6.02	5.98
Production	1,128,638	1,123,184	1,129,313	1,217,268	1,157,081	1,220,794	1,226,238	1,216,122
Imports	166,413	167,687	184,751	184,441	172,212	189,873	185,910	188,135
Total supply	**1,636,537**	**1,613,434**	**1,621,297**	**1,694,534**	**1,639,485**	**1,709,742**	**1,711,223**	**1,728,686**
Exports	182,580	172,394	182,726	206,593	180,944	199,624	192,357	191,108
Feed consumption	704,985	716,942	723,964	744,539	730,636	759,777	758,918	767,223
FSI consumption	426,409	416,865	421,782	433,210	428,830	435,501	435,520	441,779
Total consumption	1,131,394	1,133,807	1,145,746	1,177,749	1,159,466	1,195,278	1,194,438	1,209,002
Total usage	**1,313,974**	**1,306,201**	**1,328,472**	**1,384,342**	**1,340,410**	**1,394,902**	**1,386,794**	**1,400,109**
Surplus/deficit	-18,923	-15,330	-14,408	17,367	-11,117	15,765	25,354	4,148
Ending stocks	322,563	307,233	292,825	310,192	299,075	314,840	324,429	328,577
Stocks/usage	29%	27%	26%	26%	26%	26%	27%	27%

Source: USDA, Rabobank 2023

Global agri commodity balance sheets
Global soybean supply and demand

	USDA						Rabobank	
(1,000 ha/1,000 mt)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	99,995	114,185	95,147	100,263	98,063	100,311	100,311	109,704
Area harvested	126,080	123,574	129,733	131,453	136,226	139,049	138,623	141,607
Yield (mt/ha)	2.88	2.76	2.85	2.74	2.73	2.88	2.87	2.90
Production	363,513	341,453	369,222	360,434	372,238	400,423	397,526	410,909
Imports	145,966	165,294	165,495	155,582	165,107	165,748	165,686	169,360
Total supply	**609,474**	**620,932**	**629,864**	**616,279**	**635,408**	**666,482**	**663,523**	**689,972**
Exports	149,222	165,821	165,182	154,248	170,949	168,291	169,369	172,288
Crush	299,194	312,656	316,036	314,503	313,431	329,466	329,667	337,978
Seed/feed/residual	46,873	47,308	48,383	49,465	50,717	54,211	54,784	55,708
Total consumption	346,067	359,964	364,419	363,968	364,148	383,677	384,451	393,686
Total usage	**495,289**	**525,785**	**529,601**	**518,216**	**535,097**	**551,968**	**553,820**	**565,974**
Surplus/deficit	14,190	-19,038	5,116	-2,200	2,248	14,203	9,393	14,295
Ending stocks	114,185	95,147	100,263	98,063	100,311	114,514	109,704	123,999
Stocks/usage	33%	26%	28%	27%	28%	30%	29%	31%

Source: USDA, Rabobank 2023

Global agri commodity balance sheets
Global palm oil supply and demand

	USDA						Rabobank	
(1,000 ha/1,000 mt)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	12,993	14,937	15,885	14,889	15,989	16,931	16,555	14,491
Production	74,165	73,111	73,277	72,964	77,576	79,464	82,995	83,822
Imports	49,877	47,029	46,845	41,702	47,928	48,797	48,797	48,288
Total supply	**137,035**	**135,077**	**136,007**	**129,555**	**141,493**	**145,192**	**148,347**	**146,601**
Exports	51,491	48,355	48,536	43,970	49,715	50,938	50,938	50,300
Food consumption	47,195	47,028	48,373	46,028	48,406	50,622	55,647	55,546
Industrial	22,720	23,104	23,509	22,909	25,705	26,893	26,559	26,070
Feed	692	705	700	659	736	712	711	697
Total consumption	70,607	70,837	72,582	69,596	74,847	78,227	82,918	82,314
Total usage	**122,098**	**119,192**	**121,118**	**113,566**	**124,562**	**129,165**	**133,856**	**132,614**
Surplus/deficit	1,944	948	-996	1,100	942	-904	-2,064	-504
Ending stocks	14,937	15,885	14,889	15,989	16,931	16,027	14,491	13,987
Stocks/usage	12%	13%	12%	14%	14%	12%	11%	11%

Source: USDA, Rabobank 2023. USDA data cut-off is from October 2023.

Global agri commodity balance sheets
Global coffee supply and demand

(1,000 60kg bags)	18/19	19/20	20/21	21/22	22/23	23/24f	24/25f
Producing countries	26,518	30,794	36,360	47,295	39,772	37,936	39,080
Non-producing countries	25,544	27,624	25,950	27,624	29,624	26,871	28,015
Beginning stocks	**52,062**	**58,419**	**62,310**	**74,920**	**69,396**	**64,807**	**67,096**
Arabica	103,669	94,129	106,477	88,171	87,910	98,361	102,927
Robusta	68,231	73,593	71,623	74,096	76,435	75,657	79,712
Total exports from all producers	140,254	133,920	136,298	126,465	126,543	134,217	140,837
Total production	**171,900**	**167,722**	**178,100**	**162,267**	**164,345**	**174,019**	**182,639**
Producing countries	50,503	50,112	51,654	52,373	53,304	54,455	55,850
Non-producing countries	115,040	113,718	113,837	115,418	115,629	117,275	119,994
Robusta demand	67,295	71,226	70,567	74,809	78,272	76,329	77,530
Arabica demand	98,249	92,604	94,924	92,981	90,661	95,401	98,313
Total demand	**165,543**	**163,830**	**165,491**	**167,791**	**168,933**	**171,730**	**175,844**
Surplus/deficit arabica	5,421	1,524	11,553	-4,811	-2,751	2,960	4,613
Surplus/deficit robusta	936	2,367	1,056	-713	-1,838	-672	2,182
Surplus/deficit total	**6,357**	**3,892**	**12,610**	**-5,524**	**-4,588**	**2,289**	**6,795**
Ending stocks	58,419	62,310	74,920	69,396	64,807	67,096	73,891
Stocks/usage	**35%**	**38%**	**45%**	**41%**	**38%**	**39%**	**42%**

