# ANZ Agri InFocus Commodity Insights

Winter 2025

# Foreword

The winter months are always a time for reflection across Australian agriculture, as crops grow across the country, livestock producers prepare for the spring flush and generally production comes off the previous months' highs. With a global economy and trading system subject to ongoing volatility, at home we have large parts of the south-east struggling with dry conditions, clean-up form the Western QLD floods, and most recently the devastating flooding in coastal NSW - a lot for producers to consider. Commodity prices remain solid, if not stellar, for most commodities although wool and cotton remain the outliers, with the hope that a late autumn, or early winter break may help increase the volume side of the equation.

Global trade tensions continue to dominate much of the discussion on agriculture's outlook, although to date, the impact appears to minimal, or even positive for some of Australia's agriculture industry. Initial concerns that Australian producers would bear the impact of the 10 per cent tariff appear unfounded with exporters reporting those costs being born by the US consumer. And while a tit-for-tat continues to play out between many of the major global trading nations, Australian exports continue to be in strong demand.

Weather issues are never far from front of mind for all producers. This year, it's a tale of two halves of the country with the north and west benefitting from a strong season and surplus of rain – while the south-east of the country has, in some areas, been through one of the driest starts to the year on record. In the absence of a decent autumn break in the south, cattle yardings have jumped as producers reduce stock numbers, while lamb prices are also reflecting a lack of pasture for fattening.

Balancing out this jump in turn-off, particularly for cattle, is the increasing demand for cattle from northern and western Australia. Areas of northern Australia are rebuilding herds following on from flooding, and also buy stock for the flush of pasture, providing welcome support for lighter stock coming out of the south.

The livestock industry currently looks a little like the much talked about duck – all calm and balanced on the surface, but franticly paddling underneath.

Across the cropping regions, the outlook is also mixed. Plantings in the south have moved away from canola and towards lower cost and lower risk cereal plantings. In the north and west, early rains have supported early plantings with reports of good establishments. While global grains prices remain under pressure as a result of strong global supply, many producers in the south will be anxiously awaiting rain to support volumes.

Dairy producers are anxiously awaiting opening prices, the gradually firming global prices are supporting the case for higher farm-gate prices, with the key question of whether processors will break through the magical mark of $9/kg. On the flip side, fibre producers in wool and cotton are faced with subdued prices in the face of continuing concerns over global growth."

A lot going on given at face value on aggregate, things look quite steady. Let's hope that come the spring, more of our producers are in the hunt for a 'close to average or better' season in the 2025 calendar year.

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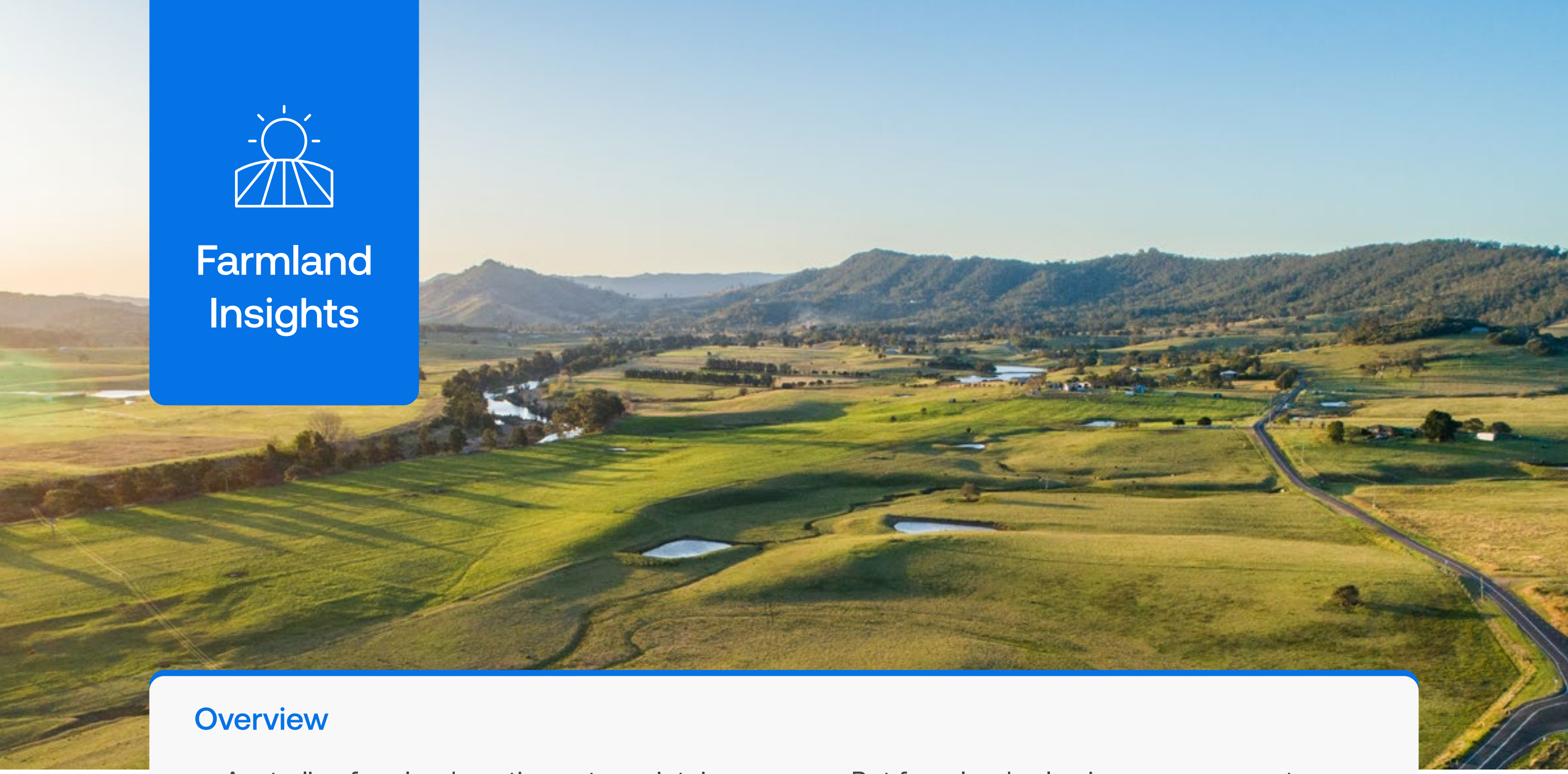


# Farmland Insights

## Overview

- Australian farmland continues to maintain its value despite some heat coming out the market – although that differs between States and sectors;
- The greatest growth in land values in recent years has been in Western cropping, Tasmanian dairy and forestry farmland, with the latter likely to be driven by the growth in carbon markets;
- But farm land value increases are not being driven only by changes in production or earning potential – an increasingly important factor in value growth has been a lack of properties on the market;
- Modelling shows that in the past 5 years, the decline in the number of properties offered for sale has grown in importance to property values by over 20 times.

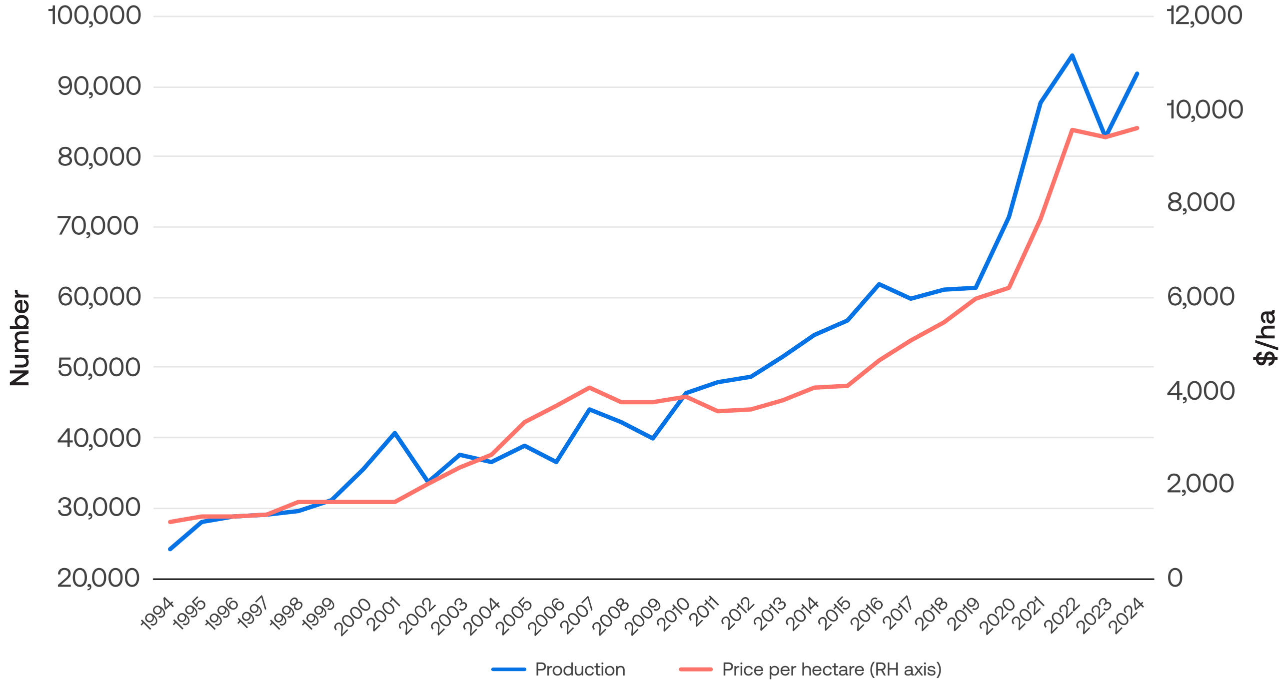
It remains the kitchen table topic of choice for many farmers, bankers and those in the agriculture sector – farm prices, are they too high, or is there more growth to come? The stellar national rise in agricultural property values and the resultant, but not unexpected, stabilising of the market has raised questions over what's sitting behind the increase in agricultural land prices – is it a once in a generation jump, or the start of a longer trend where growth in land values outpaces the growth in production?

> The continuing up and up of Australian agricultural land values has dominated headlines in recent years as strong growth across the country has boosted farmers' balance sheets – but also limited opportunities for expansion for many.

For many years, rural land values have tracked closely with agricultural output. This relationship started to break down around the early 2020s as stellar agricultural prices and strong production were outstripped by growth in land values.

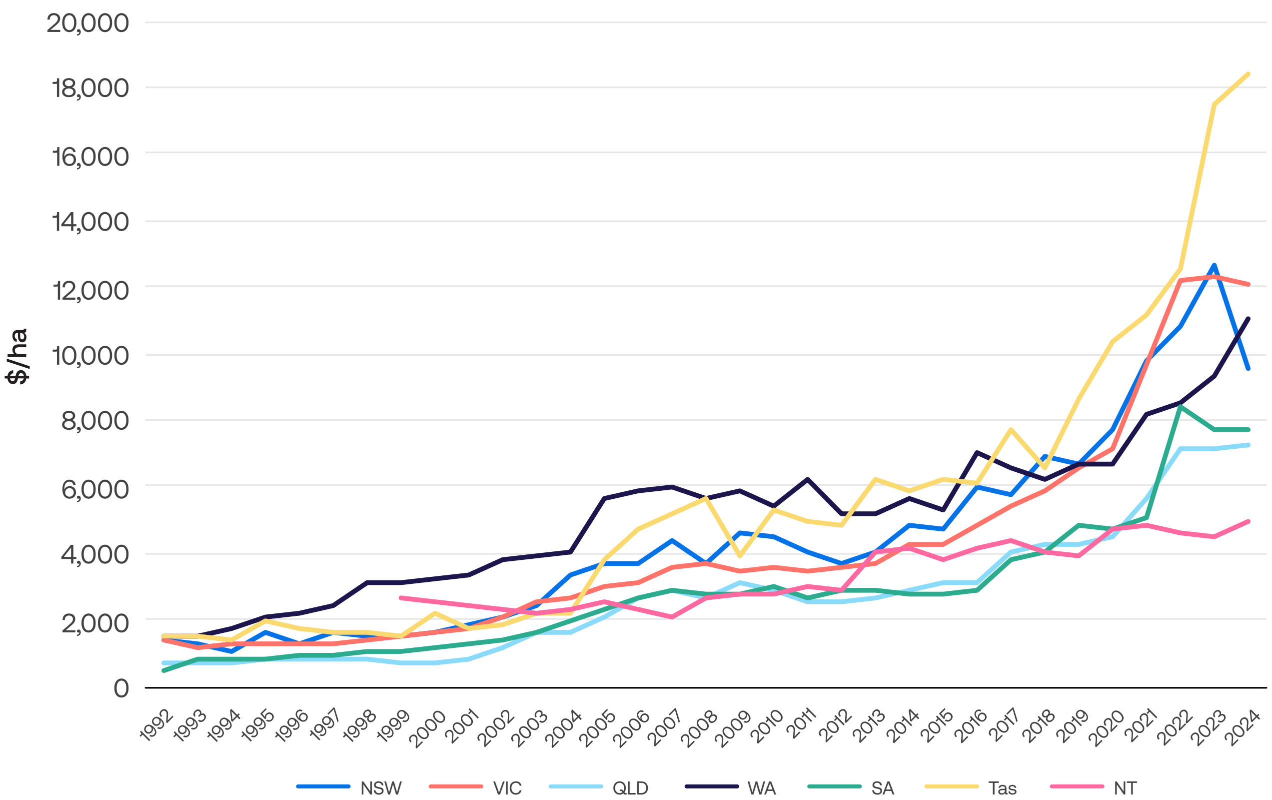
Growth in land values has been mixed between States in recent years with the strongest growth being seen in Tasmania, Victoria and New South Wales, although the Australian Bureau of Agricultural Statistics and Economics has indicated that land values in New South Wales have fallen in the past year. However this data is potentially misleading, as it is based on a relatively small number of sales. This data may also indicate a growing intensification in agricultural production in higher rainfall areas as dairy farming continues to move south, and the growth in higher capital agriculture such as berries, almonds, citrus and other long-rotation horticulture.

