

What is the “new normal”?

G&O outlook beyond here and now

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RaboResearch
Food & Agribusiness



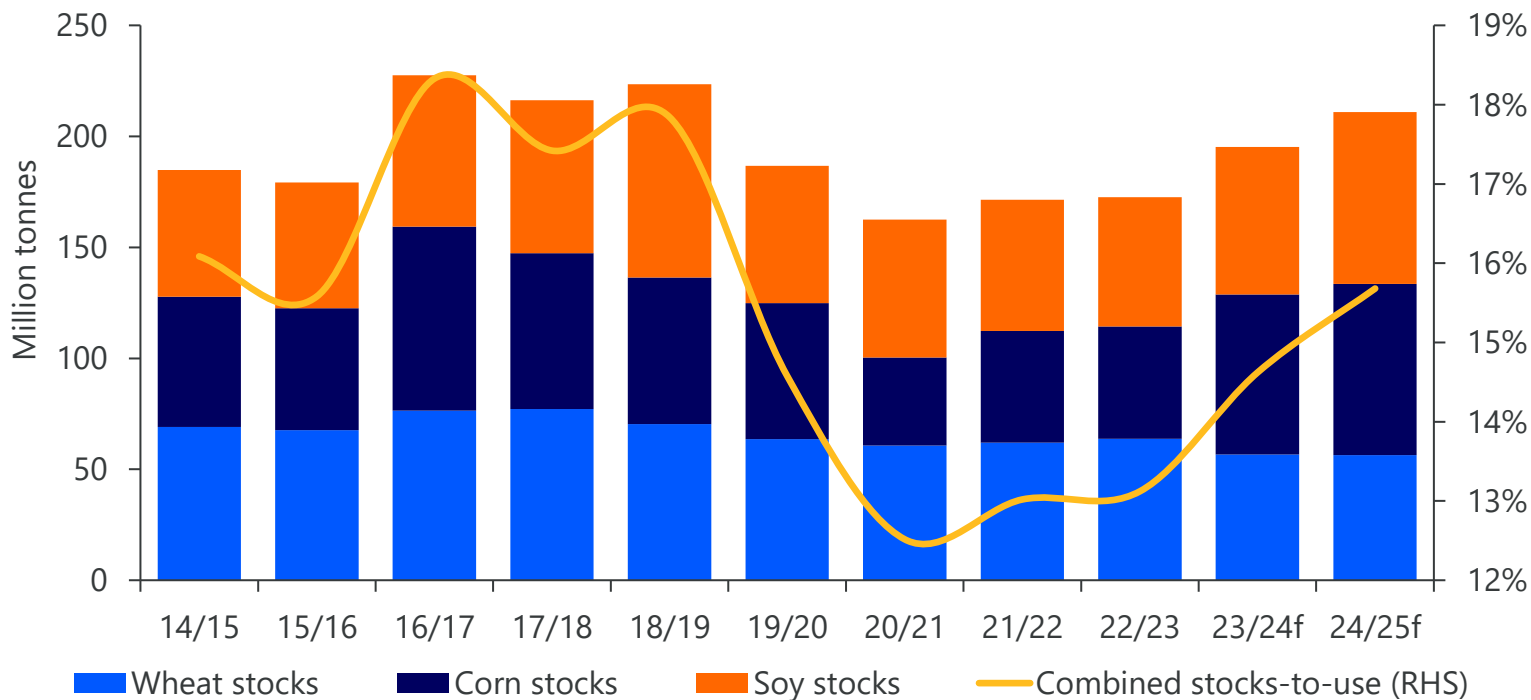
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Global Picture



Overall G&O supply will increase

Soybeans and corn from both North and South America will set the tone for grains supply



Squeezing cargo through the needle eye

Many trade route choke points are stressed by geopolitics, conflict and weather



Route

- 1 Panama Canal
- 2 Red Sea
- 3 Black Sea
- 4 Java Sea
- 5 South China Sea
- 6 Arctic Crossing
- 7 Cape of Good Hope
- 8 Cape Horn
- 9 Gibraltar

Panama Canal



Low water levels means hefty costs



Supply and Demand rules also apply to a market with only maximum 40 slots per day



Panama Canal to slash booking slots due to drought over coming months

The Panama Canal, one of the world's main maritime trade routes, will further reduce daily ship crossings in the coming months due to a...

31 Oct 2023



Daily crossings of 32 vessels were slashed to 24-25



The Panama Canal is so congested that one ship owner just paid a record \$4 million to skip to the front of the line

A queue of ships waiting to use the canal has been growing in recent months amid a deep drought that has restricted passage.