Source: Rabobank 2023

Global agri commodity balance sheets
Global sugar supply and demand

(1,000,000 mt)	18/19	19/20	20/21	21/22	22/23	23/24f
Beginning stocks	77.0	88.4	92.4	93.1	91.3	93.5
Production	186.8	182.6	182.9	186.1	191.4	190.1
Consumption	181.7	181.0	183.2	186.4	188.5	190.2
Surplus/deficit	3.2	0.1	-1.9	-2.0	1.3	-1.7
Ending stocks	91.6	91.6	89.8	87.8	89.1	87.4
Stocks/usage	50%	51%	49%	47%	47%	46%

Source: F.O. Licht, UNICA, USDA, Rabobank 2023

Rabobank

US agri commodity balance sheets
US wheat supply and demand

	USDA						Rabobank	
(m acres/m bu)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	1,099	1,080	1,029	846	699	582	582	684
Area harvested	40	37.4	36.8	37.1	35.5	37.3	37.3	37.0
Yield (bu/acre)	47.6	51.7	49.7	44.3	46.5	48.6	48.6	48.2
Production	1,885	1,932	1,828	1,646	1,650	1,812	1,812	1,782
Imports	135	104	100	96	122	145	145	145
Total supply	**3,119**	**3,116**	**2,957**	**2,588**	**2,471**	**2,539**	**2,539**	**2,612**
Exports	937	969	994	796	759	700	700	750
Feed consumption	88	95	93	64	89	120	120	100
FSI consumption	1,014	1,023	1,024	1,029	1,041	1,035	1,035	1,035
Total consumption	1,102	1,118	1,117	1,093	1,130	1,155	1,155	1,135
Total usage	**2,039**	**2,087**	**2,111**	**1,889**	**1,888**	**1,855**	**1,855**	**1,885**
Surplus/deficit	-19	-51	-183	-147	-117	102	102	43
Ending stocks	1,080	1,029	846	699	582	684	684	727
Stocks/usage	53%	49%	40%	37%	31%	37%	37%	39%

Source: USDA, Rabobank 2023

US agri commodity balance sheets
US corn supply and demand

	USDA						Rabobank	
(m acres/m bu)	18/19	19/20	20/21	21/22	22/23	23/24f	23/24f	24/25f
Beginning stocks	2,140	2,221	1,919	1,235	1,377	1,361	1,361	2,228
Area harvested	81.3	81.3	82.3	85.3	79.1	87.1	87.1	82.4
Yield (bu/acre)	176.4	167.4	171.4	176.7	173.3	174.9	174.9	178.5
Production	14,340	13,620	14,111	15,074	13,715	15,234	15,232	14,708
Imports	28.0	41.9	24.3	24.2	38.7	25.0	25.0	26.0
Total supply	**16,509**	**15,882**	**16,055**	**16,332**	**15,130**	**16,621**	**16,618**	**16,963**
Exports	2,068	1,778	2,747	2,472	1,661	2,075	2,025	1,950
Feed consumption	5,427	5,899	5,607	5,726	5,549	5,650	5,650	5,725
FSI consumption	6,793	6,286	6,467	6,757	6,558	6,740	6,715	6,800
Ethanol consumption	5,601	5,602	5,033	5,330	5,325	5,326	5,325	5,400
Total usage	**14,288**	**13,963**	**14,821**	**14,956**	**13,769**	**14,465**	**14,390**	**14,475**
Surplus/deficit	80	-301	-685	142	-16	794	867	259
Ending stocks	2,221	1,919	1,235	1,377	1,361	2,156	2,228	2,488
Stocks/usage	16%	14%	8%	9%	10%	15%	15.5%	17%

Source: USDA, Rabobank 2023

US agri commodity balance sheets
US soybean supply and demand

	USDA						Rabobank	
(m acres/m bu)	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24f**	**23/24f**	**24/25f**
Beginning stocks	438	909	525	257	274	268	268	249
Area harvested	87.6	74.9	82.6	86.3	86.2	82.8	82.8	89.0
Yield (bu/acre)	50.6	47.4	51.0	51.7	49.6	49.9	49.8	50.5
Production	4,428	3,552	4,216	4,465	4,270	4,129	4,123	4,495
Imports	14.1	15.4	19.8	15.9	24.5	30.0	30.0	18.0
Total supply	**4,880**	**4,476**	**4,761**	**4,738**	**4,569**	**4,428**	**4,422**	**4,761**
Exports	1,753	1,683	2,266	2,152	1,992	1,755	1,735	1,800
Crush	2,092	2,165	2,141	2,204	2,212	2,300	2,310	2,360
Seed/feed/residual	126	104	97	108	97	127	128	130
Total consumption	2,218	2,269	2,238	2,312	2,309	2,427	2,438	2,490
Total usage	**3,971**	**3,952**	**4,504**	**4,464**	**4,301**	**4,182**	**4,173**	**4,290**
Surplus/deficit	471	-384	-268	17	-6	-23	-20	223
Ending stocks	909	525	257	274	268	245	249	471
Stocks/usage	23%	13%	6%	6%	6%	6%	6%	11%

Source: USDA, Rabobank 2023

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A summary of the methodology can be found on our website

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