## Australian rural land prices jumped away from production in 2020-2022



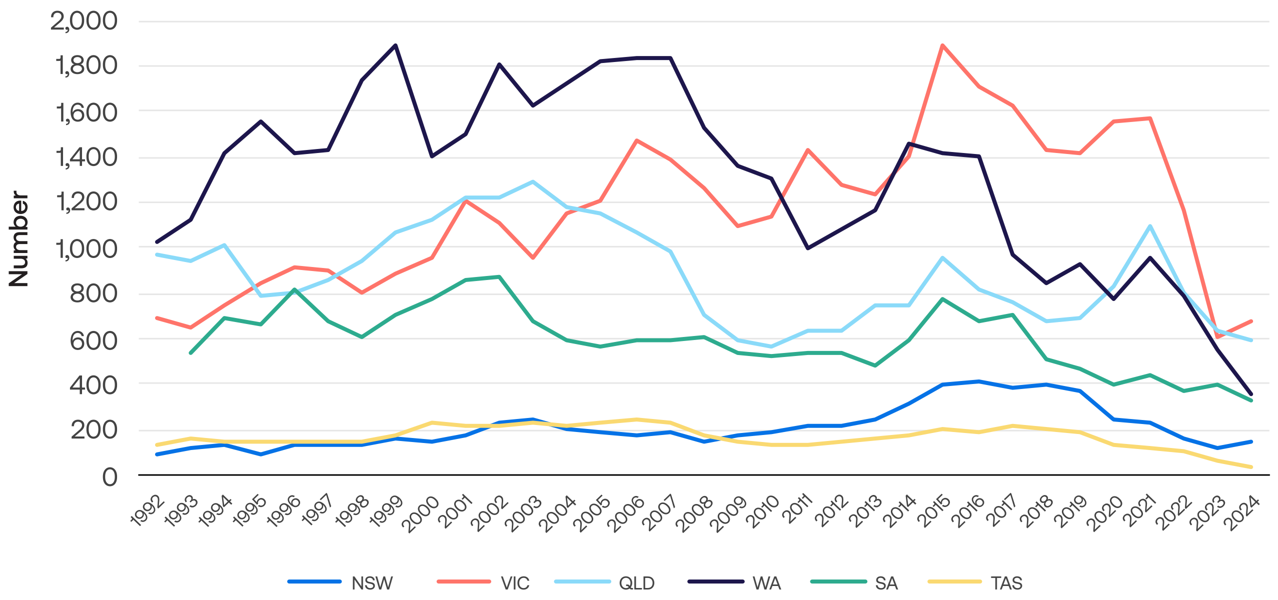

Source: ABARES, ANZ

## Land prices have grown strongest in southern states



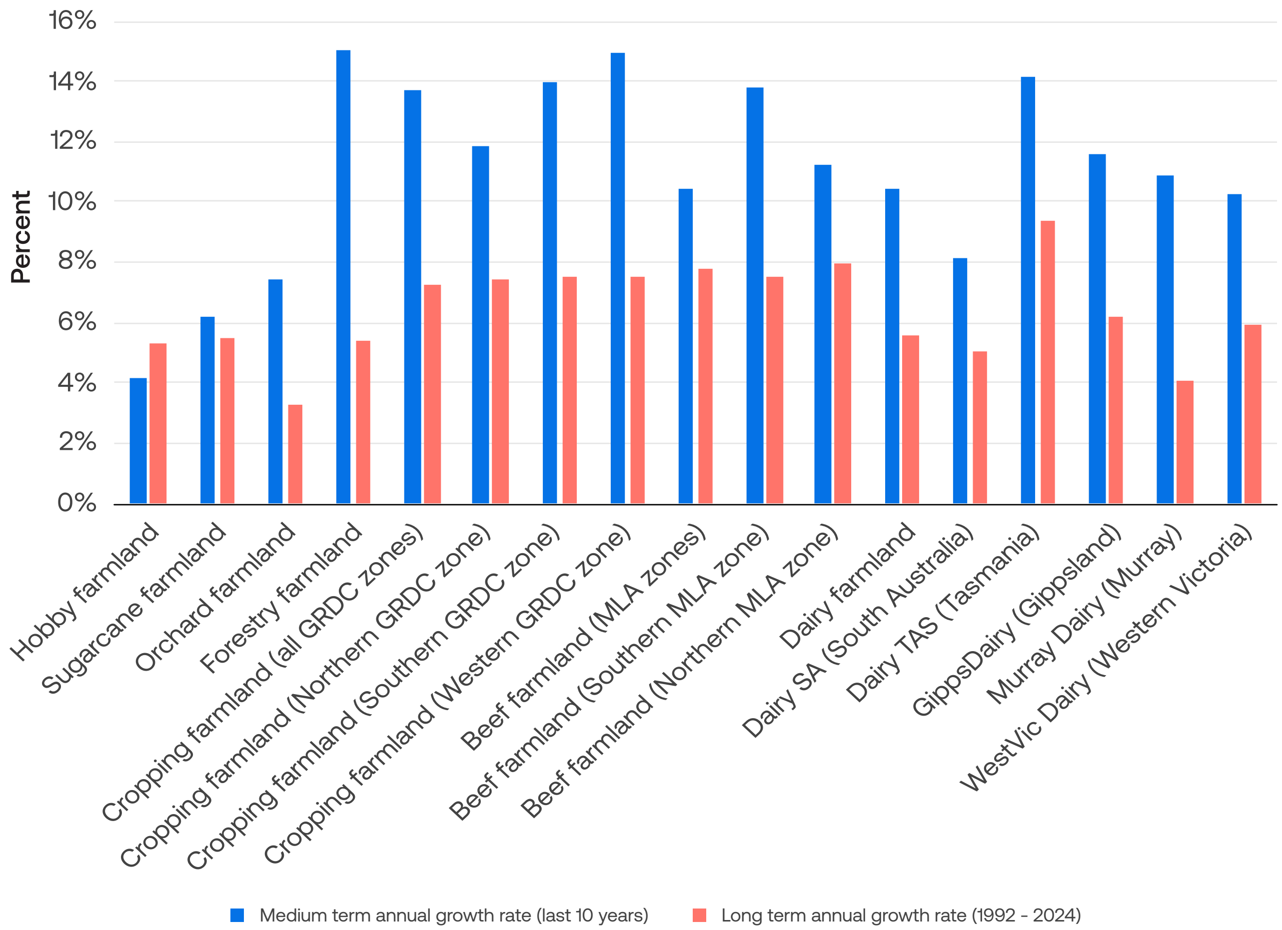

Source: ABARES, ANZ

## Transactions by state



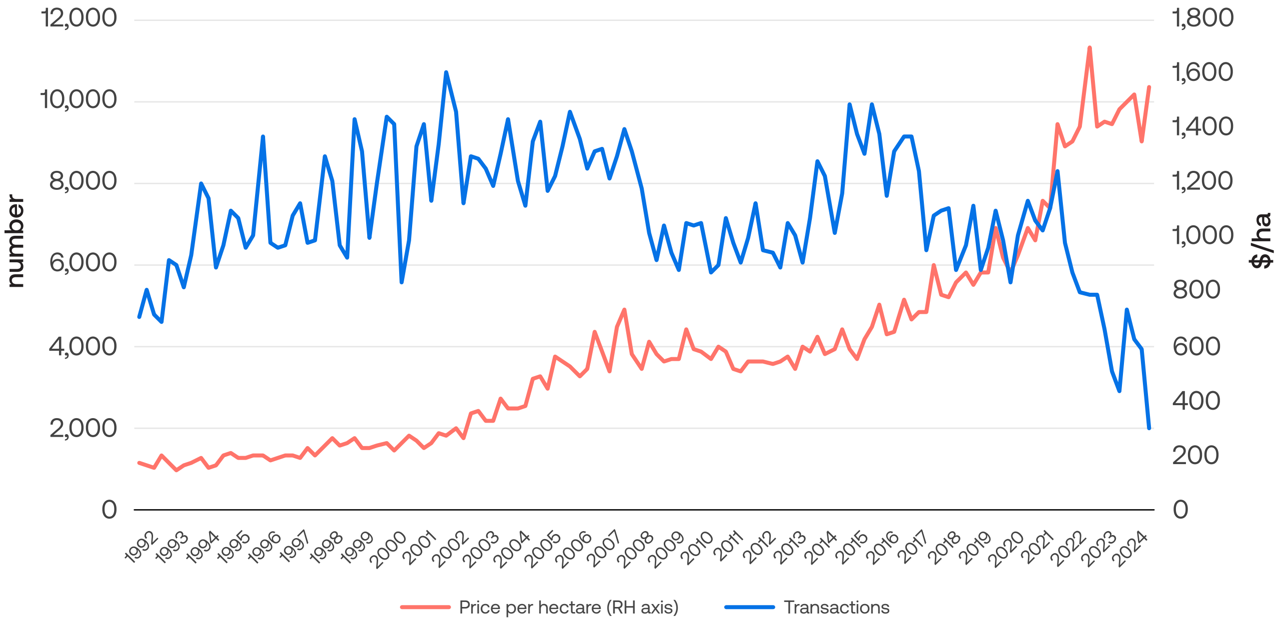

Source: ABARES, ANZ

## Land value growth in past 10 years has been strongest in western cropping and forestry




Source: ABARES, ANZ

## The market has been supported by a lack of availability of land




Source: ABARES, ANZ

For those looking at the change in growth rates for certain categories of land, the change in growth in value of forestry land has been the greatest, increasing growth from just over 5 per cent growth in value per year in the long-term, to 15 per cent growth per year in the past 10 years. The assumption must be that the growing carbon and more recently biodiversity markets have increased interest in forestry land as an asset class. Significant uplift has also been seen in cropping in the western and southern regions, Murray dairy land and beef in the southern MLA production zone. The lowest uplift in growth has been in seen in sugar farmland and hobby farmland – which have actually declined in growth in recent years.

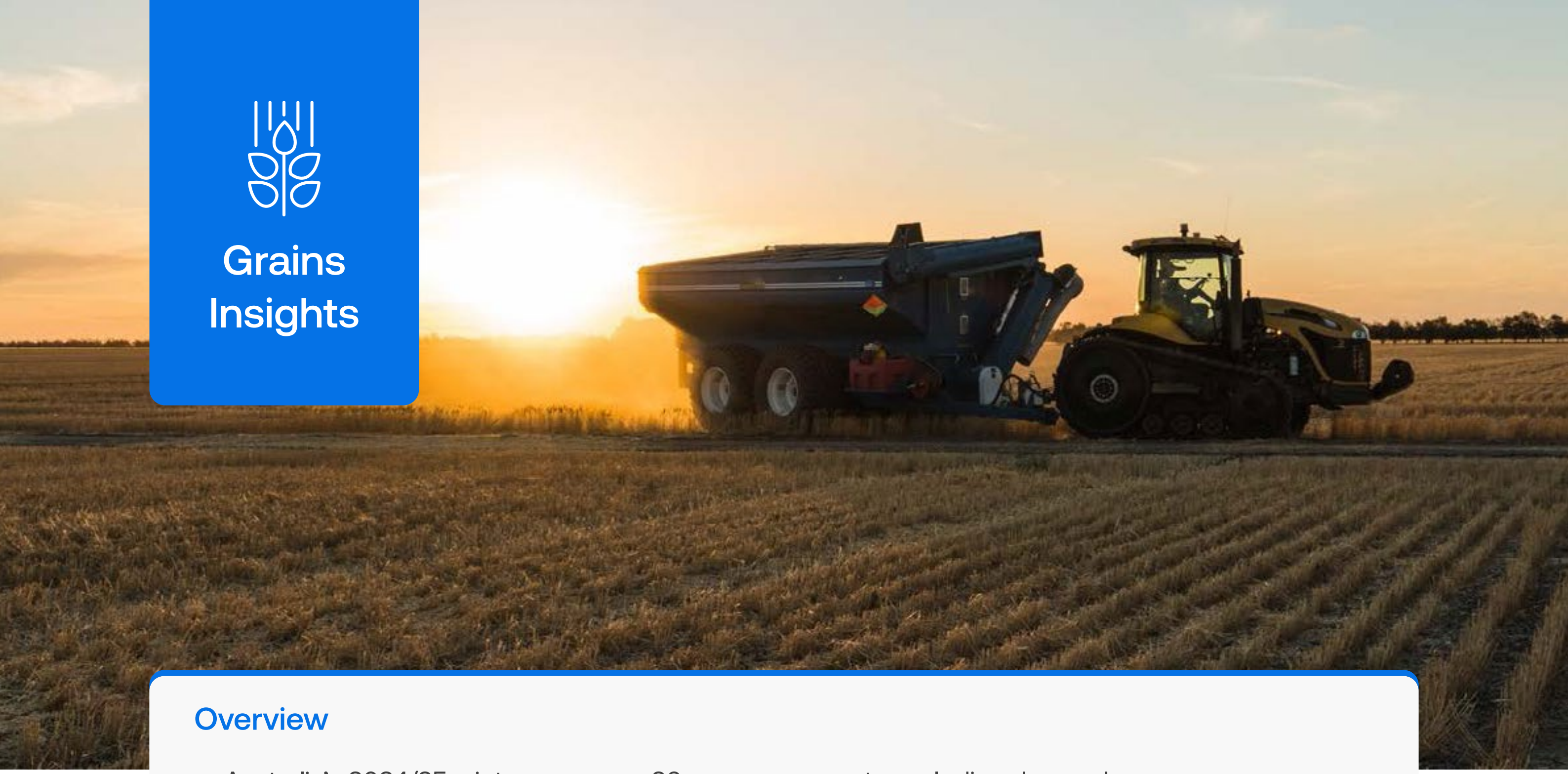
When we look at a sector by sector comparison of production output and land values, horticulture land values have moved broadly in line with production while dairy farmland in particular, but also cropping and beef to a certain extent, have all seen land values outstrip production growth. This may, in part, be due to increases in infrastructure investment on dairy farmland which translates to increases in value, although given the rather volatile nature of the increases and decreases of dairy farmland values in recent years, it is likely that market has been impacted by some large transactions and a reduction in the number of properties on the market.

## What's driving land prices – supply or output?

The question remains for many – what is it that is driving land prices. Historically, it has been production or output which has guided growth in land values – however that connection appears less certain particularly through 2021 and 2022 where land value jumped away from production growth, despite the strength in production in those years.

Many have described the emerging break between land values and production growth as stemming from a Fear of Missing Out – and in many ways that appears to be a signficant reason. While strong growth in production and profit remains the most significant factor driving the change in land values, in the past five years the impact of supply of properties on the market has increased in importance by over 20 times – indicating that prior to this, supply was plentiful enough to allow the productive capacity of the land alone to dictate its pricing.

To put this into perspective, the number of properties on the market was statistically insignificant prior to 2019. In the five years following, growth in the number of transactions constituted 17 per cent of the value of farmland, whereas production growth constituted 64 per cent.



# Grains Insights

## Overview

- Australia's 2024/25 winter crop rose 26 percent to 59.8 million tonnes – the third-largest on record;
- Strong gains in NSW, WA and Queensland contrasted with sharp falls in Victoria and SA, revealing an emerging north–south production divide;
- Wheat rose 31 percent to 34.1 million tonnes, canola fell 8 percent, and pulses surged 34 percent – led by chickpeas on the back of strong Indian demand;
- The season highlighted growing variability between regions, with more stable output in WA and ongoing volatility elsewhere;
- Global conditions remain uncertain, with wheat prices responding to European dryness, while canola faces pressure from global oversupply and weak demand from China and Europe.

## A season of highs and lows: grains and oilseeds wrap and outlook

While the 2025/26 sowing season continues across parts of the country, a look back at Australia's 2024/25 winter crop harvest shows more than just a strong year. According to ABARES, total winter crop production reached 59.8 million tonnes – up 26 percent year-on-year and the third-largest crop on record. On the surface, it was a standout result. Beneath that, though, are emerging signs of how the industry is evolving in response to changing conditions.

## Regional snapshot: a north-south divide

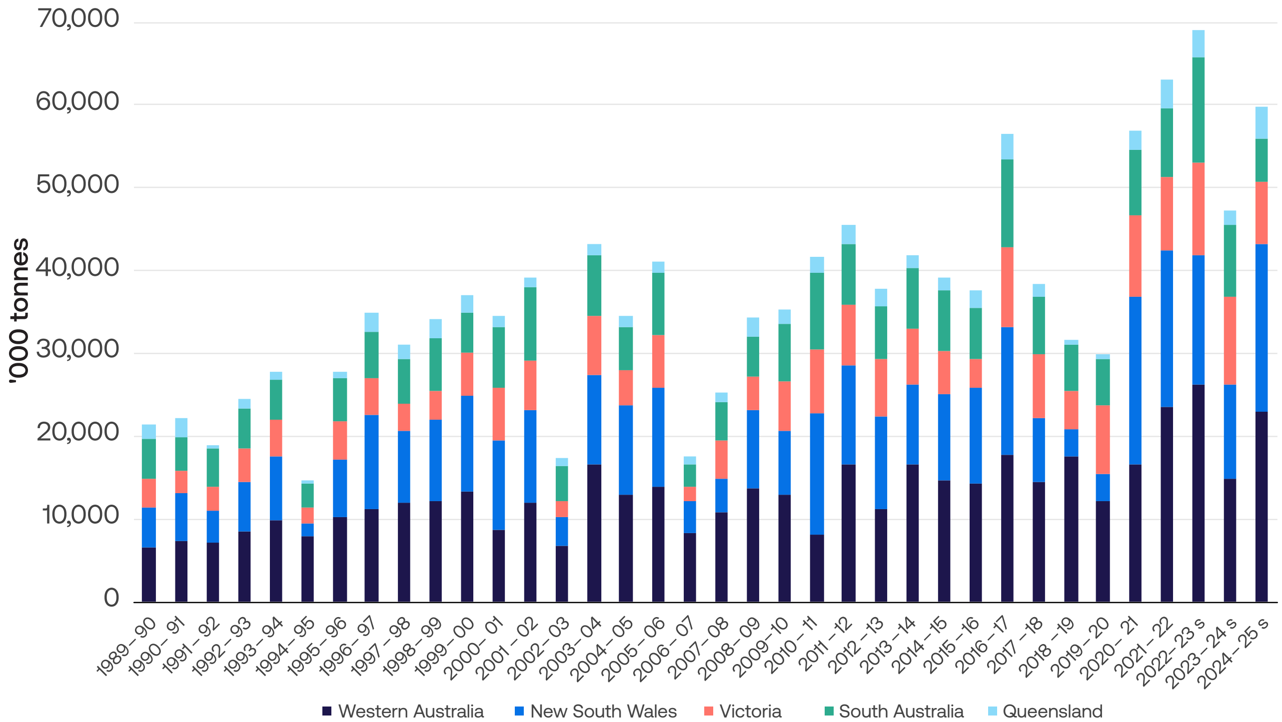
The national figure masks sharp contrasts between regions. New South Wales (NSW) rebounded to 20.3 million tonnes – up 79 percent on last season and its third-largest crop ever – driven by strong conditions in the north, where timely rainfall and mild spring weather played a major role. Western Australia (WA) also delivered a major recovery, producing 23 million tonnes (up 55 percent), supported by well-timed rainfall across the central and northern wheatbelt.

Queensland more than doubled its winter crop to 3.8 million tonnes, helped by strong subsoil moisture, favourable early conditions and a major lift in chickpea planting aimed at meeting export demand.

Further south, conditions were less favourable. Victoria's crop fell 31 percent to 7.4 million tonnes, while South Australia (SA) dropped 40 percent to 5.3 million tonnes. Both states were affected by spring frosts and prolonged dry spells during critical growth stages, with reduced yields in wheat, barley, canola and pulses.

What's emerging is a broader structural pattern. This is no longer just about seasonal variation – it's about how reliably each region can perform over time. States like NSW and Queensland continue to

## Australian winter crop production by state 1989/90 - 2024/25s




Source: ABARES, ANZ

deliver high volumes in good years, but show wide year-to-year swings. In contrast, WA and SA have shown more stable output - the past two years in South Australia notwithstanding. Western Australia in particular has produced consistently large crops and continues to show lower long-term variability.

Regions with more dependable rainfall or access to stored soil moisture are delivering steadier results. Elsewhere, ongoing variability is making it harder to plan with confidence.

## Crops in focus: shifting centres of gravity

Wheat remained the cornerstone of Australian cropping, with national production up 31 percent to 34.1 million tonnes – the third-highest on record. NSW and WA led the way with strong yields and generally good protein levels. In many areas, growers who harvested during short stretches of dry weather were able to avoid rain damage and captured price premiums for higher protein grain.

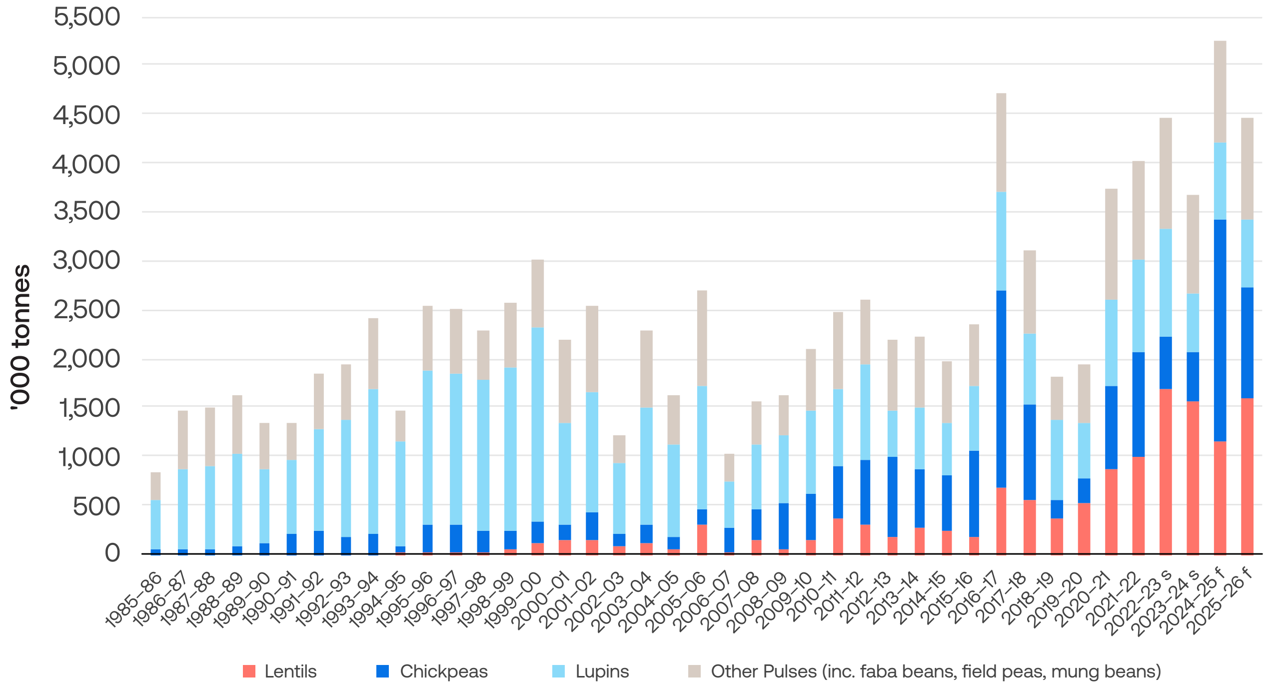
Barley rose 13 percent to 12.2 million tonnes. WA contributed the most, with solid yields across feed barley regions in the north. NSW also delivered strong results, while dry conditions saw Victorian plantings fall. Demand from Asia for both malting and feed barley remained firm.