8 Nov 2023



Prior to the drought, the average cost was of \$ 1.3M per vessel
By early November/23, it jumped to \$ 1.9M, with golden tickets reaching \$ 6M

North American exports need to reroute

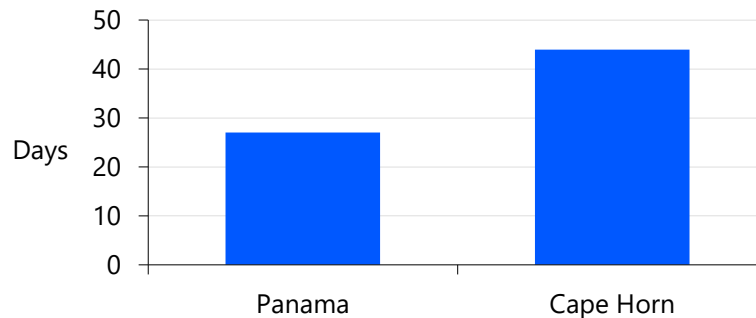
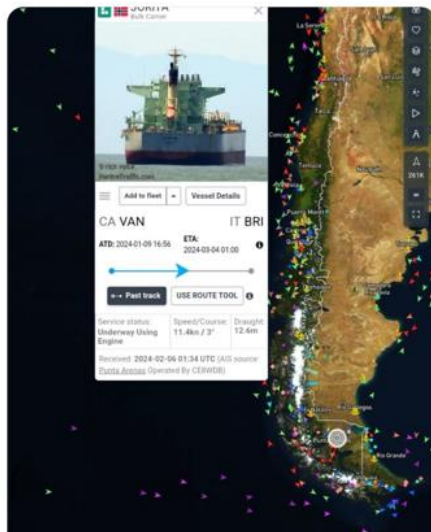
On the G&O realm, US and Canadian exports are ones struggling the most



Spiga Dorata @spiga_dorata · 8/2/2024 ***

Almost 2 months to travel from Vancouver in [#Canada](#) to Bari in Southern [#Italy](#) via the longer Strait of Magellan route 🌊🚢

Bulk Carrier JORITA dwt 63.532t scheduled to arrive early March. Quantity unclear but at least about 34.000t of durum wheat on board.



Using Panama, the voyage would cost \$ 4.4M (2.5M for freight and 1.9M to cross the canal)

But spending 2 extra weeks at the sea the voyage cost was around \$ 3.7M

This decision "saved" \$ 20/tonne, or 5.3% of the wheat price at the time (about \$ 380/tonne)

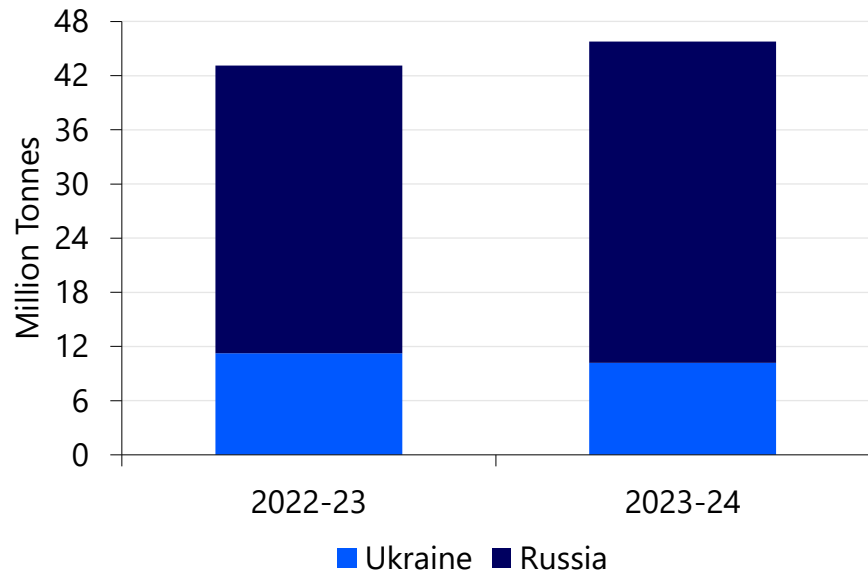


The Black Sea War is still on

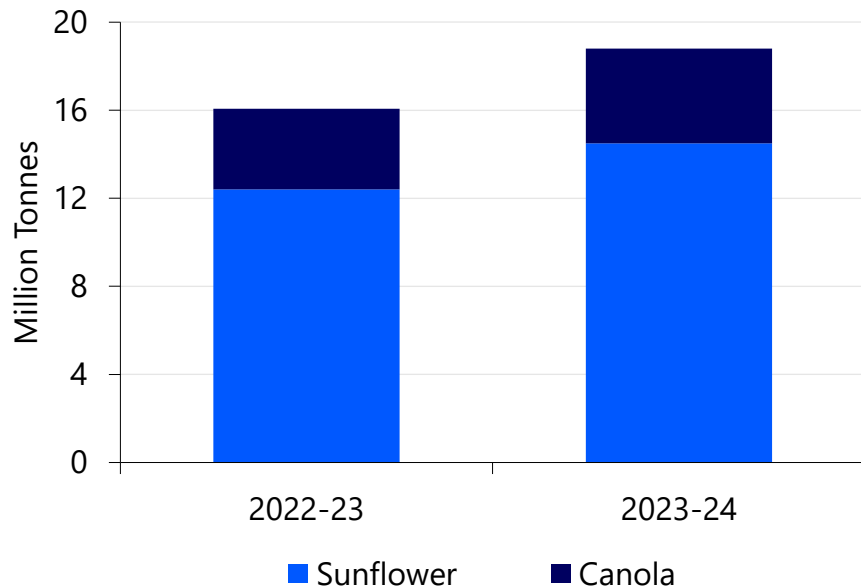


Russian bumper crop expand wheat supply and Ukraine farmers focus on higher \$/tonne crops

Jul-Feb Black Sea wheat exports improved 6% YOY...



