

Cropping



March Monthly Update



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Key Watchpoints – March

- While markets are reeling from escalating tariffs, the situation remains highly fluid. The trade war narrative could shift at any moment.
- And it did! A temporary exemption was announced for Canada and Mexico under the United States-Mexico-Canada Agreement (USMCA).
- Wheat fundamentals remain weak, with China absent from Australia's export program and demand subdued. Ending stocks are set to reach multi-year highs. Look for a pickup in export demand in Q2 or Northern Hemisphere weather disruptions for price support.

U.S tariffs spark market turmoil: Trade war escalates – then pauses

The Trump administration's aggressive trade policies have upended global markets, particularly targeting China, Mexico and Canada. The latest round of U.S tariffs has triggered swift retaliation, deepened economic uncertainty and sent shockwaves through both commodity and financial markets.

March 4 will likely go down in the history books as the day the second Trump trade war began. On that day, delayed tariffs on Canada and Mexico took effect, imposing a 25 per cent levy on all imports from both nations. Simultaneously, tariffs on Chinese imports doubled to 20 percent, further escalating tensions. Beijing wasted no time in responding, targeting American agricultural with tariffs designed to strike at the heart of rural economies:

- 15 per cent tariffs on chicken, wheat, corn and cotton
- 10 per cent tariffs on sorghum, soybeans, pork, beef, seafood and dairy.

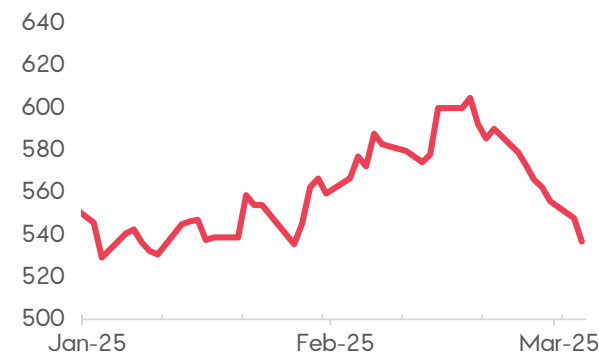
Market fallout: A sell-off followed by mixed signals

Commodity markets had been under pressure in anticipation of the tariff announcements, but in recent days, the sell-off has accelerated dramatically:

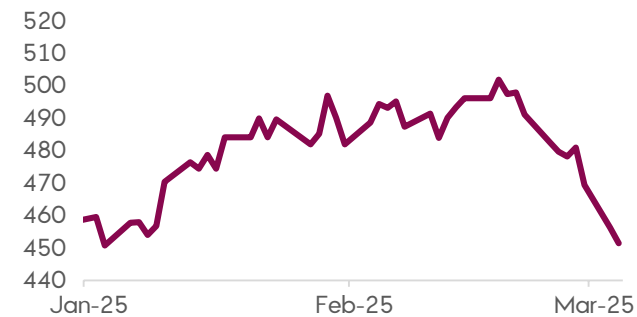
- Wheat futures have plunged 13% in recent weeks
- Corn futures have tumbled 9.5% from their Feb 19 peak
- Soybean futures have dropped 6.7% since early February

With uncertainty gripping global trade, investors are pulling back, wary of further economic turbulence. However, markets saw some stabilization as President Trump announced a **temporary exemption** for Canadian and Mexican goods under USMCA.

CBOT Spot Wheat (USc/bu)



CBOT Spot Corn (USc/bu)



Source: CME



This move provides short-term relief but leaves open questions about the future of trade policy. Despite the reprieve, uncertainty remains. The exemption is set to expire on April 2, and Trump has warned that further tariff measures, including sector-specific duties, may still be implemented. While the immediate economic turmoil has been tempered, investors remain cautious. Market volatility is likely to persist until there is more clarity on the administration's next steps.

For now, the trade standoff remains fluid. If negotiations between Washington and its trade partners stall, or if tariffs are reinstated after April 2, commodity markets could once again face significant headwinds. Yet, if talks progress positively, there remains potential for de-escalation. The global market remains on edge, waiting for the next move in this unfolding trade dispute.