Canola production declined 8 percent to 5.5 million tonnes. Southern states were hardest hit, with Victoria's crop affected by dry weather and frost during flowering. SA also saw patchy results. By contrast, WA maintained production thanks to better rainfall in central cropping zones. Globally, weak oilseed prices and high input costs made canola a less attractive choice in many areas.

Pulses were the growth story of the season. National production climbed 34 percent to 4.7 million tonnes. Chickpeas surged 171 percent to 1.3 million tonnes, with Queensland and northern NSW leading the recovery. Lentils rose 7 percent to 1.7 million tonnes, with strong plantings in SA's Yorke Peninsula and Mid North, and some expansion in western Victoria.

Pulses are now a key business line, especially where rainfall is variable, input costs are high or agronomic flexibility is essential.

## Australian pulse production 1986/86 - 2025/26




Source: ABARES, ANZ

## Sowing 2025/26: a season of two speeds

By early winter, the 2025/26 planting season was well advanced in northern regions, while much of the south remained cautious.

In WA, early autumn rainfall allowed many growers to plant cereals, chickpeas, lupins and lentils in the northern and central zones. Reports of strong early establishment were common.

Queensland and northern NSW also moved early. Chickpeas and wheat were sown into good moisture, supported by firm pricing and strong export demand. By late May, Queensland had largely completed sowing. Early-sown crops in northern NSW were also showing good emergence.

In the south, autumn remained dry. Some parts of SA and Victoria entered a third consecutive season of below-average rainfall. As of late May, areas such as the Wimmera, Mallee and Eyre Peninsula were still waiting for a meaningful break.

Many southern growers have adjusted their plans. Canola area has been reduced, with a shift to lower-risk cereals or fallowing to conserve moisture.

Where summer rain or retained stubble preserved enough soil moisture, lentils have been sown early.

Across all regions, flexibility has become a hallmark of farm planning. Growers are buying inputs later, holding crop choices open longer and making in-season decisions based on rainfall and market signals.

## Margins and management

While national production was strong, returns varied by crop and region. Input costs remained uneven, with fertiliser prices fell at times but diesel costs stayed high, and labour and logistics continued to challenge farm operations during peak periods.

Wheat and chickpeas provided the strongest returns, particularly where growers secured favourable prices or qualified for protein premiums. These premiums rewarded grain with higher protein content, which is highly valued in both domestic and export markets particularly for milling and food production.

Barley and canola returns were tighter. Feed barley prices were affected by large harvests in the northern hemisphere. Canola markets faced ongoing global oversupply and subdued demand, particularly from Europe and China. These pressures, combined with higher input costs, left many growers with tighter margins.

An important focus in 2024/25 was how strategic operators responded to volatility. Many relied on real-time data, early marketing contracts and more diverse crop mixes to manage risk. This flexibility has become a critical asset in a more unpredictable environment.

## Global factors: markets still in motion

Wheat prices remain under pressure due to large crops from Russia and Canada. Dry spring conditions in Europe and Ukraine have raised concerns. The USDA recently revised global wheat projections lower, noting that stocks – excluding China – remain historically tight.

Canola markets continue to feel the weight of oversupply, especially from Canada, while demand from China remains patchy. Trade restrictions and uncertainty have added further complexity.

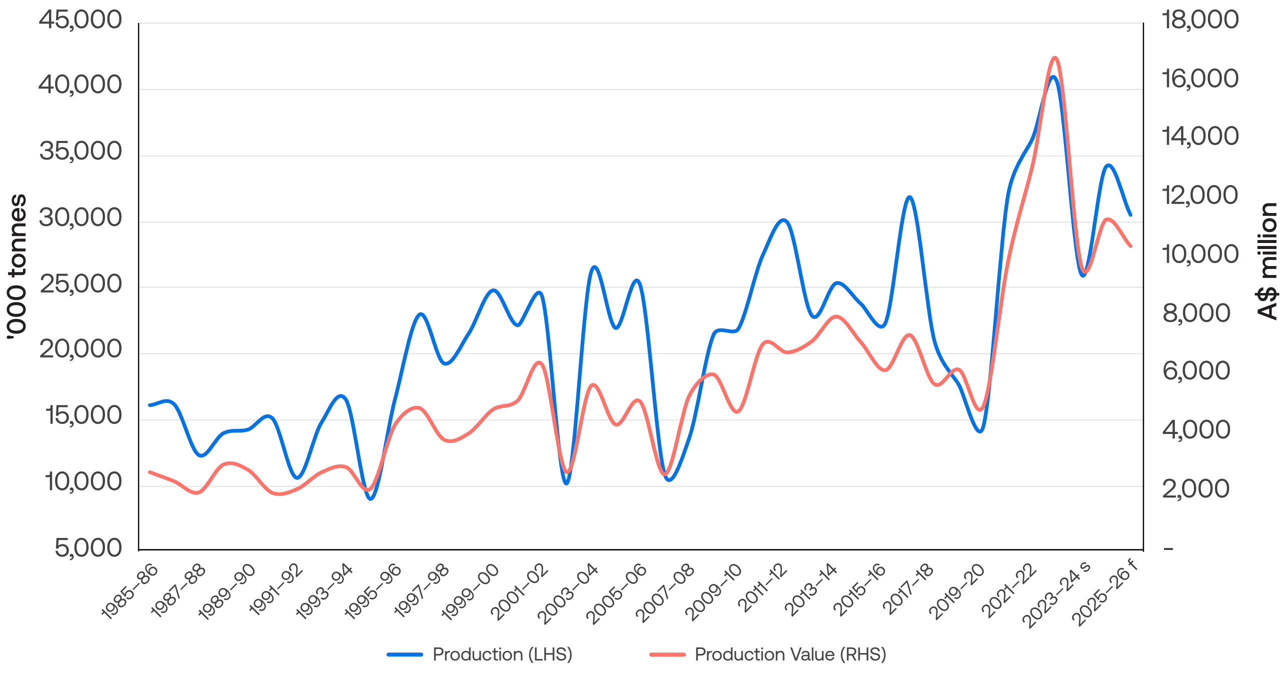
Chickpeas, by contrast, remain a bright spot. Indian demand has risen, helped by the suspension of tariffs that previously limited imports. This change has opened the door for Australian exports, particularly from Queensland and northern NSW. Harvest quality and shipping logistics will be key to capturing full market value.

## Looking ahead: strategy over scale

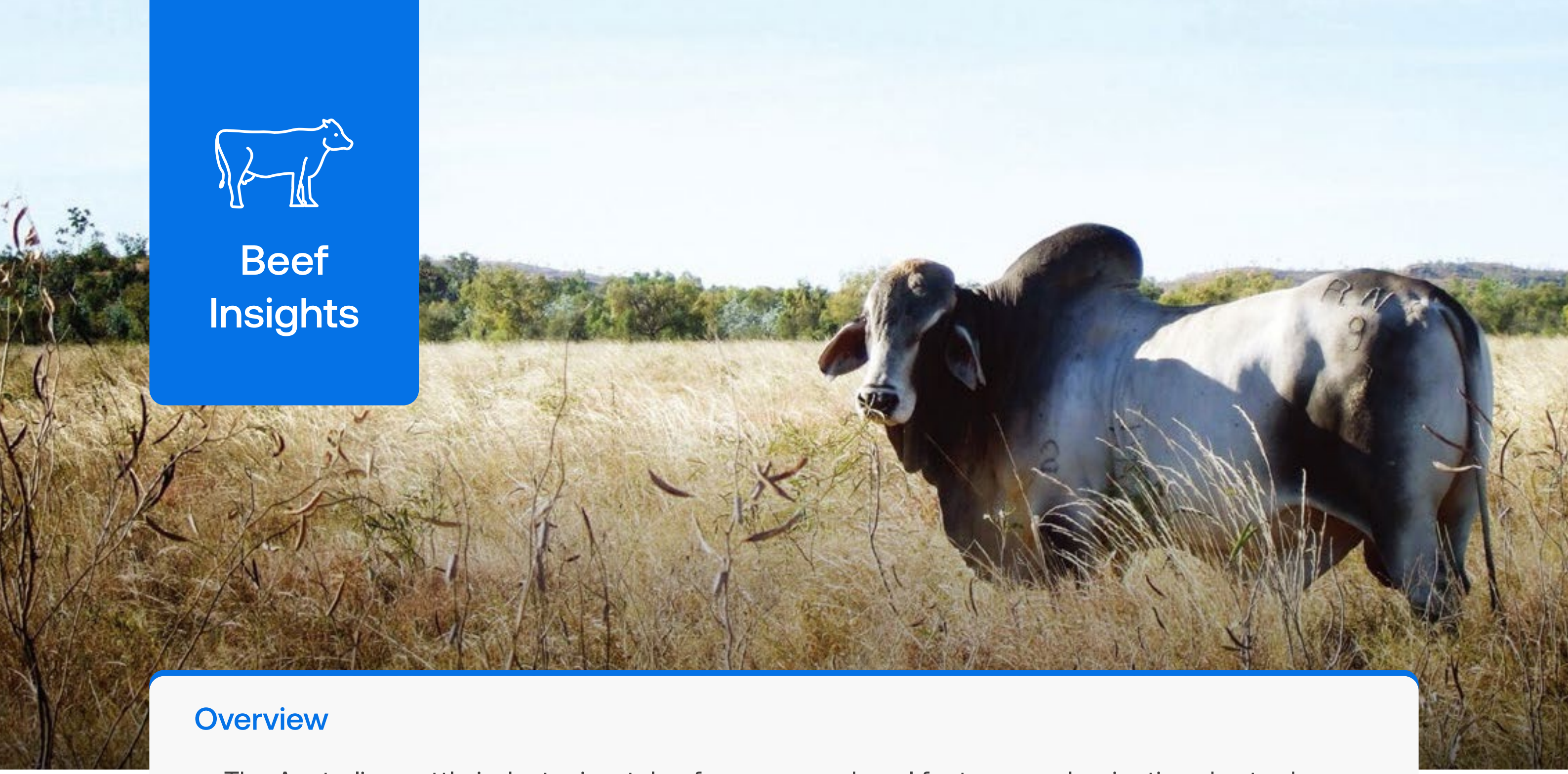
As the 2025/26 season continues, success will depend to a reasonable degree on adaptability, though total hectares sown will still play an important role. In southern regions, growers are still evaluating planting windows and adjusting crop choices in response to late rainfall and shifting price signals.

Crops like chickpeas and lentils continue to offer strong agronomic and market value, particularly where fertiliser costs and water availability remain limiting factors. More broadly, growers are refining their strategies – balancing agronomy with logistics, costs and global demand.

## Australia wheat production volume vs gross value of production




Source: ABARES, ANZ



# Beef Insights

## Overview

- The Australian cattle industry is a tale of two halves – destocking in the south, and herd rebuilding in the north;
- Recovery from floods and impending pasture growth in the north are fuelling significant cross-border buying from south to north;
- Processors operating at capacity have put a dampener on heavier weight cattle;
- Local factors are dominating day to day pricing, the boom in exports has supported prices, while the impact of tariffs has yet to be seen;
- Regardless of where US tariffs land, the outlook for Australian beef exports is very strong.

While tariffs in the United States and global trade may have dominating much of the talk around cattle prices in recent weeks, the dominating factor in the saleyards has been the shift of cattle out of the south and into the north as dry conditions in the south coincide with the aftermath of northern floods. And while President Trump's tariffs have made for great conversation – they have yet to leave any mark on the market. But that doesn't mean they don't remain one of the key risk factors for the industry heading into the winter seeking to find some balance and stability.

A surge of cattle are hitting the southern saleyards, as the impact of a dry autumn and little rain on the horizon before winter hits, has led many producers to cut their losses and turn off their lighter stock. While that sounds like a net negative for prices, demand from northern producers, many of whom are replacing stock following floods or planning for post-flood pasture growth, has ensured that prices remain strong.

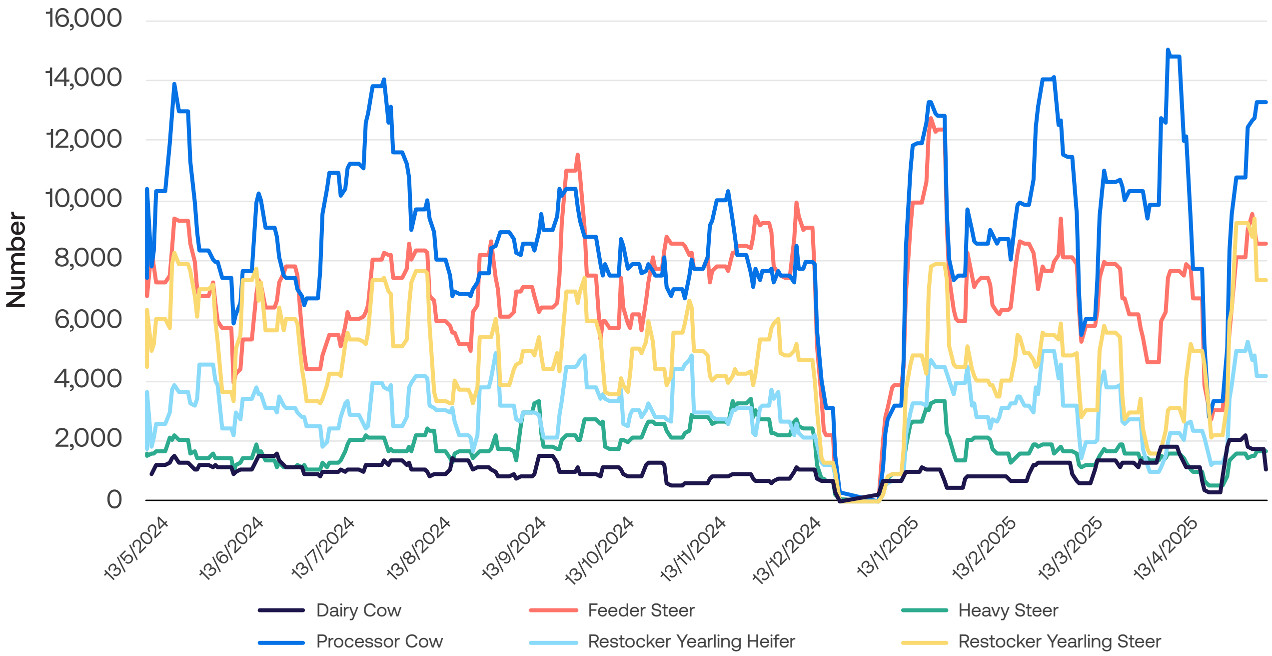
Month on month, cattle prices are down across the board, but more for heavy steers and processor cows, as Queensland processors have filled their books. Year on year, prices tell a much more positive story – as prices up solidly up across the board and strongest for restocker and feeder steers. This tells the story of floods and rains across much of northern Australia, as producers look to build numbers and pick up lighter weight cattle to make use of pasture growth.

Southern cattle markets have seen very strong growth in the number of yardings in recent weeks. As a result, the number of restocker steers has more than doubled year on year, while restocker heifers are up 42 per cent and processor cows are up 40 per cent. The lack of feed in the southern region however has also seen the total number of heavy and feeder steers going through the saleyards decline slightly on this time last year. Having said that, while the number of restockers going to market has surged in the

## Saleyard prices


Source: MLA, ANZ

## Head count




Source: MLA, ANZ

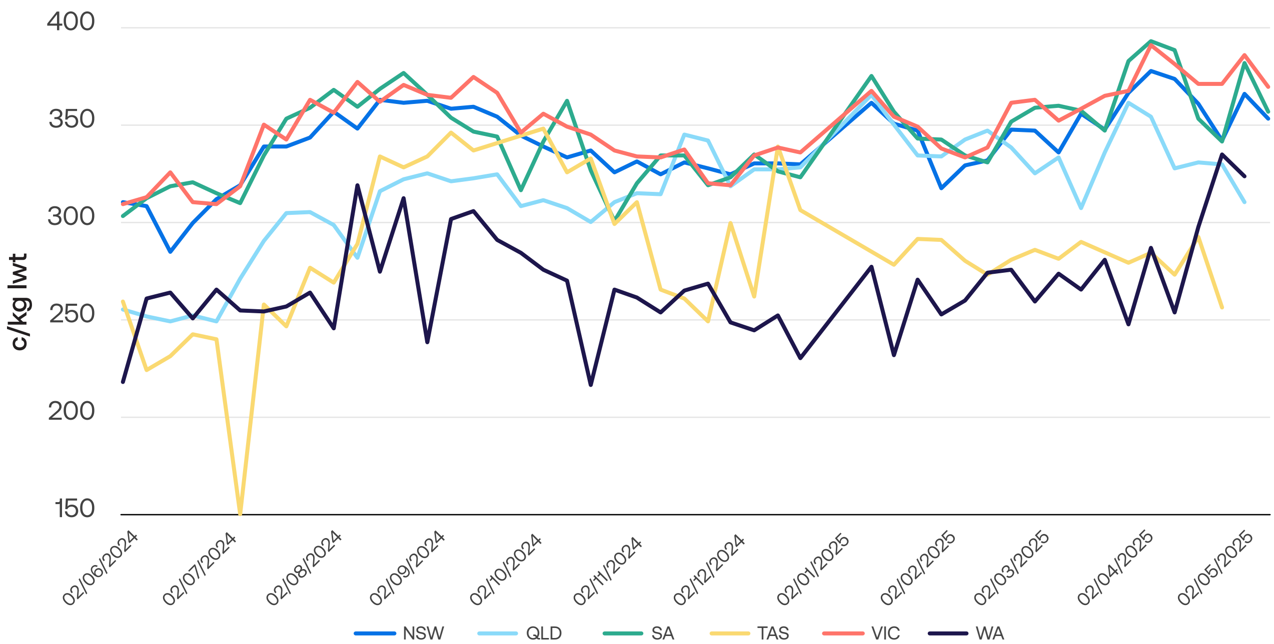
past month (up 63 and 106 per cent for steers and heifers respectively) prices have dipped only slightly in the same time on the back of restocker and feeder cattle demand from northern Australia, although the decline in restocker prices has been more pronounced in southern States.