...while Ukraine focused on oilseeds, up 17% YOY



Red Sea

A satellite image showing the Red Sea and the surrounding landmasses of Africa and the Arabian Peninsula. The sea is a deep blue, contrasting with the brown and tan desert terrain. The Gulf of Aden is visible at the top right, and the Gulf of Tadjik is at the bottom right. The Suez Canal is visible on the left side of the image.

They are not just a random rogue group

The actions are part of a bigger geopolitical context



Voice of America

<https://www.voanews.com/houthis-won-t-target-chinese...>

Houthis Won't Target Chinese, Russian Ships in Red Sea

19 Jan 2024 — A senior official of the **Iranian**-backed **Houthi** terrorist group says **Chinese** and **Russian vessels** will have safe passage through the Red Sea.

Missing: ~~only~~ | Show results with: **only**



Reuters

<https://www.reuters.com/world/middle-east/ships-e...>

Ships entering Yemeni waters must obtain permit, Houthi ...

4 Mar 2024 — CAIRO, **March 4** (Reuters) - Ships will have to obtain a permit from Yemen's Houthi-controlled Maritime Affairs Authority before entering ...

Arabian Peninsula as wild card, again

The region set global crude oil and coproducts output and how fast vessels can move goods



Historical conflicts and particular geography prompt a fight for dominance, in which the ripple effects affect all global trade

West side:

Suez and Bab al-Mandab Strait

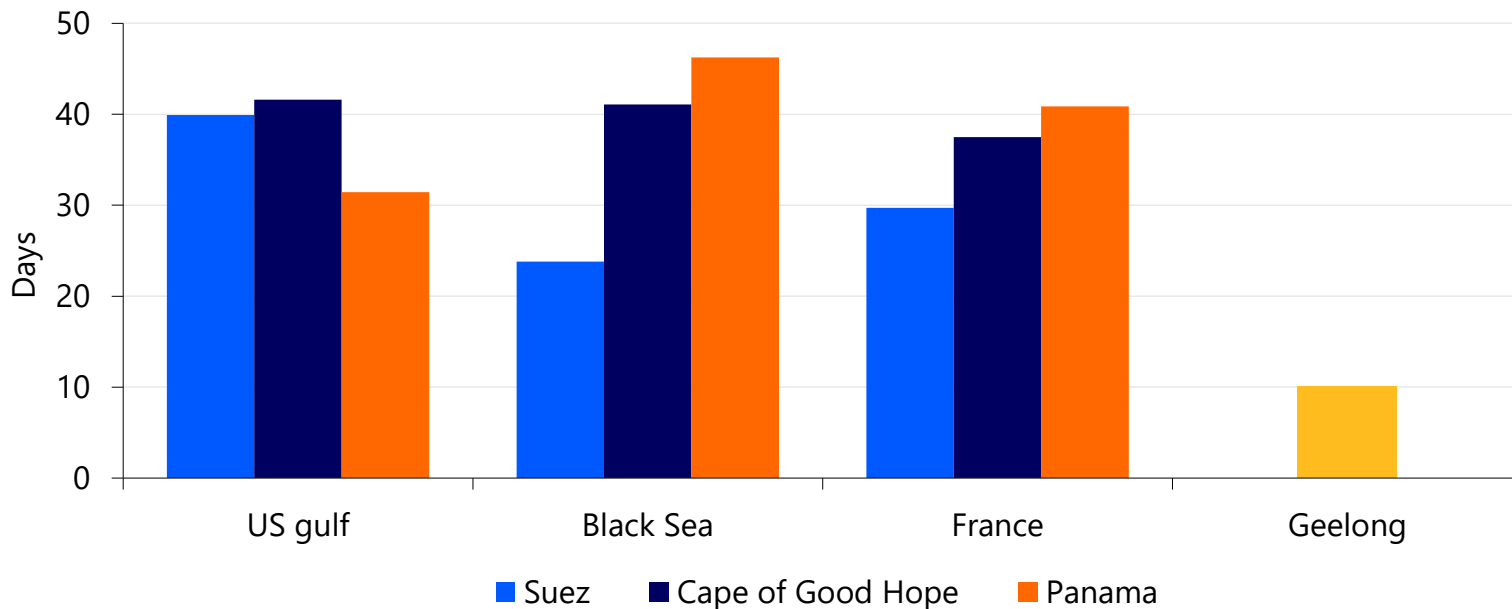
East side:

Strait of Hormuz

AUS grains export shall benefit, at least cereals



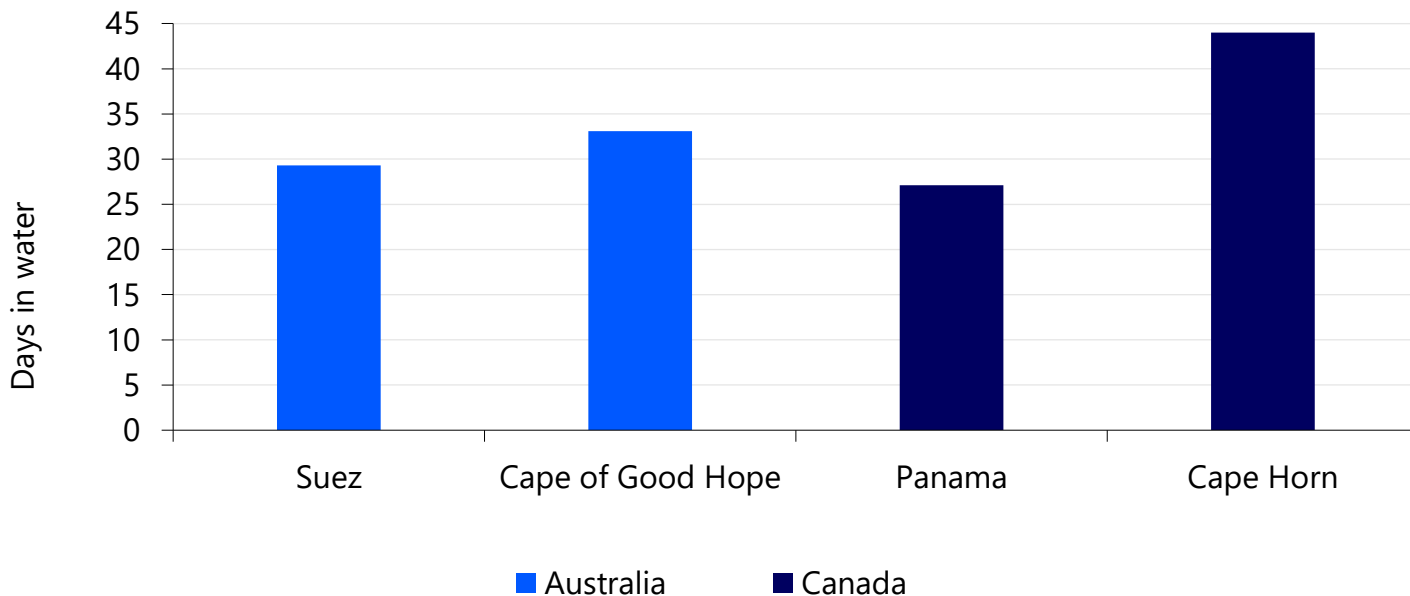
To reach Indonesia, EU and Ukrainian exports will be much longer in the water to circumnavigate Africa



Oilseeds flow almost unscathed to EU



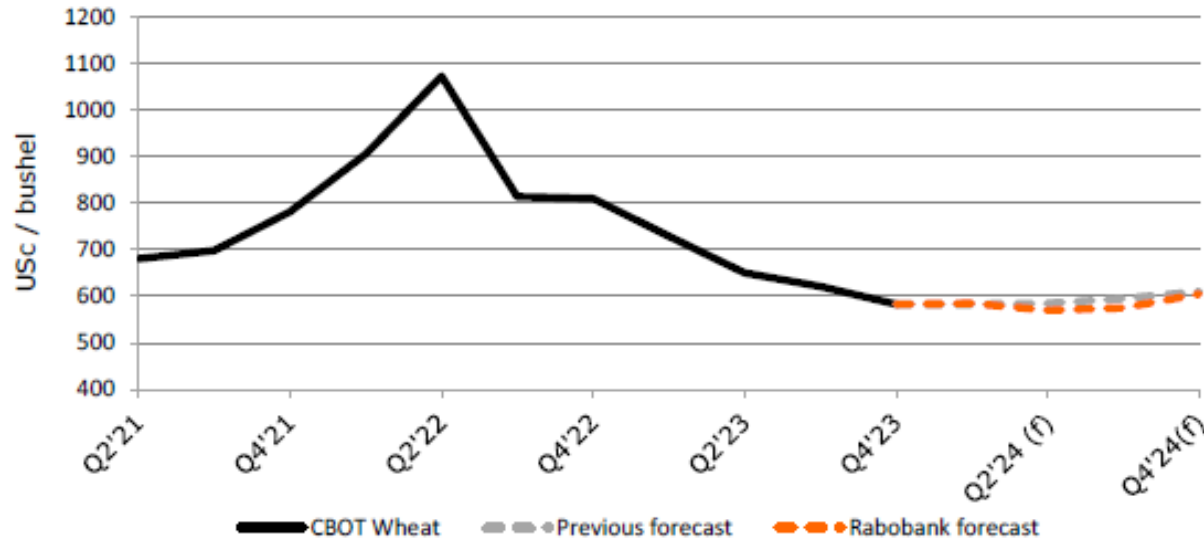
Relative to Canadian canola, Australian exports might show smaller extra costs



How does Australia fits?