Ripple effect: The fallout of U.S. tariffs on Australian grain markets

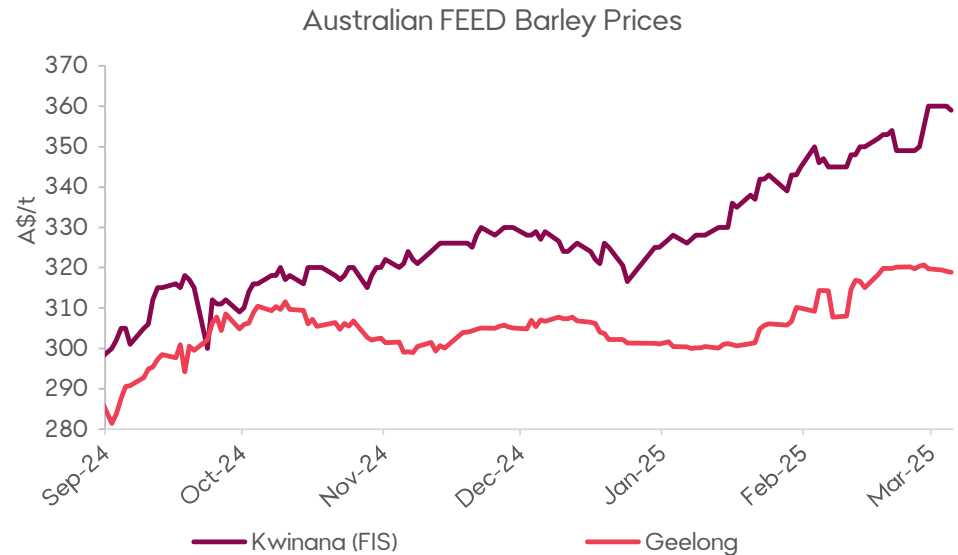
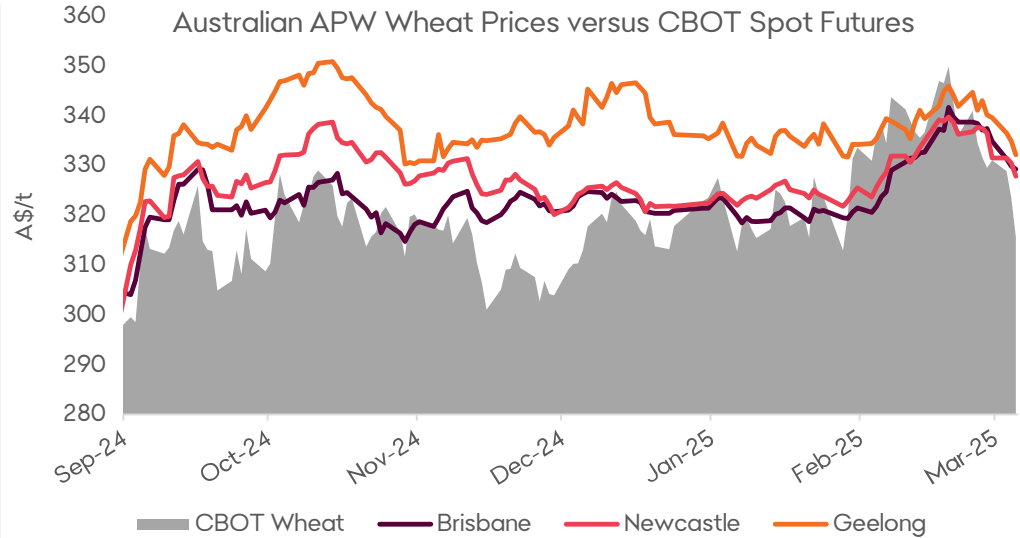
China's imposition of a 15 per cent tariff on U.S. wheat, corn and barley should be broadly supportive of Australian wheat and barley markets. However, optimism is tempered by forecasts showing China's total grain imports – including wheat, corn, sorghum and barley – are set to decline by 45 per cent year-on-year.

Local wheat markets are particularly vulnerable, as China has largely been absent from the Australian 2024/25 wheat export program, and overall demand remains weak. Consequently, Australia wheat ending stocks are expected to rise to multi-year highs under current trade conditions. This will leave local prices vulnerable to offshore movements, as was seen in the recent sell off.

Barley markets on the other hand, have shown resilience. Local prices have remained steady to slightly higher, supported by robust export demand. Current estimates suggest a tight barley carryout at the end of the season.

In the canola market, fundamentals remain favourable in the short term, with the ongoing canola shortage in the EU likely to sustain demand for Australian canola for the remaining 2024/25 season. However, the longer-term outlook is more uncertain. Tariffs on Canadian canola oil and meal could reduce crushing volumes, leading to increased supply of canola seed on the global market and heightened competition in key Australian export markets.

The most significant challenge for Australia, however, is the broader global disruption and economic slowdown in China – our largest trading partner. If the U.S. tariffs on China trigger a broader economic downturn, the resulting global shock would inevitably have repercussions for Australia.



Source: Profarmer Australia

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