Which brings us to the other half of the story – the recovery, rains and demand stemming from northern Australia. With estimates of up to 150,000 head of cattle, sheep and other livestock lost during the floods in western Queensland, the recovery process has seen many producers seeking lighter weight stock to help rebuild their herds. Furthermore, the areas worst hit by flooding traditionally provide a significant amount of feeder cattle into feedlots – meaning that feedlots are also seeking stock. Moreover, the significant rains across much of northern Australian has meant that most producers are expecting exceptional pasture growth, which is also impacting demand for lighter stock to fatten as pastures grow.

In Queensland, slaughter rates remain elevated, up almost 5 per cent on this time last year, while Victorian slaughter figures are really showing the impact of the increased number through the saleyards – up 24 per cent on this time last year.

Nationally, with a Female Slaughter Rate (FSR) of just under 47 per cent across the country, there are indications that the national herd is sitting solidly at a 'maintain' level. However this ignores the significant spike in the FSR in southern States which is balanced out by its decline in northern states – essentially reiterating that while the national herd is stable, we are liquidating in the south and building herd numbers in the north.

## Grown steers by state



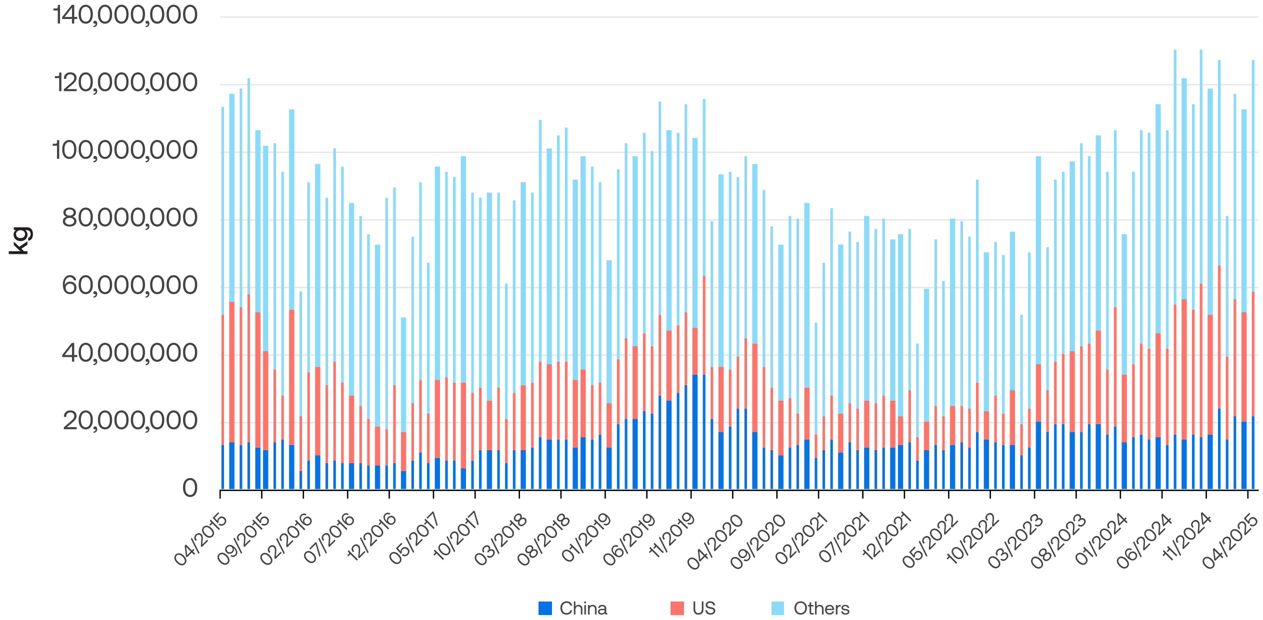

Source: MLA, ANZ

Australian beef exports to the end of April have surged strongly – however it is important to note that this data is based on orders finalised prior to the introduction of tariffs in the US, and does not provide any real indication of the impact of the new US tariff regime. Having said that, exports in April increased by 13 per cent in that one month alone, and now sit 11 per cent higher now than last year for the fiscal year to date. Exports to the United States were up 15 per cent in April alone – perhaps with some customers buying in expectation of President Trump's Liberation Day. Growth in exports to China were slightly less although still strong at 6 per cent month to month to the end of April.

While US tariffs continue to dominate much of the commentary around Australian beef, exports data will tell the true impact in coming months. What does appear to be the case is that the 10 per cent tariffs across all Australian goods is unlikely to have a detrimental impact on Australian global exports, or exports to the United States in general. While China continues to maintain very high retaliatory tariffs against US exports, including beef, and continues to not licence exports from hundreds of US processors, Australian exports are almost certain to be in higher demand. Furthermore, while the US is both a customer and a competitor, their inability to currently supply enough beef for their domestic market will mean that Australian exports will continue to play a role.

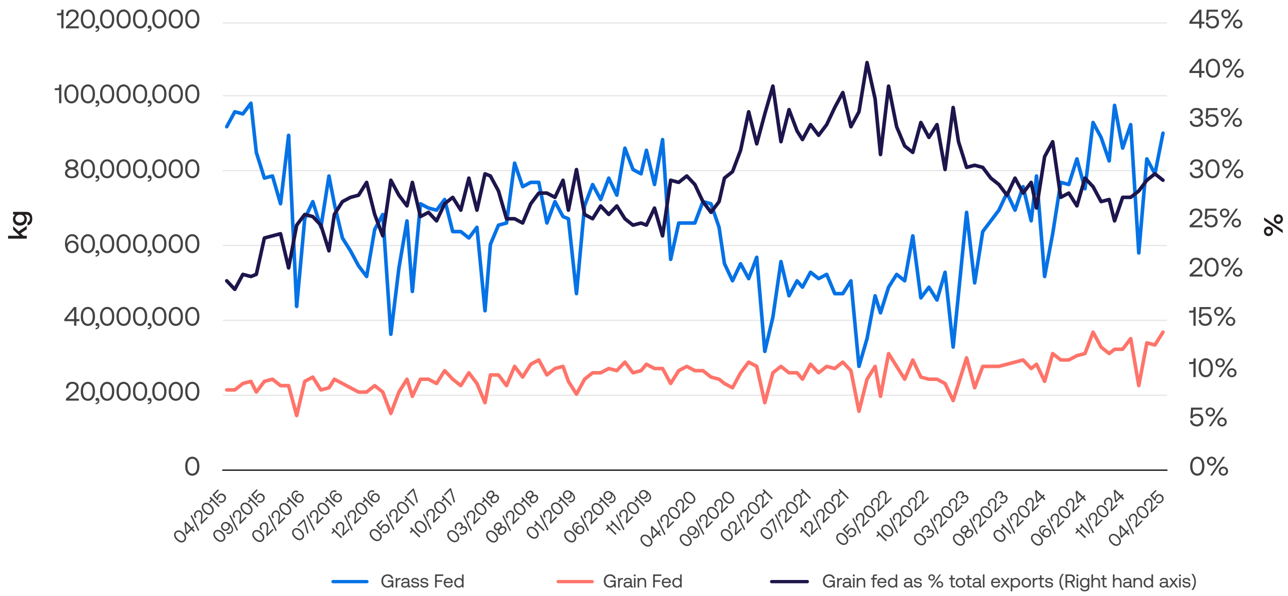
It is also clear that the US tariffs are on shifting sands, and President Trump's Liberation Day was more about setting up a negotiating platform – not necessarily about achieving a final outcome. As negotiations continue to shift tariffs, Australian exports will flow between markets. This can already be seen through the negotiated 90-day reduction of tariffs between the US and China which is likely to lead to a surge in US buying from China. On a global level however, beef supply continues to be under pressure, and global prices sit just under the global highs reached in mid-2024. As a result, almost regardless of where US tariffs land, the outlook for Australian beef exports is strong – the one major caveat remains global growth and whether consumers have the disposable income to buy their favourite steaks.

## Australian beef and veal exports by destination

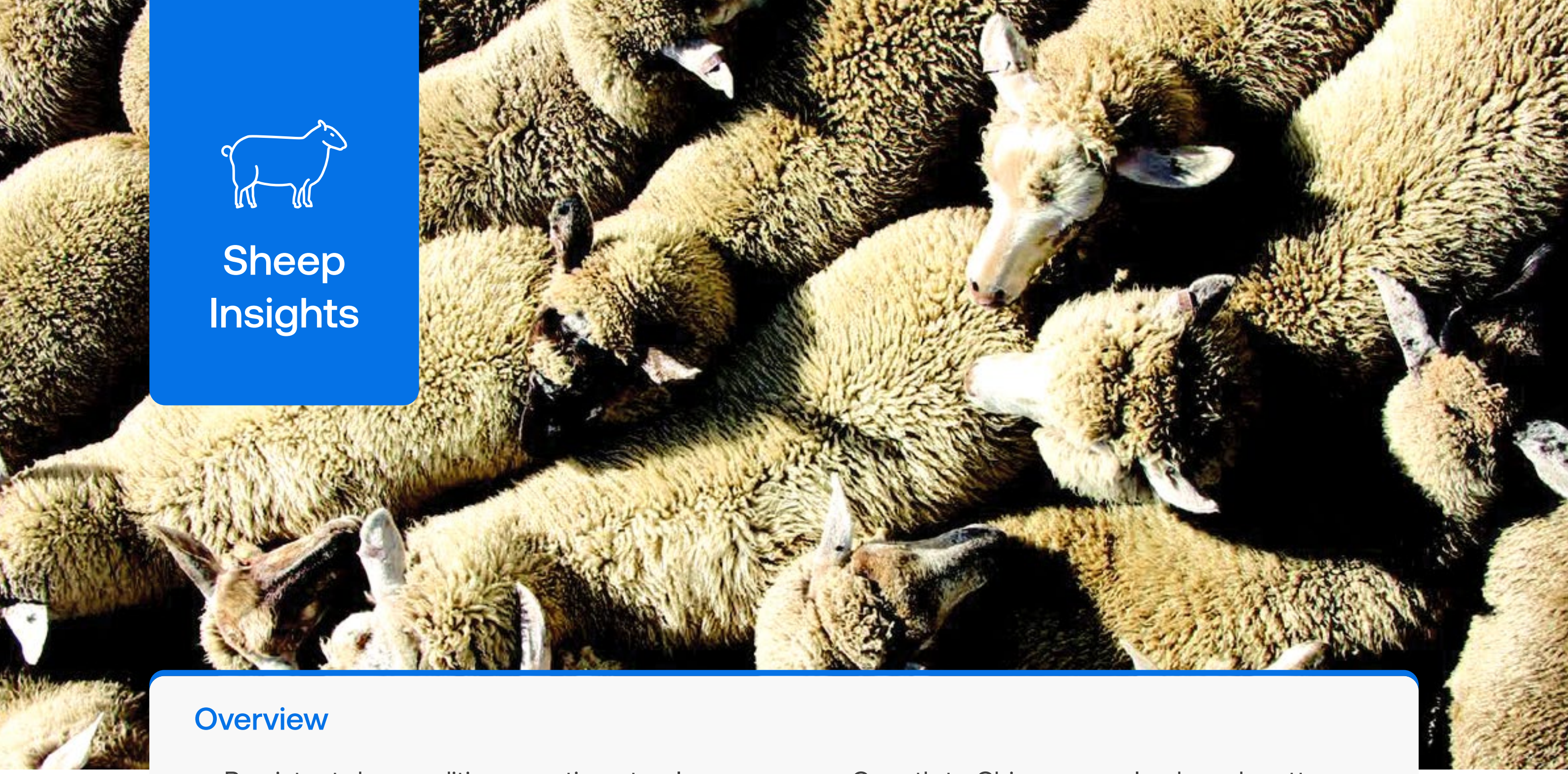



Source: MLA, ANZ

## Exports by feed type




Source: MLA, ANZ



# Sheep Insights

## Overview

- Persistent dry conditions continue to plague large areas of sheep production country across Australia;
- Mutton slaughter is trending up as producers make difficult decisions to feed or hold;
- Prices have been supportive of high turn-off, with all indicators well up on year ago levels;
- Finished lamb prices are particularly strong on the back of sound export demand;
- Growth to China across lamb and mutton exports and significant growth to smaller yet highly important and diverse export markets are key to price trends;
- Economic conditions in the US and China – and the fall out of the US – China tariff negotiations, will impact demand for lamb and mutton in both jurisdictions.

Vast areas of Australia's sheep production zones are experiencing challenging seasonal conditions, and for many, these conditions have persisted over what is now an extended period of time.

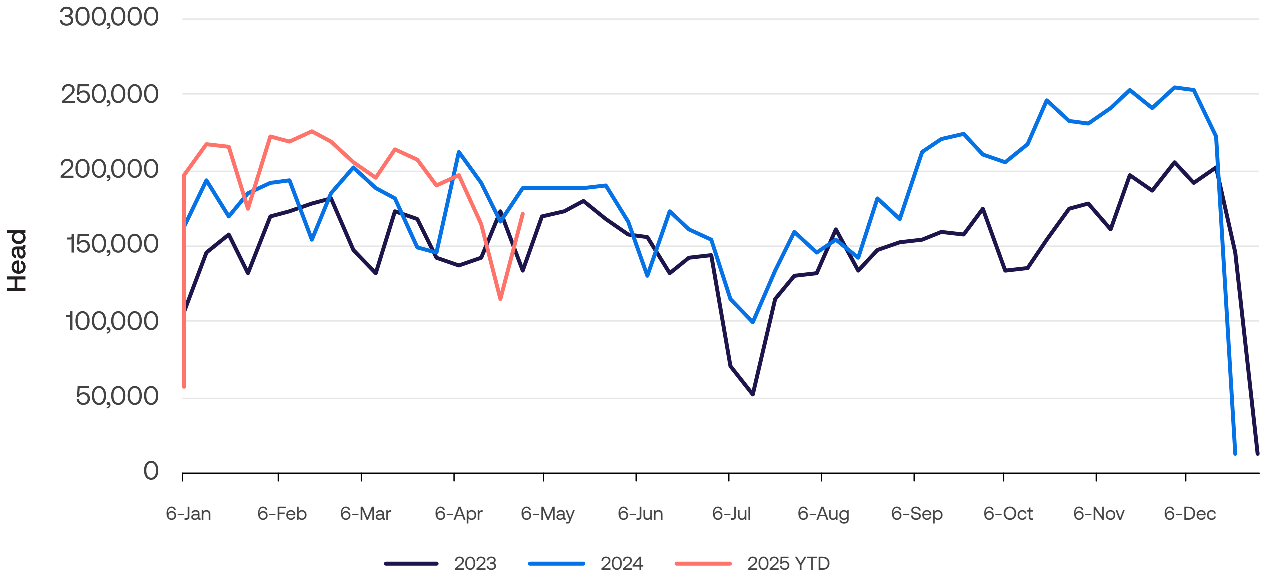
Challenges in continuing to provide sufficient feed and in some cases water resources are demonstrated in national mutton throughput and slaughter, where year to April slaughter is up 8 percent on 2024, with particularly large volumes seen through throughout February and March. Easter and ANZSAC day public holidays interrupted April slaughter figures, however trends in early May indicate a further acceleration.

Anecdotal commentary throughout the industry suggests that where water is scarce, producers are now at the point of reducing core breeding flocks, in favour of lambing down those ewes through what may be a second very tough winter for many, and with uncertainty over the availability of winter grazing crops which are often crucial to many southern productions systems. Conception rates are also reported to be low, particularly through parts of South Australia and Victoria where dry conditions have persisted the longest.

The flow on effects high mutton turn off and lower reproduction rates is likely to accelerate and perhaps overrun the current MLA forecast of a seven percent drop in the national sheep flock to just over 73 million head as at 30 June 2025. Likewise, the subsequent years forecast of a 72 million head flock by the middle of 2026, may now be under further negative pressure.