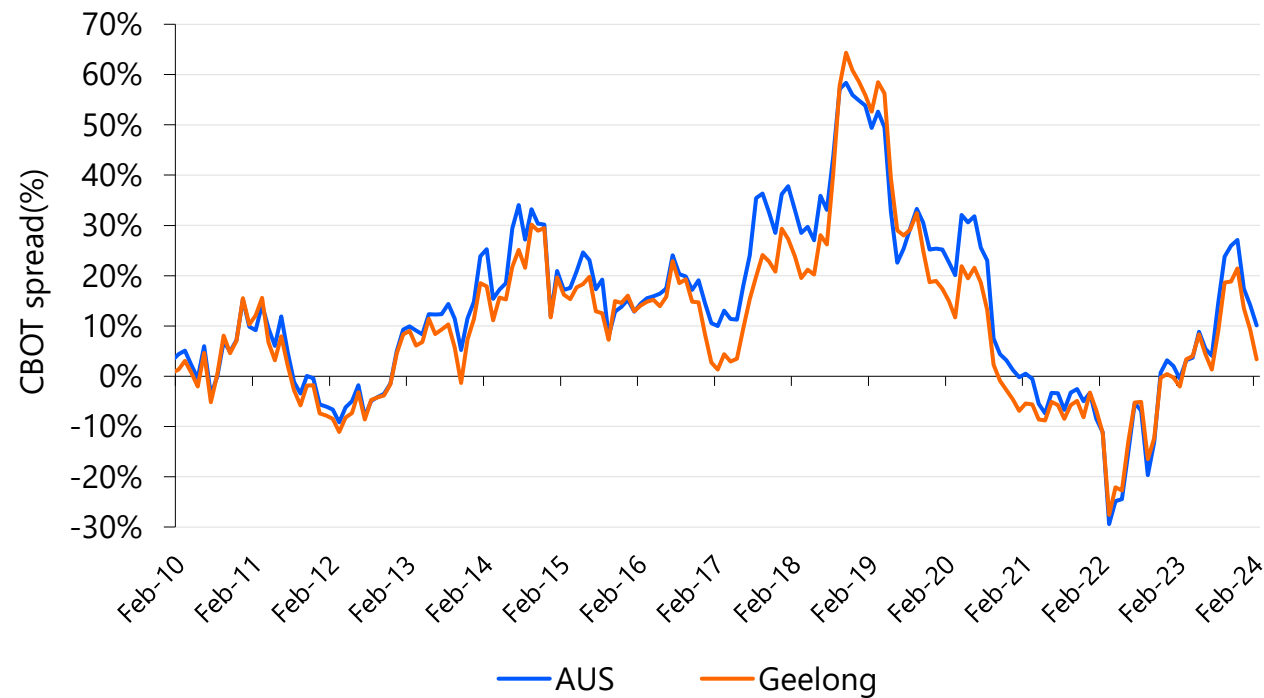
Lower global wheat stockpiles indicate that prices may move a bit higher into year-end...



	Q1' 24	Q2' 24	Q3' 24	Q4' 24
CBOT	5.85	5.70	5.75	6.05
Australia	331	317	315	318

...and markets are looking to AUS wheat as safe spot

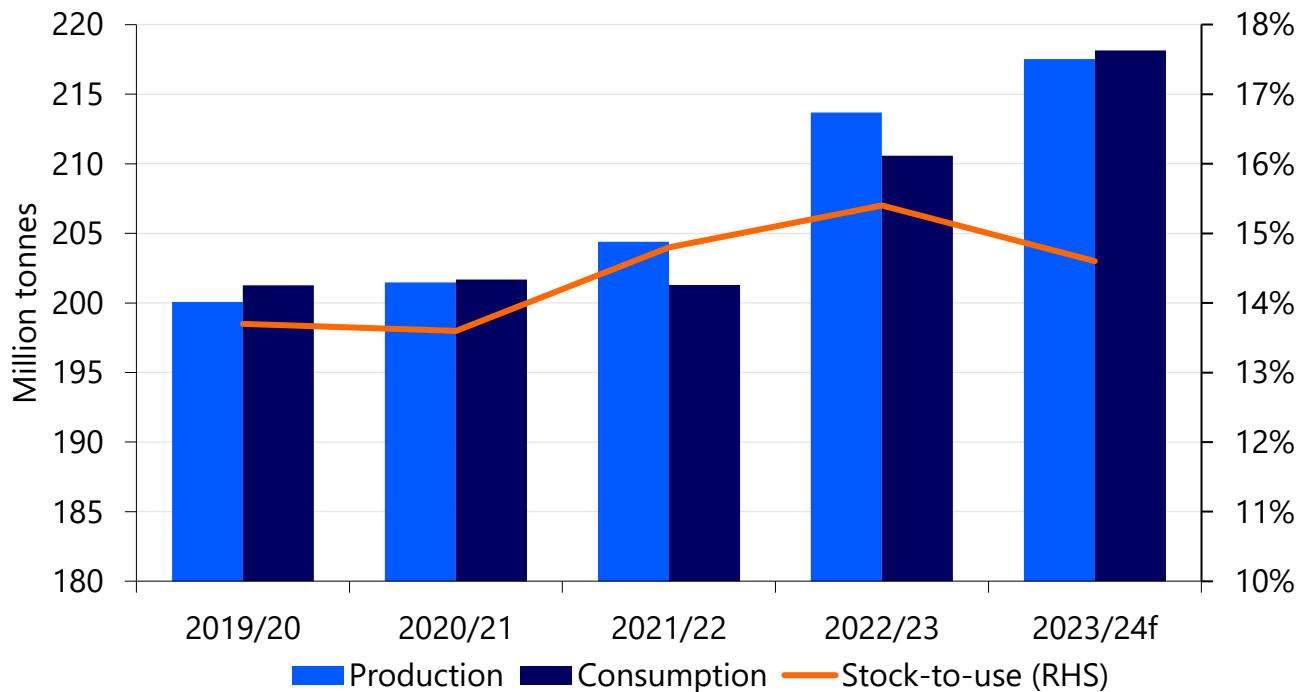
APW prices have a strong correlation to CBOT whenever rainfall is around