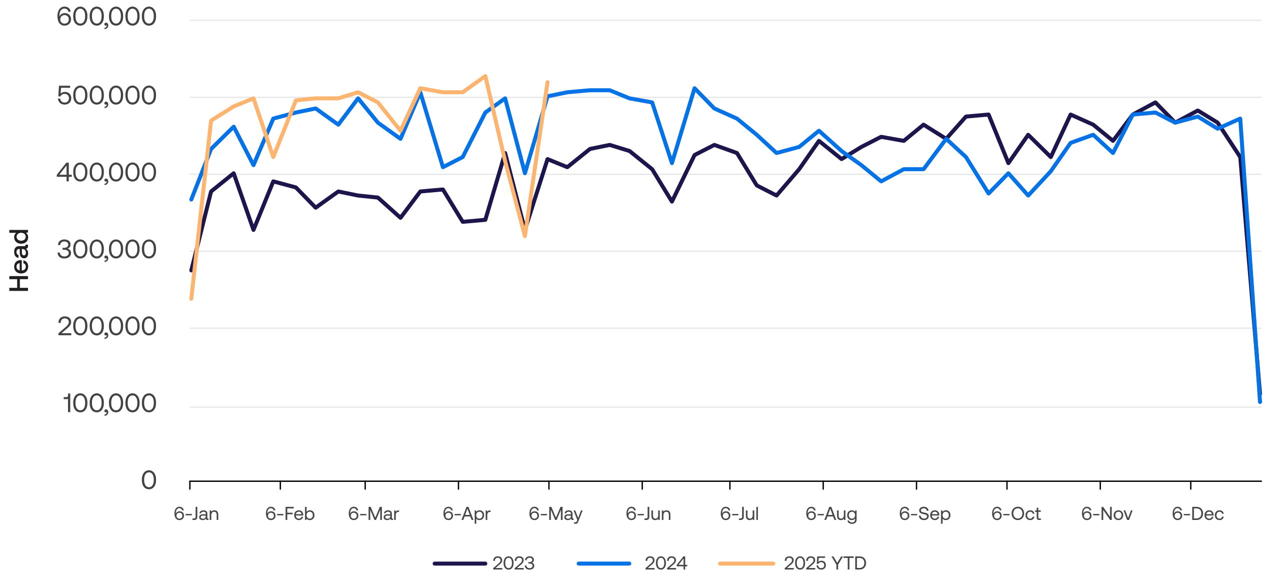
On the lamb slide, slaughter is largely tracking year ago levels, recording just a 2 percent year to date increase through to early May. As lamb production lags the current season and largely reflects last years conditions, the impact of the current season won't eventuate until new season lamb supplies come to fruition around August / September. If supplies are pressured as expected, prices would be expected to respond favourably for those who are able to get lambs to target weights. Processor contracts are already indicating that supply is expected to be short, with premiums well above current pricing available for August deliveries.

## National mutton slaughter



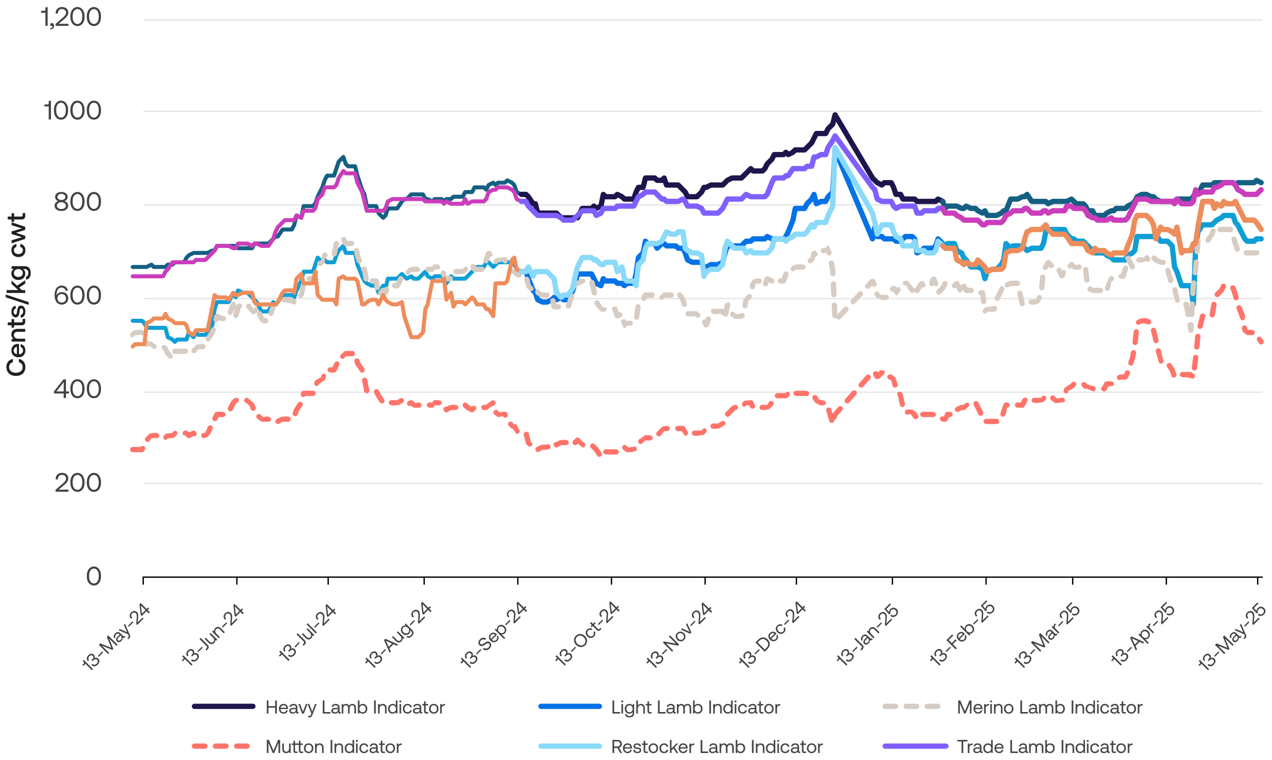

Source: MLA, ANZ

## National lamb slaughter




Source: MLA, ANZ

## National saleyard sheep indicator prices




Source: MLA, ANZ

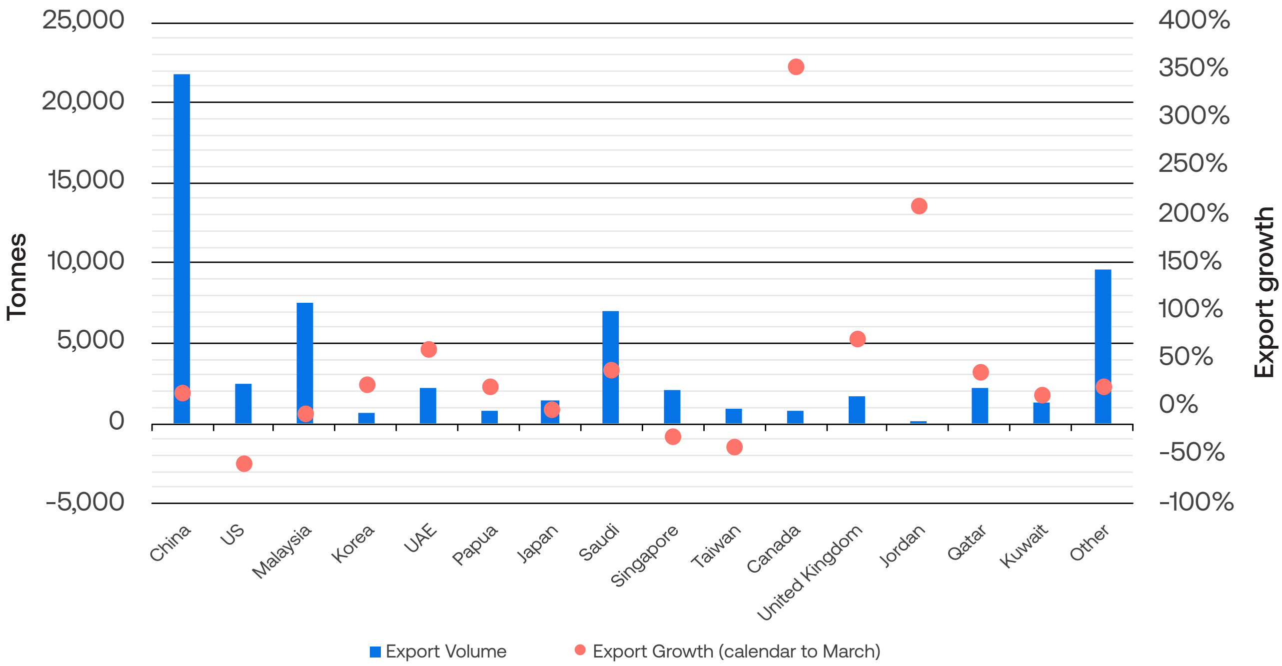
A major factor encouraging mutton turn off this year is prices, with the national mutton indicator sitting almost 80 percent higher than year ago levels. Throughput is expected to drop over the winter months as flocks lamb down, which would be a supporting factor for the continuation of sound prices for the winter months if processor demand and capacity remains strong. To lamb prices, positive trends have accelerated across most categories, with finished heavy and trade lambs performing particularly well as they enter the processor market. Margins between heavy/trade and lighter animals are increasing as the dry conditions set in, opening up trading margins for more northern based producers where conditions are favourable.

On the demand side, China is leading the growth story for 2025 across both lamb and mutton categories, recording 9 percent year on year growth for the first quarter for lamb exports, and 15 percent growth for mutton volumes. Recent announcements of export licences being granted for an additional seventeen sheep and lamb processors across Australia have been welcomed, especially in light of tariff and economic uncertainty in the United States market, and the China – US tariff negotiations.

Exports to the US are up around four percent year on year for the first quarter for lamb, with far more significant growth seen in other markets such as Malaysia and the UK, up 33 and 78 percent respectively. The US however remains Australia's largest lamb export market, with over 21,000 tonnes shipped from January to March, far exceeding China in number two position at around 14,500 tonnes. The US domestic lamb supply remains constrained, with a five million head sheep flock well back on historical numbers, and approximately 43 percent of sheep production area in drought. As lamb and sheepmeat remain a relatively niche product in the US, consumed largely by the more affluent consumer, local economic conditions are likely to impact demand in this important and high value market.

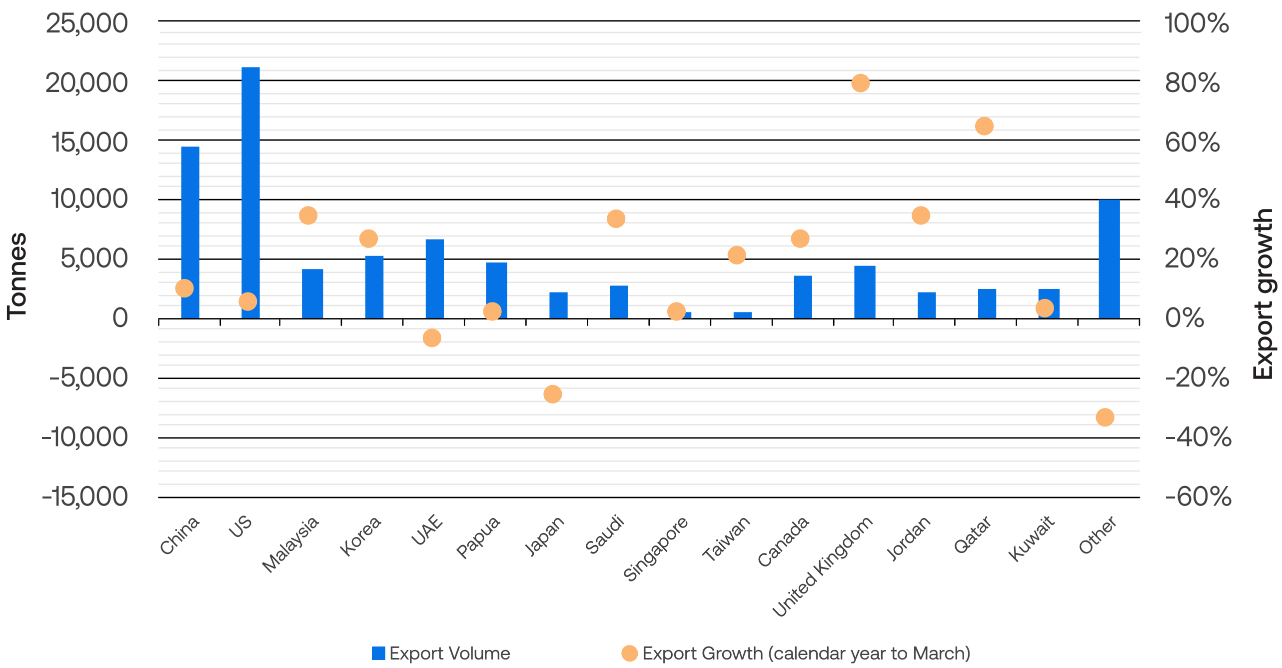
Following the recent Australian federal election, trade negotiations around an Australia – European Union Free Trade Agreement are expected to resume, following a close to 2 year halt. The election result also sees the continuation of legislation to phase out live sheep exports by 2028, which is expected to further accelerate structural change across the Western Australian industry towards a significantly smaller sheep industry in that state.

## Mutton exports and growth (calendar year to march 2025)

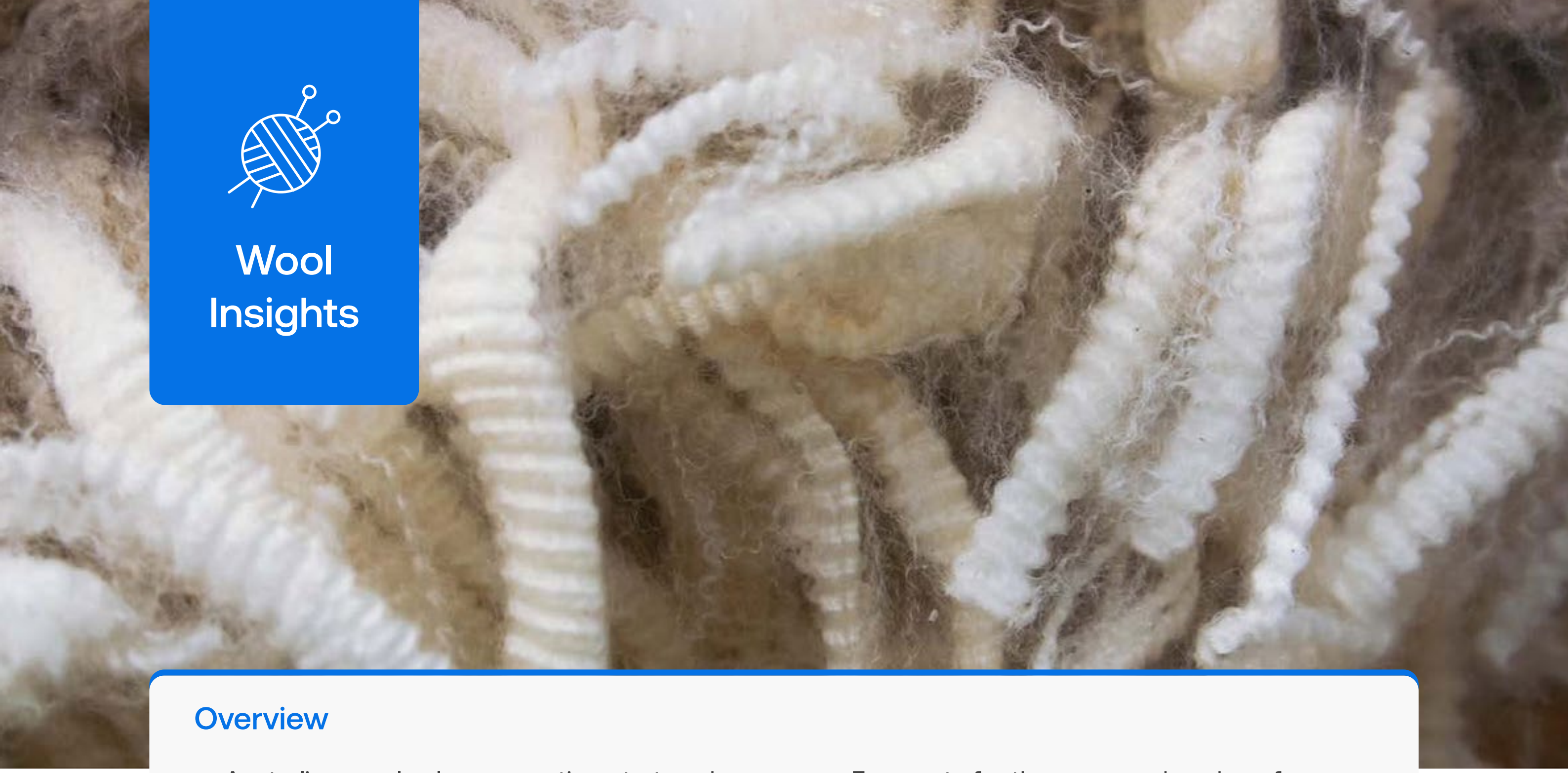



Source: MLA, ANZ

## Lamb exports and growth (calendar year to march 2025)




Source: MLA, ANZ



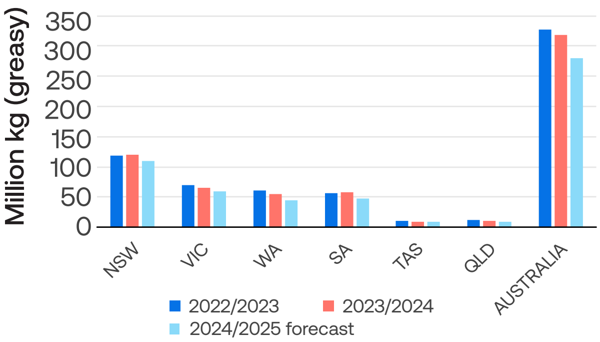
# Wool Insights

## Overview

- Australian wool volumes continue to trend downward, on the back of flock liquidations and poor seasonal conditions;
- Prices across all categories peaked in early April, and have since seen a steady decline;
- Forecasts for the season ahead are for further reductions in greasy wool volumes;
- Global trade tensions particularly the outcome of US-China tariff negotiations and China's domestic economic conditions are key factors to watch for wool pricing.

Quality and quantity issues are currently hindering the Australian wool industry as extremely dry conditions persist across a high proportion of the countries wool growing area. Current forecasts are that around 63 million sheep will be shorn for the 2024/2025 season, a 12 percent reduction on last year, with greasy wool volumes tipped to drop to 280 million kilograms. As at mid-May, auction volumes were down by over 220,000 bales, or almost 14 percent, on the 2023/2024 season.

### Wool production by state



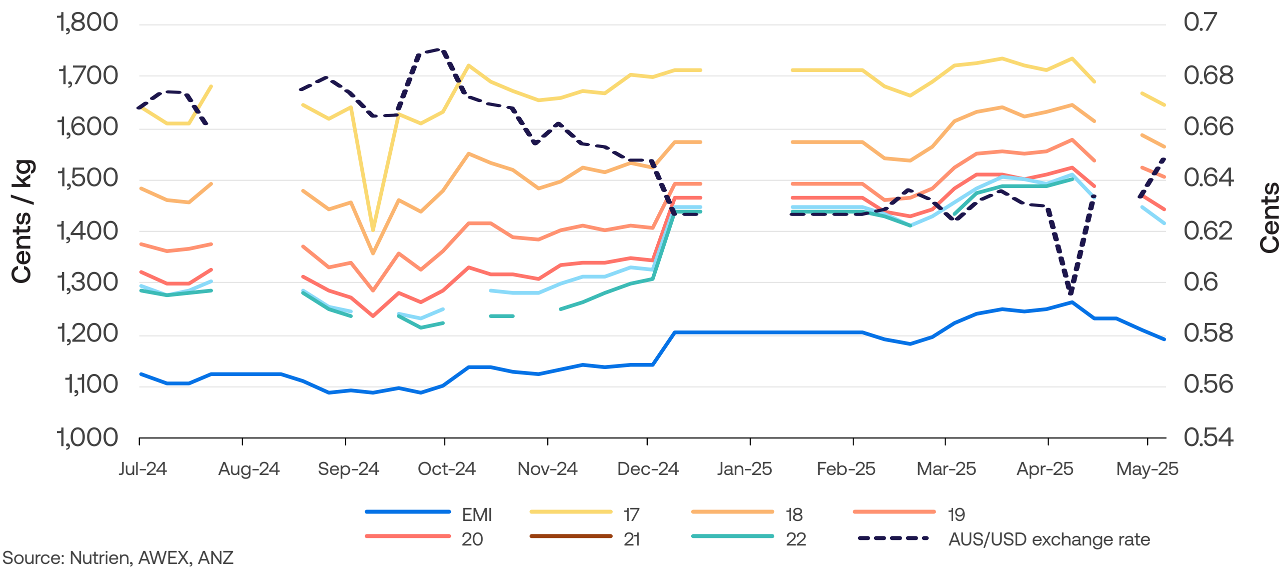

Source: AWI, ANZ

Not surprisingly, large wool production decreases are expected in South Australia and Western Australia, with both states expecting 18 percent year on year decreases. Reductions in Victoria are accelerating, and now tracking at 9 percent lower year on year, followed by NSW where a loss of 8 percent in greasy volumes is expected.

With widespread dry conditions, increased dust penetration into fleeces becomes an unavoidable issue, negatively impacting clean fleece yields and therefore returns back to producers. Increasing volumes of lower quality fleece, also proves more difficult for wool buyers to blend into processor orders, thus impacting demand.

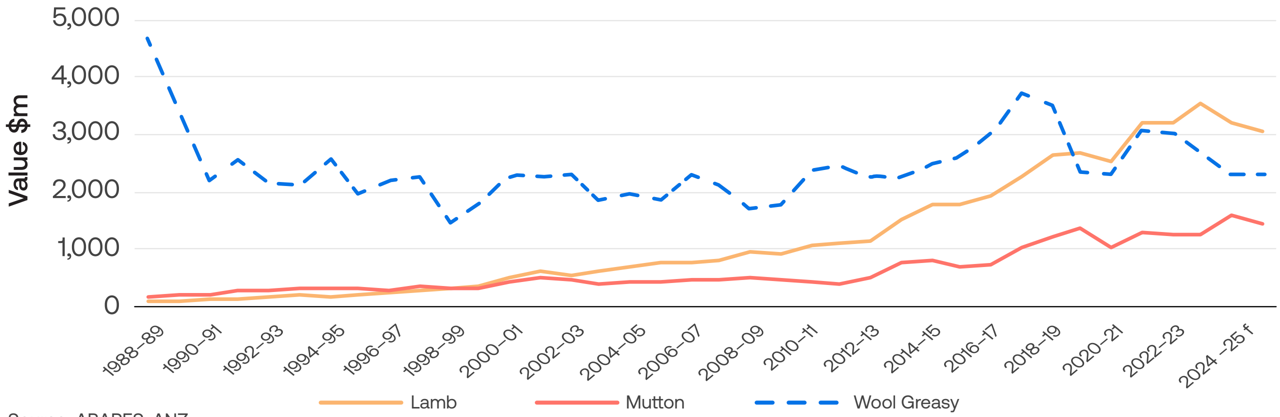
Prices for Merino fleece types have been very reactive to movements in the Australian dollar, and had enjoyed a steady increase through the summer to early Autumn, in many cases reaching levels not seen for up to 2 years as the Australian dollar dipped. The recent recovery of the exchange rate, combined with poorer fleece quality, has seen prices across all categories trend downward, slipping below prices seen this time last year. This recent downward trend caused auction pass in rates to peak to a season high of close to 16 percent in late April, however this has backed off slightly as the lower price trend becomes embedded, and producers balance the need for cash flow under difficult seasonal conditions.

## 17 - 22 Micron merino price guides and AUD-US exchange rate




Source: Nutrien, AWEX, ANZ

## Export value - lamb, mutton and wool




Source: ABARES, ANZ

For the sheep industry as a whole, the contribution of wool to total industry export value has been reducing over recent years, as lamb and mutton production ramp up and find increasing global support. Wool exports now account for around 33 percent of sheep industry export value, back from around 40 percent in 2021/2022.

Looking ahead, forecasts for 2025/2026 season greasy wool production are for continued contraction, to around 256 million kilograms greasy. Continued high sheep slaughter amid dry conditions, and enterprise change in the West, are all contributing to a reduced Australian merino flock. The latest MLA forecasts from March this year had suggested the total Australian sheep flock would reduce to 73.2 million head as at 30 June 2025, down 5.9 million head or 7.4 percent on 2024. Accelerated mutton slaughter, supported by good prices, is now believed to have gone beyond surplus or cull animals to be reaching into the core breeding ewe flock, which may see the national flock figure move lower again.

Globally, demand for raw wool could be significantly impacted by the fallout of the China – US trade negotiations, and more broadly, global economic conditions across major woollen garment customers across the northern hemisphere in particular. China's own economic strength continues to also be paramount to demand. Secondary processors such as Vietnam, also currently subject to very high US tariffs, are situations to watch.

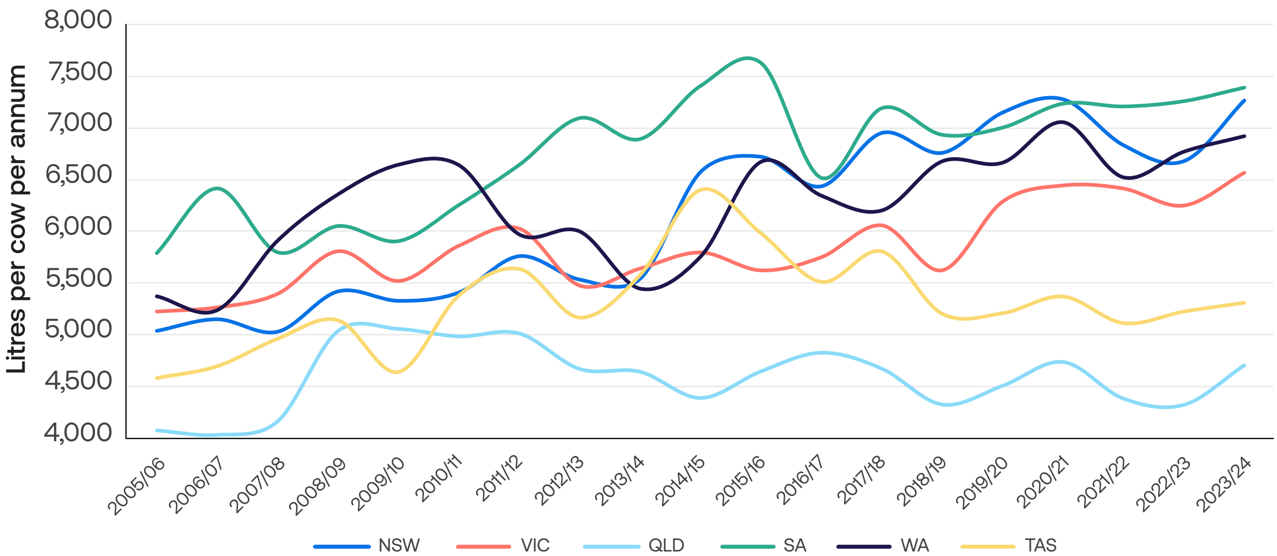
# Dairy Insights

## Overview

- Australia's milk production is forecast to decline slightly to 8.31 billion litres in 2025/26, continuing a long-term downward trend;
- Farmgate prices remain a focus of debate among producers and processors over cost coverage and supply sustainability;
- Victoria remains the dominant producing state, though northern regions face structural pressures; Tasmania and Gippsland are more resilient;
- Cheese leads dairy manufacturing, with stable export demand; other product volumes are steady;
- Export value is forecast to fall 7 percent as global prices ease and Chinese demand remains subdued.

The Australian dairy sector enters the new financial year facing firm global prices, a tightening national milk pool, and ongoing concerns by many farmers that farmgate prices may not reflect the true cost of production. At the time of writing, as processors prepare to publish final farmgate milk prices by 1 June—as required by the Dairy Code of Conduct—producers across the country are assessing whether the returns will be enough to maintain supply.

### Annual milk production per cow by state 2005/06 - 2023/24




Source: Dairy Australia, ANZ

## ABARES forecasts: flat milk pool, continued pressure

According to ABARES, national milk production is forecast to fall slightly from 8.34 billion litres in 2024/25 to 8.31 billion litres in 2025/26. This continues a long-term trend of decline, driven by falling cow numbers and limited reinvestment across parts of the sector. National herd numbers are projected to drop to 1.3 million head, although milk yield per cow is expected to rise modestly.

The gross value of milk production is forecast to lift slightly to $5.63 billion in 2025/26, supported by steady domestic prices and a lower Australian dollar. Yet in real terms, value growth has plateaued, and profitability remains under pressure.

## Farmgate prices: season set, questions remain

With opening farmgate milk prices published under the Dairy Code of Conduct, processors will have signalled their expectations for the season ahead. While welcomed by some as transparent and timely, others remain concerned about whether current pricing levels are sufficient to cover rising input costs and maintain supply in higher-cost regions.

## Regional differences: north-south divide deepens

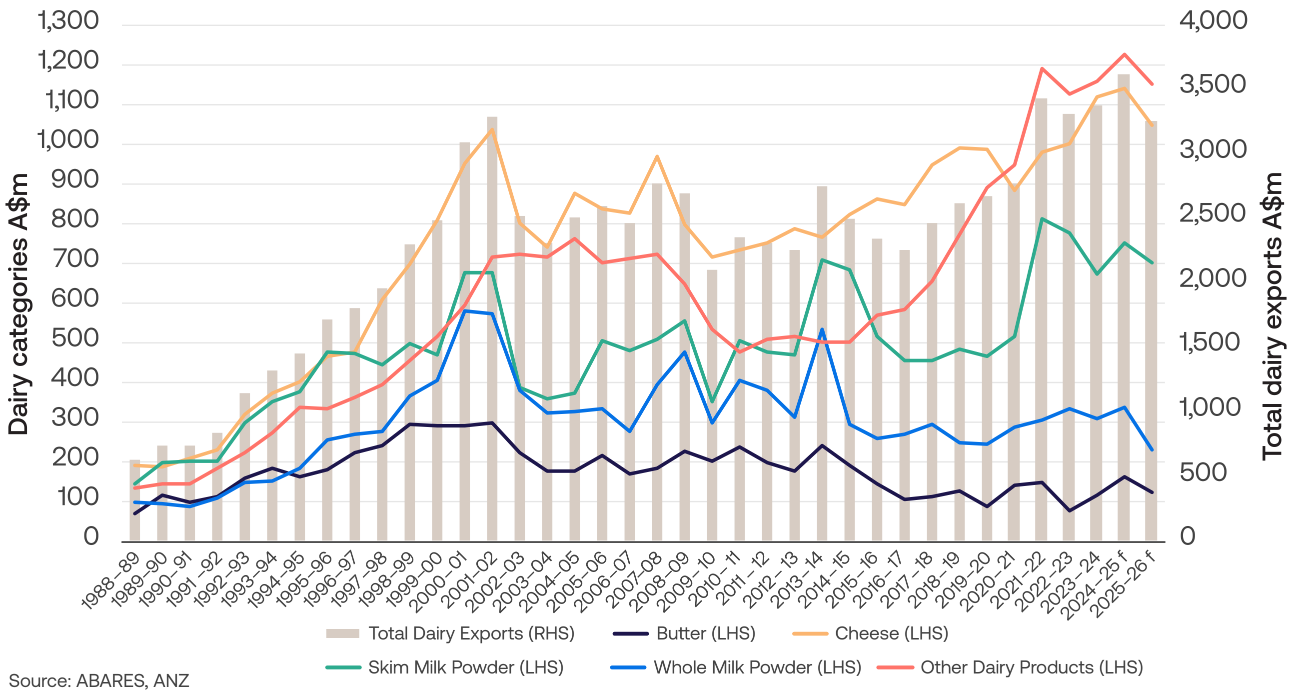
Victoria remains Australia's dominant milk-producing state, accounting for over 60 percent of the national milk pool. Northern Victoria continues to face structural pressures from water prices, climate volatility and consolidation.

South West Victoria and Gippsland remain more stable, aided by consistent rainfall and proximity to export logistics, although the dry first months of 2025 have undeniably provided challenges. Tasmania continues to outperform, thanks to relatively favourable seasonal conditions, efficient farm systems and continued processor investment.

New South Wales is experiencing mixed conditions. Inland areas such as the Riverina are grappling with high irrigation costs, while coastal dairying zones such as Bega and the mid-north coast are reporting improved seasonal conditions and herd retention.

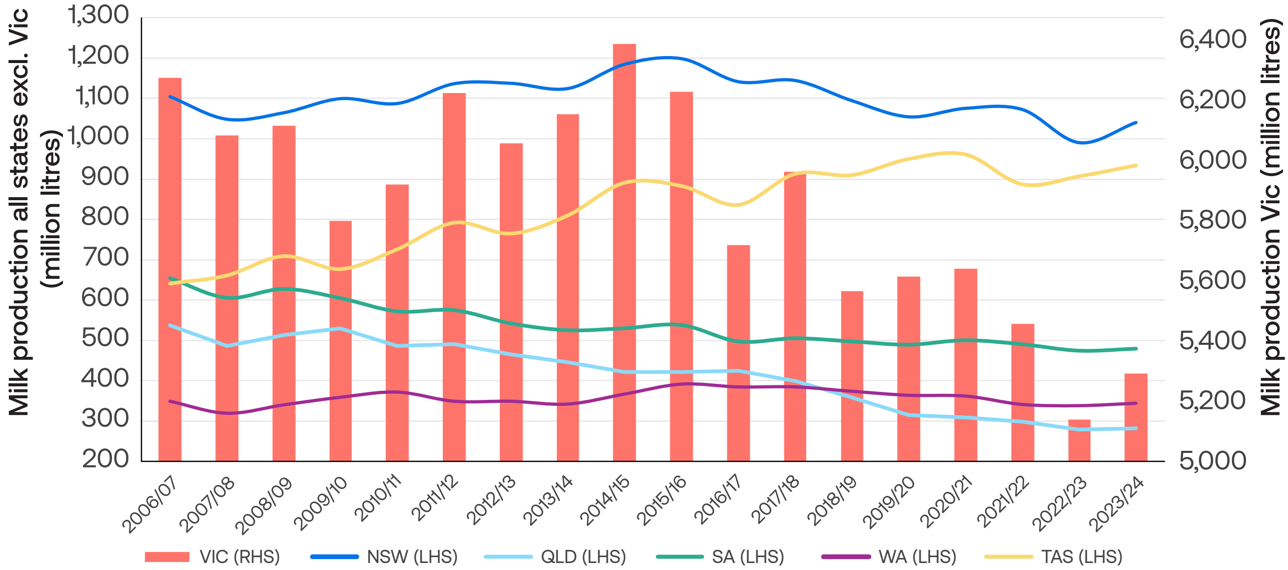
Queensland's dairy industry remains under long-term pressure, with small-scale production and high input costs continuing to challenge viability. WA and SA remain relatively stable, though neither is expected to significantly expand their share of the national milk pool.

## Australian dairy exports by value 1988/89 - 2025/26f




Source: ABARES, ANZ

## Milk production by state 2006/07 - 2023/24




Source: Dairy Australia, ANZ

### Cheese, butter and powder: export-led demand

Cheese remains the leading use for Australian milk, accounting for nearly half of all milk used in manufacturing. ABARES forecasts cheese production to increase to 437,000 tonnes in 2025/26, with export volumes holding steady at 183,000 tonnes, led by strong demand from Japan and Southeast Asia.

Butter exports are forecast to rise to 42,000 tonnes, while skim milk powder (SMP) and whole milk powder (WMP) volumes are expected to remain steady at 130,000 and 48,000 tonnes respectively.

### Domestic consumption holds steady

Despite inflationary pressure, Australian domestic dairy demand remains stable. Drinking milk consumption is expected to reach 1.74 billion litres, with cheese and yoghurt consumption continuing gradual growth, driven by health-conscious and value-driven consumers.

### Export environment: edging downward

While dairy export volumes are expected to hold, ABARES forecasts a 7 percent drop in export value for 2025/26, as global dairy prices ease due to rising supply from the EU and US. Chinese import demand remains subdued, with high domestic inventories still weighing on demand.

The weaker Australian dollar provides some buffer for exporters, while opportunities remain in emerging markets and niche high-value products, such as organic and high-protein dairy.

### Outlook: confidence and competitiveness needed

With the annual farmgate price process now underway, the dairy sector enters another important period for planning and investment decisions. With milk production continuing to fall and costs remaining high, confidence and long-term investment are at risk in some regions.

Regions with scale, reliable rainfall and processor investment—like Gippsland, Tasmania and parts of coastal NSW—are better positioned to weather current volatility. Others, particularly in the Murray region and inland NSW, face harder choices.

The path forward will require coordination between producers and processors, sustainable price signals and a renewed focus on value-added products and supply chain efficiency. While the national milk pool continues to contract, a major question is whether the sector can stabilise production and support longer-term resilience.