	Q1' 24	Q2' 24	Q3' 24	Q4' 24
Neutrality	340	333	331	333
La Nina	298	286	284	286
El Nino	410	393	391	394

The demand for vegetable oil is rising...

Decarbonization and population growth are the tailwinds



The challenge for crushers is to allocate both oilseed meal and oil.

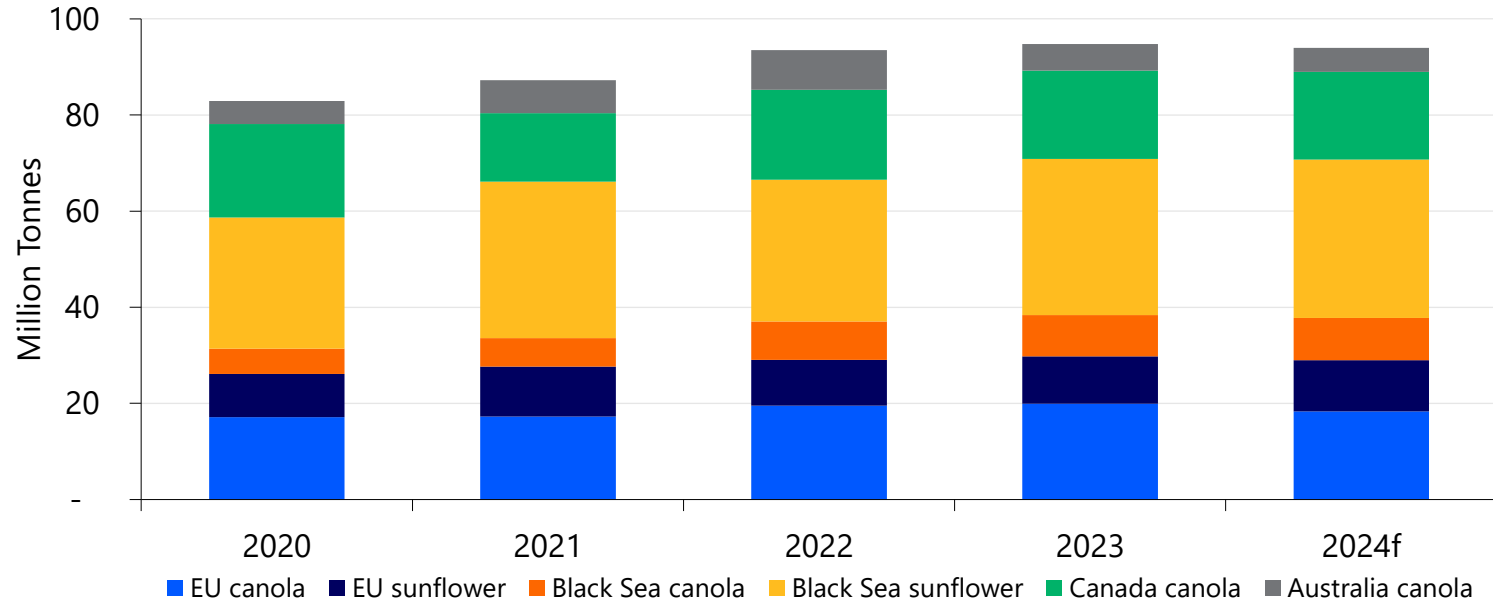
Crush ratio meal:oil (%)