# Sugar Insights

## Overview

- Flooding in North Queensland has reduced ratoon health and regrowth, with national cane and sugar production expected to decline in 2025–26;
- Domestic production value is forecast to fall to $1.66 billion, as yields soften and global prices return to more typical levels;
- Export conditions remain supportive, helped by Brazil's re-allocation of cane toethanol, India's limited exports and a weaker Australian dollar;
- The industry enters the season with steady cane area but faces uncertainty over crop recovery, ratoon performance and final sugar content.

Australia's sugar industry is entering the 2025 crushing season balancing cautious optimism with ongoing uncertainty. Following widespread flooding in North Queensland in February, the focus for many growers has shifted from recovery to resilience, as they weigh the impact on yields, ratooning, and overall 2025/26 production potential.

## Recovery and crop condition

The February rain events across the Burdekin, Mackay and Ingham regions were among the most disruptive in recent years. While the flooding arrived after the 2024 harvest was complete, it caused prolonged waterlogging in some cane-growing areas, raising concerns over the health of ratoon crops.

Patchy regrowth and uneven stand establishment have been reported across parts of the Burdekin and Herbert regions. While growers have undertaken significant drainage work and replanting where necessary, many expect a modest hit to cane yields and sugar content this season. Drier conditions through May have helped improve paddock access and plant health, but uncertainty remains around how ratoon crops will recover during winter.

## Production outlook and ABARES forecast

Australia's sugar industry is expected to see a moderate decline in output and value through 2025–26, following a challenging start to the year. The value of domestic sugar production is forecast to fall from $2.24 billion in 2023–24 to $1.84 billion in 2024–25, and then to $1.66 billion in 2025–26. This easing reflects lower cane volumes and sugar yields, primarily due to weather-related disruptions from February's flooding in key growing regions such as the Burdekin, Herbert and Mackay.

National cane tonnage is projected to decline from 33.7 million tonnes in 2023–24 to 28.8 million tonnes in 2025–26, while sugar output is expected to soften from just over 4.1 million tonnes to below 4.0 million tonnes. Cane area remains relatively steady at around 365,000 to 369,000 hectares, but patchy ratoon regrowth, waterlogging and delayed replanting are likely to impact productivity across parts of Queensland.

On the export side, global sugar prices are forecast to normalise after peaking in 2023 and early 2024. This price correction, combined with the expected dip in production, has led to a projected fall in sugar export earnings from $3.02 billion in 2023–24 to $2.48 billion in 2024–25, and further to $2.17 billion in 2025–26.

While mill infrastructure and logistics have mostly recovered, with crushing expected to commence on schedule by late June or early July, the key variable remains how ratoon crops perform through winter — which will shape the industry's near-term recovery.

## Global market support

Global sugar prices have remained relatively firm through the first half of 2025. Raw sugar futures on the Intercontinental Exchange (ICE) traded between 22 and 24 US cents per pound from March to May, supported by tighter export volumes from Brazil and India. Brazilian production, while still high at a projected 43 million tonnes, has seen greater diversion of cane into ethanol production due to rising oil prices. This shift has helped support world sugar prices.

India, meanwhile, capped its sugar exports at one million tonnes this season, following erratic monsoon rains and pest challenges that cut national output. The Indian government's decision to re-enter export markets in a limited way helped ease domestic pressure without flooding global markets. For Australian exporters, the combination of steady pricing and a weaker Australian dollar has provided solid market conditions in recent months.

## Strategic shifts and long-term signals

While prices are currently favourable, longer-term signals in the sugar sector are harder to ignore. Weather volatility continues to increase, with cyclones, flooding and extreme heat affecting cane production more frequently. Ratoon reliability is being tested in wet years, and growers are investing more heavily in drainage, fallow management and paddock selection.

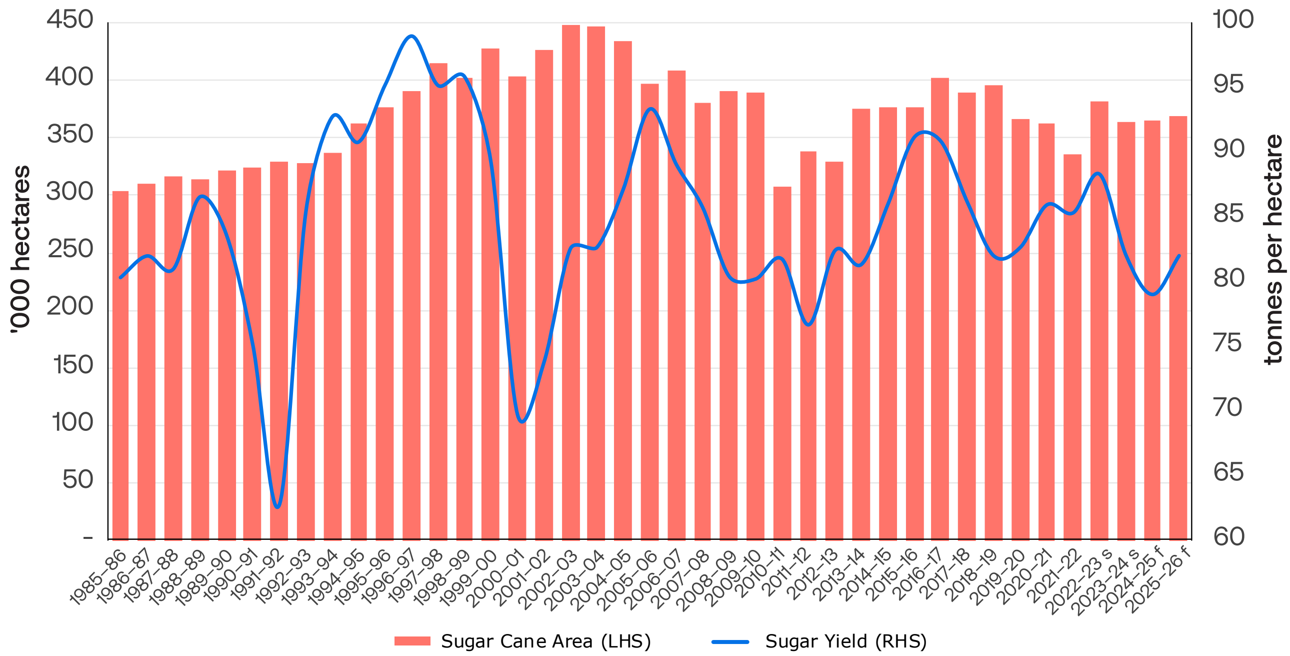
At the same time, markets remain exposed to trade policy swings – such as China's syrup ban on Thailand – and the growing influence of global energy prices on sugar availability.

## Australia sugar cane vs sugar production 1985/86 - 2025/26f


Source: ABARES, ANZ

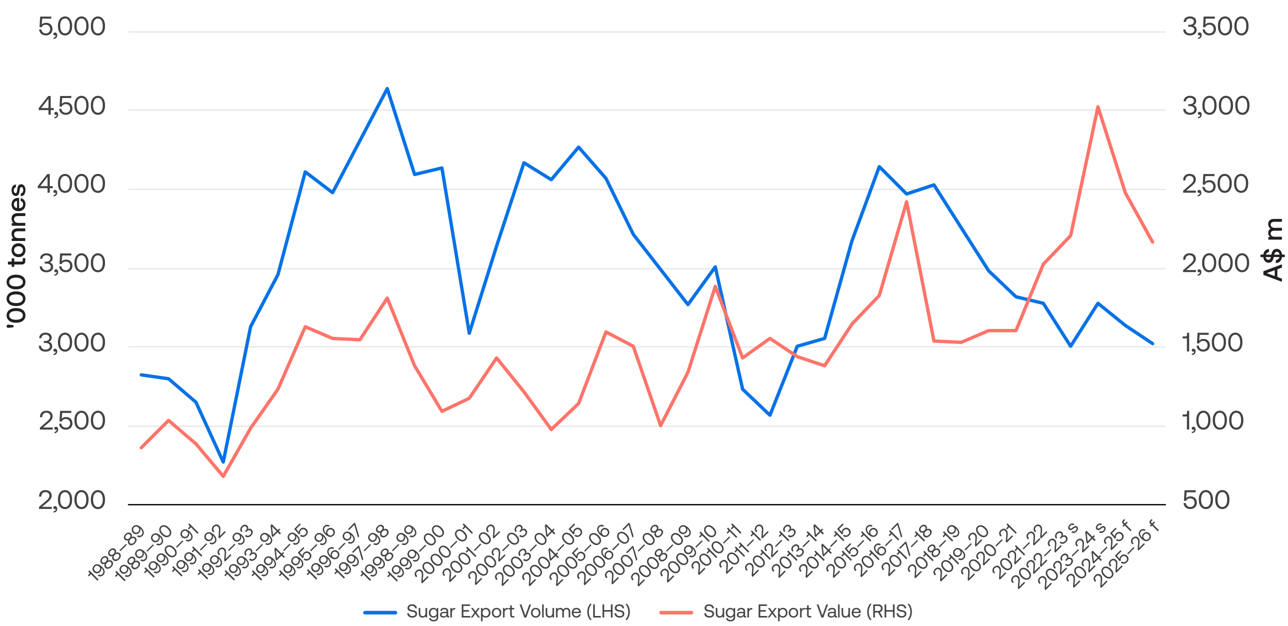
For Australia's sugar industry, the strategic takeaways are becoming clearer. First, operational flexibility remains essential – with the 2025 season underscoring the importance of resilient infrastructure, drainage and replanting capacity in the face of extreme weather. Second, supply chain participants need pricing and marketing strategies that can adjust to rapidly changing conditions – for example, building flexibility into forward contracts, hedging against global price swings and managing supply commitments based on shifting yields. Finally, the industry must stay focused on tight cost control and improving production efficiency, as margin pressure continues despite previous strength in world prices.

## Australia sugar harvest area vs sugar cane yield 1985/86 - 2025/26f

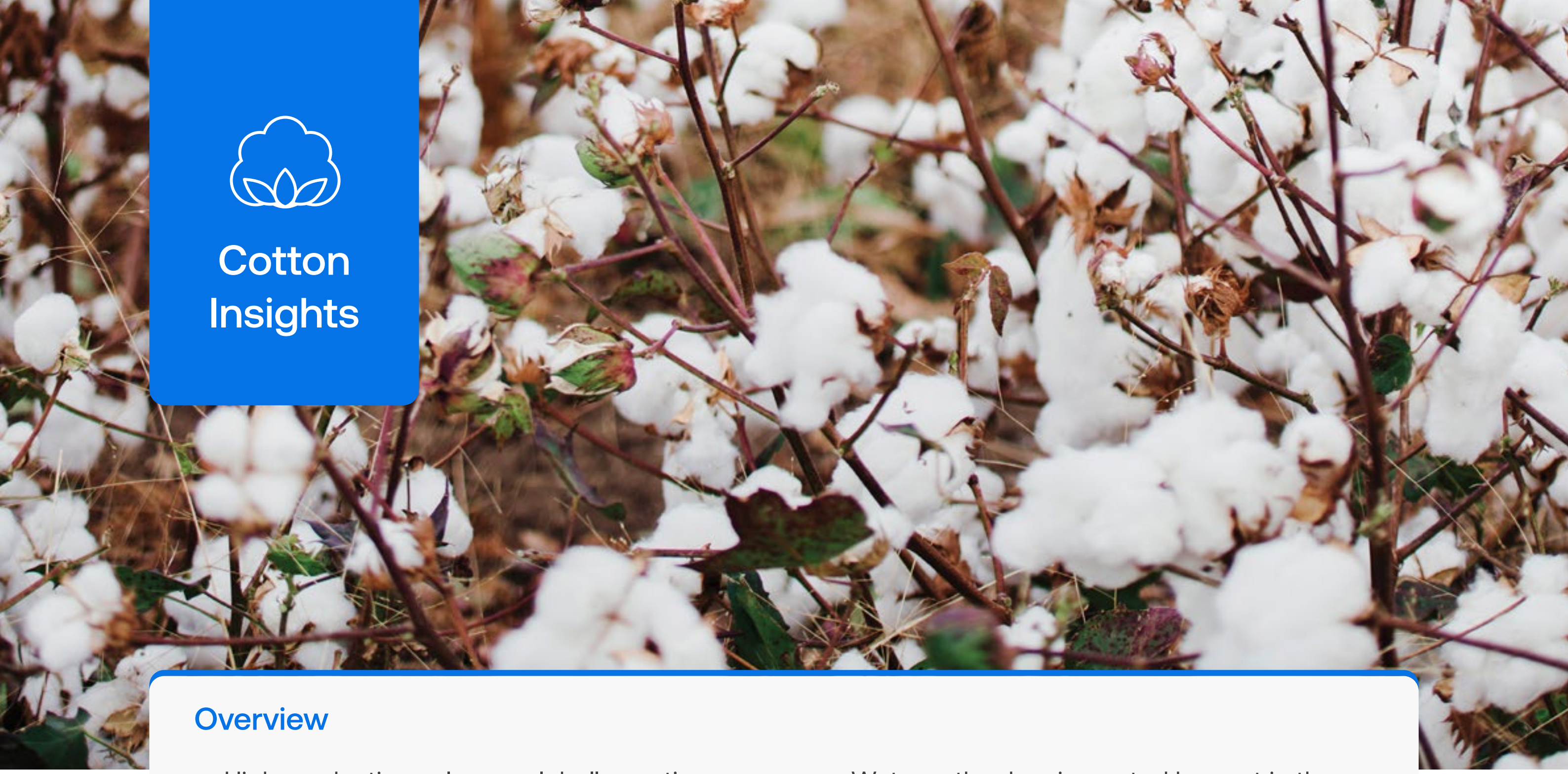



Source: ABARES, ANZ

## Australian sugar exports by volume and value 1988/89 - 2025/26f




Source: ABARES, ANZ



# Cotton Insights

## Overview

- High production volumes globally continue to have an impact on cotton prices;
- Australian production is forecast at 5.45 million bales for the 2024/25 season;
- A quarter of the global crop will be produced in China, lowering import needs and impacting world trade;
- Wet weather has impacted harvest in the north with downgrades applicable for some growers;
- Prices for the current season of around $580 per bale look set to persist into the upcoming planting season for 2025/2026 crop.

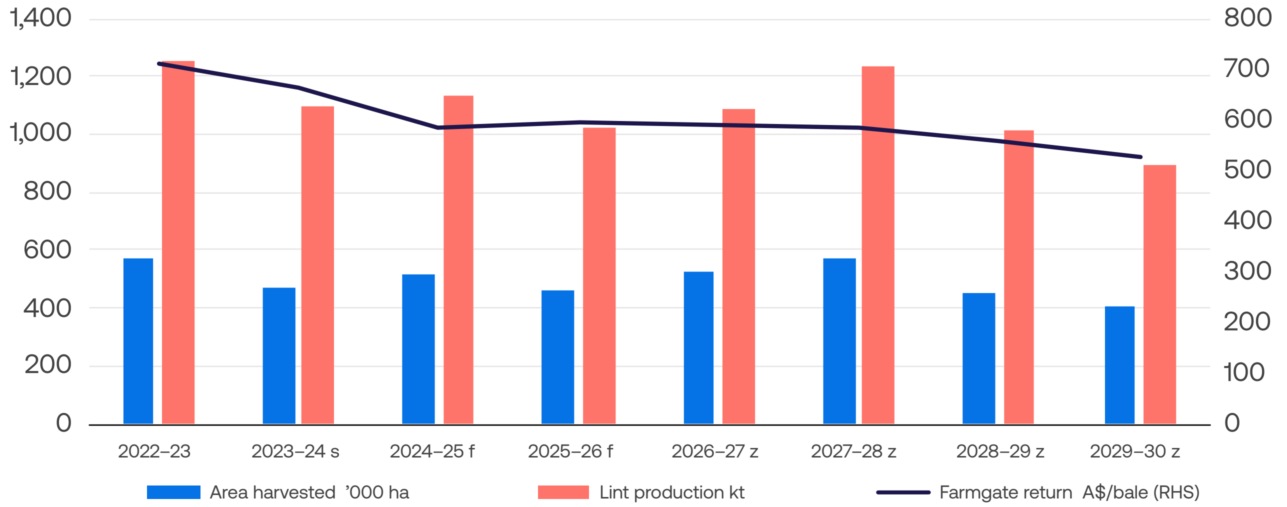
As Australian cotton moves its way through the nation's gins following the recent and, in some cases, continuing harvest, global cotton prices unfortunately remain under pressure from high supply, reduced demand, and geopolitical instability.

On the supply side, global production forecasts remain at around 120 million bales for the 2024/2025 season, with historically high production of 32 million bales in China largely counteracted by multiple smaller scale production decreases in other nations. The impact of higher global production is both an increase in ending stocks, tipped to expand by around 500,000 bales to 78.9 million bales, and a reduction in global trade.

China's large domestic crop is expected to see demand for imported cotton reduce by around 500,000 bales for the season to 6.5 million bales, with Australian exports globally expected to total around 5.3 million bales, of which around 27 percent would typically reach the China market. The outcome of China-US tarrif negotiations will be pivotal to cotton market confidence with the US market responsible for around one third of China's total textile and apparel exports in 2024.

Locally, late season rain in southern QLD and northern NSW has caused some damage to crops with discounts of $40-50 per bale apparent on average for weather damaged cotton. Conversely, southern growers who have enjoyed more favourable harvest weather have been able to access $20-$30 per bale premiums. Cash prices of around $570-$580 per bale are below long term averages, with the global price benchmark of the ICE#2 dropping sharply through Autumn, and now sitting well below its 10 year average. Futures pricing on par with the current cash market of around $580 per bale is not encouraging of a significant change in market conditions for the 2025/2026 season. When combined with water storages in the Murray Darling Basin at their lowest in four years, and high input costs, plantings for the 2025/2026 season are forecast to be down to around 460,000 hectares, which would represent the smallest Australian planting since 2020/2021.