Soybeans 80:20

Canola 55:45

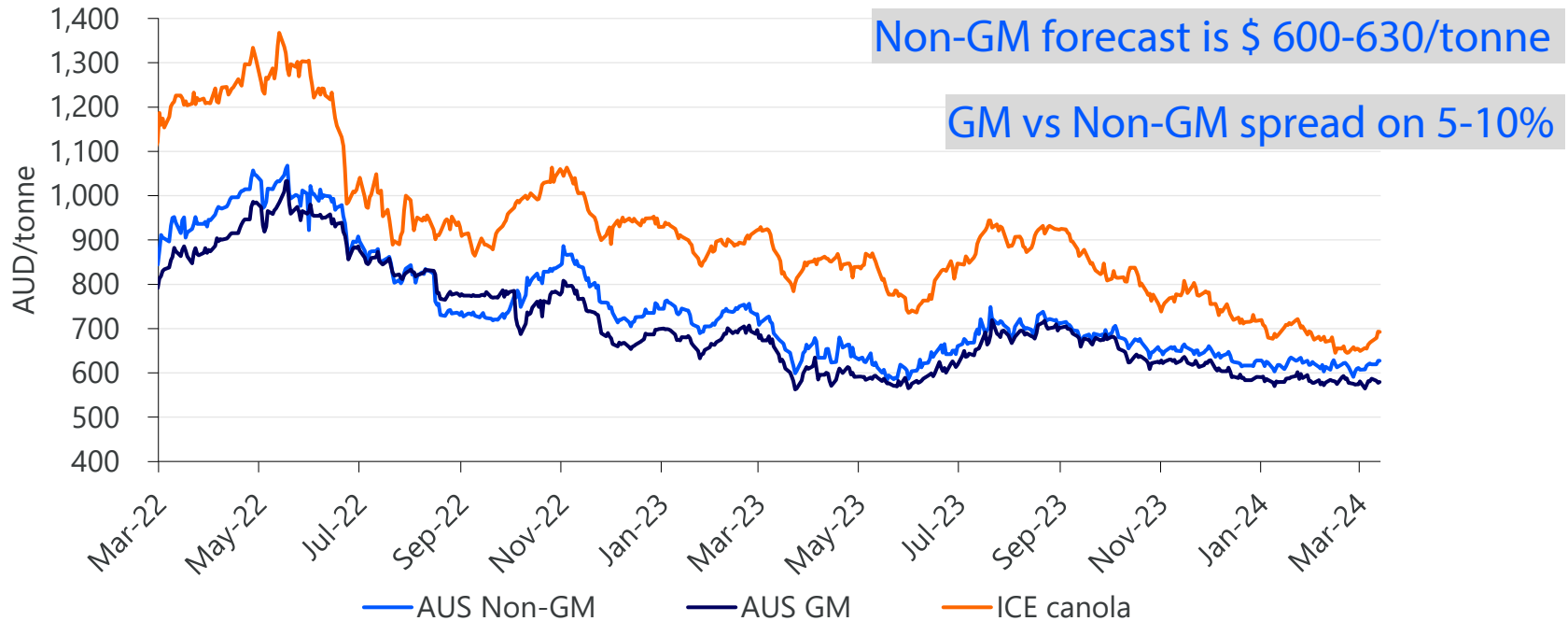
...and supply is following suit

Globally oilseed production recovered, and meal allocation is a headwind



The end game for canola price is a mixed bag

There is enough supply and the oilseeds meal glut challenge crushers margins



Weather Wild Cards



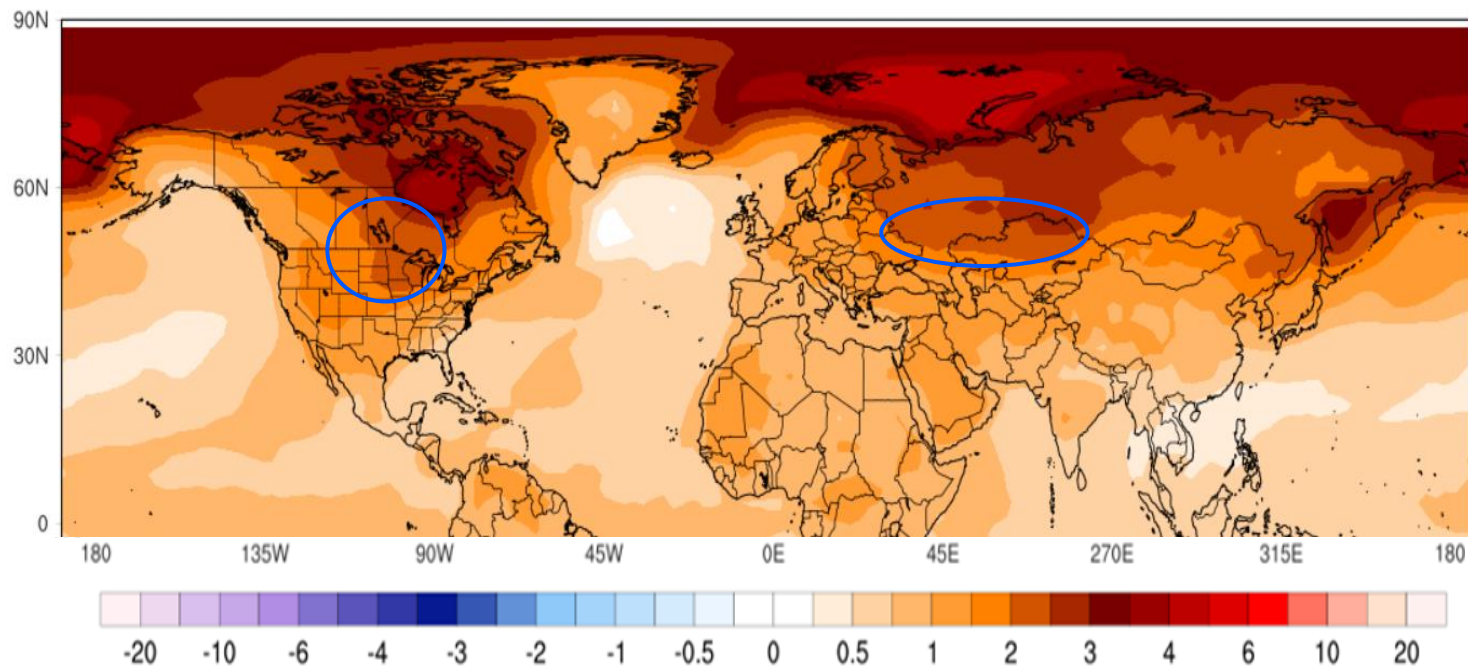
Source: Bloomberg, Rabobank 2024

Winter was warmer in key regions

Eurasia and US/Canada border might change spring rotations



Darker the shade, higher the temperature is versus historical average, Dec-Feb/2024 data



Crop production:

Upside – Black Sea

Downside – US and Canada