## Australian cotton area harvested, lint production, and returns (per bale)




f = forecast, z = projection
Source: ABARES, ANZ

# Horticulture Insights

## Overview

- Horticulture remains a high-value and resilient part of Australian agriculture, with total production forecast to reach $18.8 billion in 2025–26 – second only to grains;
- Fruit, vegetables and nuts account for more than 80 percent of sector value, with strong performers including potatoes, tomatoes, citrus, apples and table grapes;
- Export earnings are projected to grow nearly 9 percent to $3.6 billion, led by citrus, grapes and summerfruit, though freight costs and access barriers remain challenges;
- Labour and water remain major constraints, with protected cropping, investment in logistics and industry consolidation helping manage costs and climate risk;
- Domestic demand is softening for some perishable produce, but steady consumption of staples and rising investor interest in value-added products support long-term growth.

## Horticulture: a high-value sector navigating structural change

Australia's horticulture sector remains one of the most valuable and diverse sectors across the agricultural landscape. According to ABARES, the total value of horticultural production is forecast to reach $18.1 billion in 2024–25, rising to $18.8 billion in 2025–26. That makes horticulture the second-largest sector in Australian agriculture by value, after grains. It is larger than beef, dairy or wool, reflecting its diversity and resilience.

In export terms, horticulture is expected to generate $3.6 billion in 2025–26, up from $3.3 billion in 2024–25 – an increase of nearly 9 percent year-on-year. Table grapes, citrus, summer stonefruit, and nuts are the leading performers. Though only a portion of horticultural produce is exported – with many products primarily consumed domestically – it remains a key driver of export diversity.

## Sector composition – key contributors and trends

According to ABARES, the value of fruit and tree nut production is forecast at $8 billion in 2025–26, while vegetables are projected at $6.1 billion and grapes at $929 million. Together, these segments represent over 80 percent of Australia's total horticultural value.

In looking at the major categories of fruit and vegetables, a number of the major ones have unique growth drivers:

- **Apples:** Production in 2023–24 was around 310,000 tonnes, with a modest rise expected in 2024–25. This stability underlines apples' role as a consistent performer in both retail and school nutrition programs.
- **Bananas:** Production has steadied at around 220,000 tonnes following several years of supply fluctuations. The reliability of output

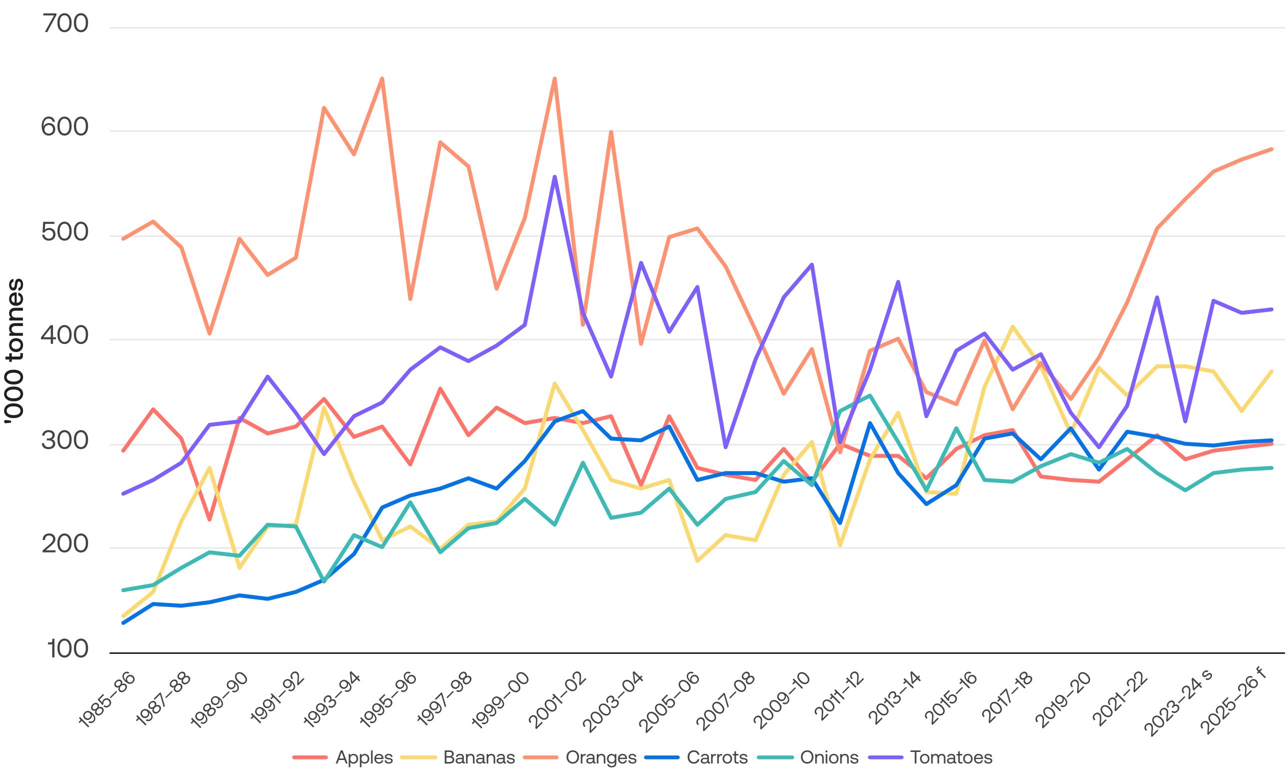
supports Far North Queensland's local economy and sustains year-round supermarket presence.

- **Oranges:** Volumes remain just under 480,000 tonnes, with exports continuing to be strong into Japan, China and the US. Their dependable production underpins Australia's counter-seasonal advantage.
- **Carrots and onions:** At approximately 150,000–160,000 and 220,000 tonnes respectively, these crops are resilient staples. They cater to strong domestic demand and are increasingly important in processed and export-ready formats.
- **Potatoes:** Australia's most significant vegetable by volume, with production above 1.1 million tonnes. High production ensures broad use across fresh, foodservice and processed markets.
- **Tomatoes:** With volumes around 330,000 tonnes, the sector is increasingly shaped by protected cropping and proximity to urban markets. Indoor production is offsetting climate volatility.
- **Grapes (wine and table):** Wine grape output remains around 540,000–560,000 tonnes, with table and dried grapes contributing significantly to exports. Table grapes are one of the horticulture sector's top export earners.

While growth in these products is steady rather than spectacular, their scale and consistency make them essential to keeping fresh produce available, affordable and dependable for both consumers and supply chains. For producers, steady demand in fresh and foodservice markets gives confidence for long-term planting decisions. For exporters, crops like grapes and citrus are well-positioned to grow further with continued investment in logistics and market access. For retailers, stable production helps manage price fluctuations and sustain year-round supply.

Horticultural production growth from 2023–24 to 2025–26 is expected to rise by nearly 6 percent in value, with vegetables and fruit growing at a similar pace. While this growth reflects strong global and domestic demand, the larger message is structural: crops with established logistics, retail visibility and export programs are proving more resilient than niche or speculative plantings.

## Production of selected aust fruit and veg 1985/86 - 2025/26f




Source: ABARES, ANZ

That said, the industry also faces challenges. Labour remains the sector's biggest bottleneck. While the Pacific Australia Labour Mobility (PALM) scheme continues to provide critical support by supplying seasonal and longer-term workers from the Pacific and Timor-Leste, growers face increasing wage costs, especially in fruit-picking regions like the Goulburn Valley, Riverland and Far North Queensland.

Water is another constraint. While most irrigation districts received decent allocations in 2024/25, long-term supply remains uncertain. Horticultural regions in the southern Murray–Darling Basin face growing pressure from water market volatility and competition from permanent plantings.

Urban encroachment in peri-urban regions – particularly in areas near Sydney, Brisbane and Adelaide – is driving up land prices and squeezing viable growing areas.

As a result, the sector is shifting toward:

- **Protected cropping:** Capital is flowing into greenhouses and controlled-environment production, especially for tomatoes, leafy greens and herbs.
- **Consolidation:** Smaller and mid-tier operators are either exiting or joining larger corporate entities, particularly where scale helps absorb labour and compliance costs.

## Investment landscape

Investor focus is shifting away from greenfield plantings and toward post-farmgate infrastructure, branding and value-added processing. Cold chain storage, IP-protected varietals and vertically integrated consumer-facing platforms are attracting renewed interest from investors, including family offices and private equity.

Crops with strong export alignment – like table grapes and citrus – are receiving the most investor attention, particularly where some of established export systems are already in place, including quarantine procedures, trade agreements and consistent access to important markets in Asia and the Middle East.

## Domestic demand – a cause for concern

ABS data released in March 2025 showed that per capita vegetable consumption fell 3.2 percent over the previous year. This reflects a broader trend since 2020, linked to cost-of-living pressures and a shift toward shelf-stable or convenience foods.

Households are buying more long-lasting vegetables like carrots, potatoes and onions, and less of the perishable fresh produce such as herbs, salad greens and tomatoes. Demand for pre-cut and ready-to-eat vegetables is stable, but thin margins and high waste rates remain concerns.

On the fruit side, demand has been steadier. Popular options like bananas, apples and berries remain strong, particularly among school-age consumers and health-conscious demographics.

## Export performance – strong but competitive

Australian horticulture exports are forecast to grow to $3.6 billion in 2025–26, driven by strong demand for citrus, grapes and cherries. Major markets include Japan, China, Vietnam, India and the UAE, with Southeast Asia continuing to offer reliable growth, supported by demand for high-quality, counter-seasonal fruit.

However, exporters still face several challenges. Market access negotiations remain slow, particularly for vegetables and some nut varieties. Freight costs continue to weigh on competitiveness, especially for perishable products that rely on airfreight. In addition, evolving biosecurity and labelling requirements are adding to compliance complexity.

Despite these hurdles, Australian produce maintains a strong position in global markets, thanks to its premium reputation, food safety standards and proximity to Asia.

## Outlook and strategic considerations

As the 2025/26 season progresses, the Australian horticulture sector remains well positioned, though it faces several headwinds. Rising input and labour costs will demand greater efficiency and increased capital investment across the industry. Protected cropping is expected to continue expanding, particularly in areas close to urban centres, driven by its resilience and proximity to markets.

At the same time, revitalising domestic demand will require stronger health messaging and a focus on convenience for consumers. Export growth will depend on improved market access, better logistics infrastructure and continued investment in branding and promotion.

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With a strong production value, a growing export base and increasing investor interest, horticulture has become a central part of Australia's food supply chain. The challenge now lies in ensuring the sector remains competitive, adaptable and ready for the future.

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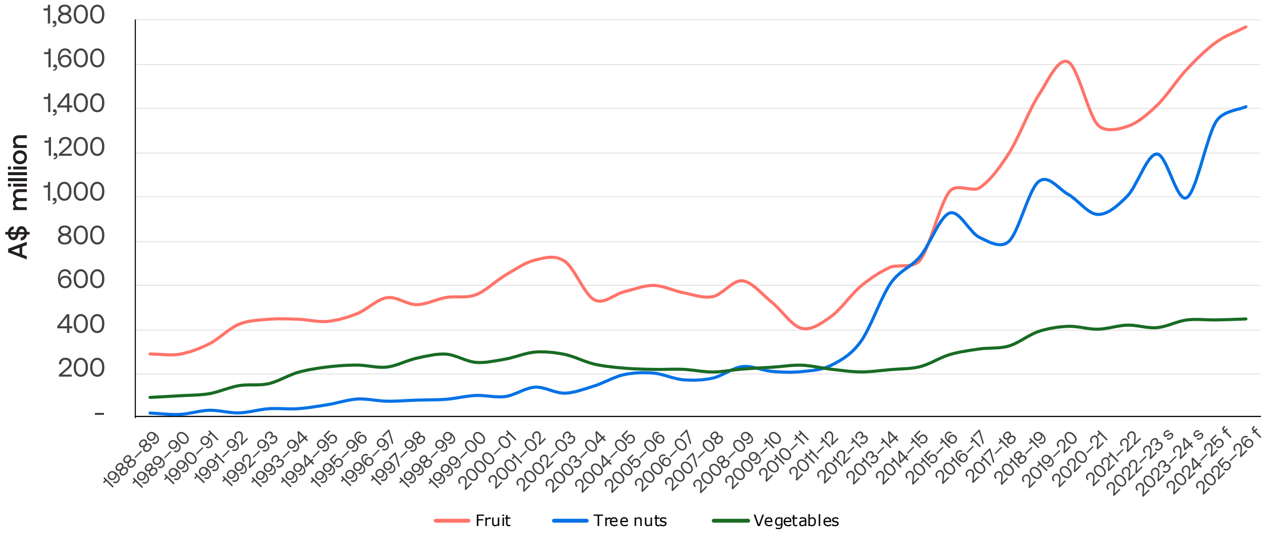
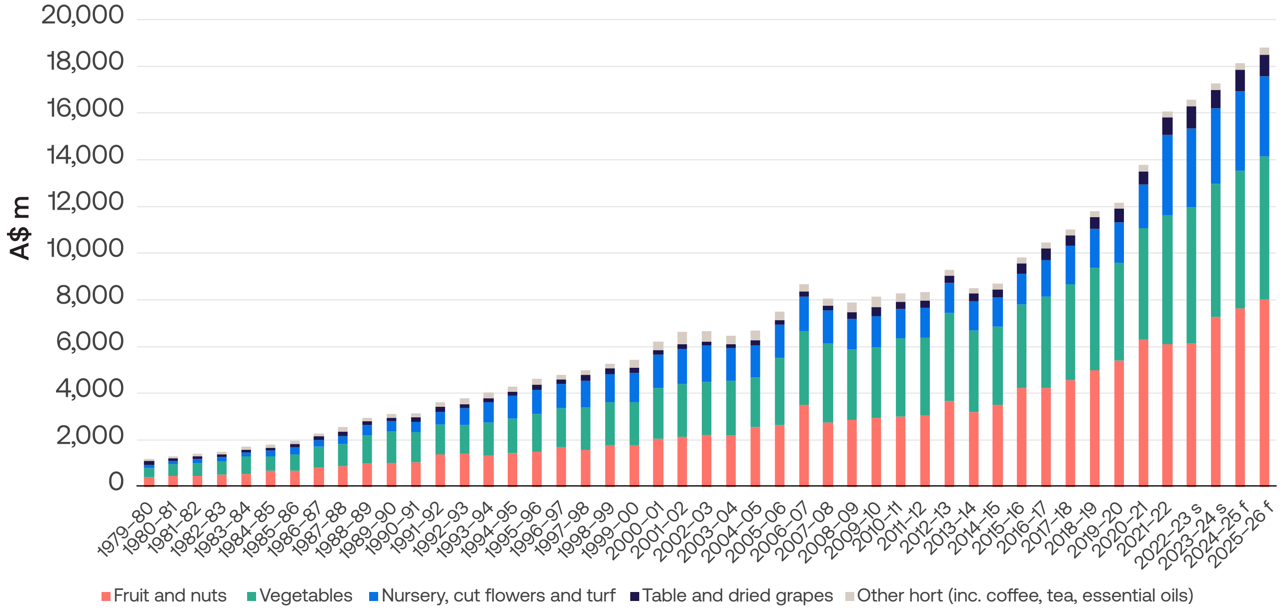
## Australia horticulture export value 1988/89 - 2025/26f




Source: ABARES, ANZ

## Australian horticulture production value by sector 1979/80 - 2025/26f




Source: ABARES, ANZ

# The Australian Economic Outlook

## The Aaustralian economy has been doing well

The Australian economy recorded solid growth of 0.6% q/q in Q4 2024 and saw GDP per person grow for the first time since 2022. The unemployment remains low at 4.1%. There has also been good progress on inflation, with the Q1 2025 CPI data showing both headline and trimmed mean inflation are back within the RBA's target band. On a six-month annualised basis, trimmed mean inflation (which is the RBA's preferred inflation measure) printed at 2.5% in Q1 2025. This suggests the 'underlying inflation pulse' is at the mid-point of the RBA's 2-3% target band. The RBA began easing rates in February 2025, and has since delivered a further 25bp cut at its May meeting.

## Global uncertainty is heightened

Despite a solid domestic backdrop, there is considerable uncertainty about the global outlook. On April 2, Trump signed an Executive Order placing a 10% baseline tariff on 160 countries, as well as reciprocal tariffs on select countries. This is in addition to other sectoral tariffs. On April 5, a 90-day hold was then placed on the reciprocal tariffs.

More recently, China and the US have agreed to bring down tariff rates for 90 days while negotiations between the two countries continue. From the US side, tariffs on China will be lowered from 145% to 30% and China will lower its tariffs on US goods from 125% to 10%.

Given trade policy uncertainty, ANZ Research has revised down its global growth forecasts for 2025, downgrading our expectations for GDP growth in China by 0.6ppt and in the US and Asia (ex China and India) by 0.5ppt. We now expect the US economy to grow 1.5% in 2025, and think there is a 30% chance of a recession in the US. We see China's economy growing 4.2% this year, and Asia (ex China and India) growing 2.9%.

## A slowdown in global growth will flow through to Australia

For Australia, the biggest impacts to the economy are likely to come via the confidence channel. So far we've seen a stalling in ANZ Roy Morgan Consumer Confidence rather than a material deterioration. There is a chance that heightened uncertainty causes some businesses to delay investment plans. Given only around 4-5% of Australia's goods exports go to the US, the direct impacts should be minor, although the impact on some agricultural sectors will be more significant.

ANZ Research has downgraded its growth forecasts for Australia and expect the economy to grow 2.0% this year (vs previous expectations of 2.4% growth). The unemployment rate is likely to peak a little higher at 4.4% (vs previous expectations of 4.2%). Competing forces are likely to impact inflation – potential supply chain disruptions and a softer AUD could put upward pressure on inflation, but this should be offset by a possible diversion of Asian exports to Australia and a pullback in consumer demand. ANZ Research expects trimmed mean inflation to stay within the RBA's target band over the coming year.

Given the global backdrop, and the easing in inflation pressures, ANZ Research expect the RBA will cut the cash rate by 25bp in August and then again in Q1 2026. This would take the cash rate to 3.35%.

While the AUD/USD has moved higher, we doubt there is much more upside. The AUD/USD will be vulnerable to any shifts in risk sentiment, particularly if there is a resurgence in concerns around tariffs. ANZ Research expect the AUD/USD to end 2025 at 0.64.

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