Price potential:

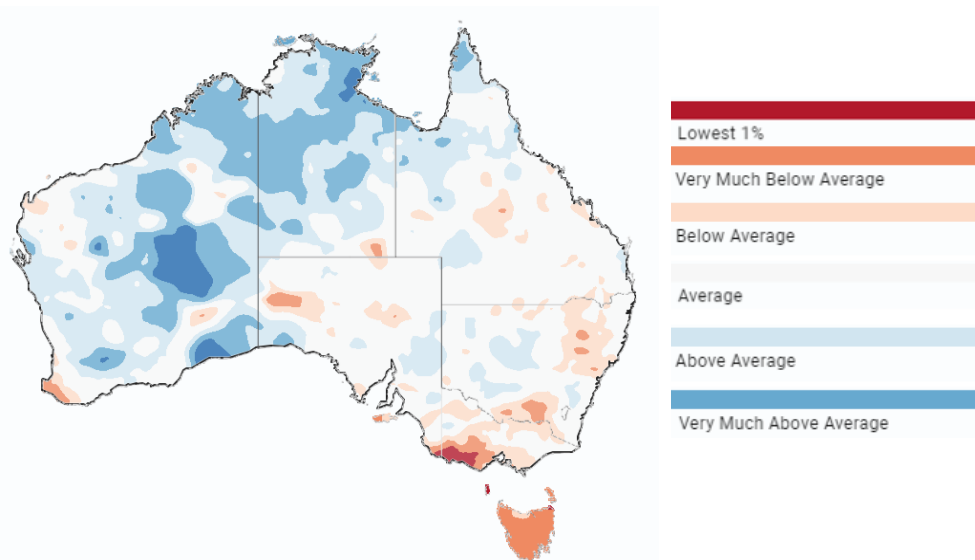
Upside – Pulses

Downside – Cereals and oilseeds

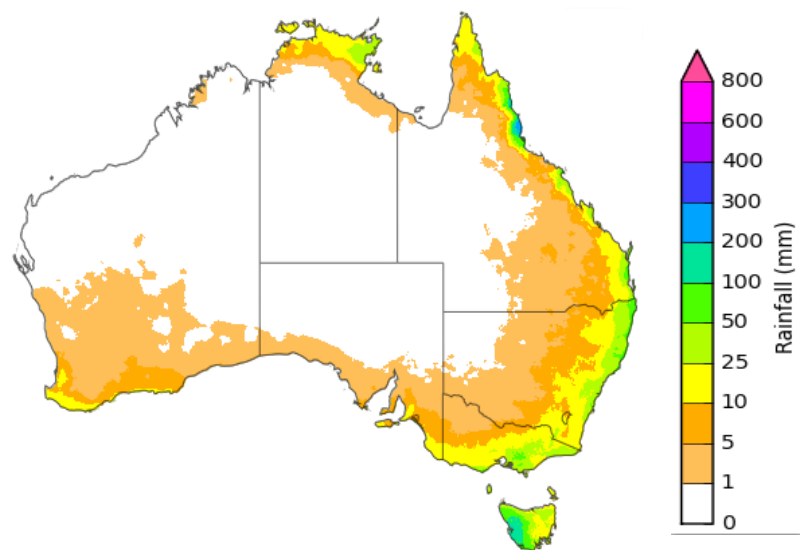
Mixed bag for the season kick-off



Root zone moisture could be better– 17/Mar/2024



The rainfall outlook triggers concern - April/2024, 75% of accuracy



What to watch – Australia`s perspective



Bullish

1. Conflicts escalation
2. Persistent logistics bottlenecks
3. North American dryness
4. Global inflation subsides



Bearish

1. La Nina confirmation
2. More rain in Panama
3. Recovery of Canada`s soil moisture
4. Rate hikes

Contact details



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