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We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

About the Agricultural Commodities Report

The *Agricultural Commodities Report* contains ABARES forecasts for the value, volume and price of Australia's agricultural production and exports.

Underpinning the forecasts contained in the *Agricultural Commodities Report* are ABARES outlook for global commodity prices, demand and supply. Each edition of the report factors in how changes to this outlook affect Australian producers and the value of their produce. Important risks to the outlook are also considered and discussed in each report.

A 'medium term' (5 year) outlook is published each year in the March edition of the *Agricultural Commodities Report*. Each June, September and December edition contains a short-term outlook. In June, the forecast period is to the end of the next Australian financial year (July to June). In September and December, the forecast period is to the end of the current Australian financial year.

Contents

1 Overview

Holly Beale, Hamish Morton

$95b
Value of production in 2025–26

Agricultural overview

Value forecast to rise by 1% to $95 billion in 2025–26.

Key points

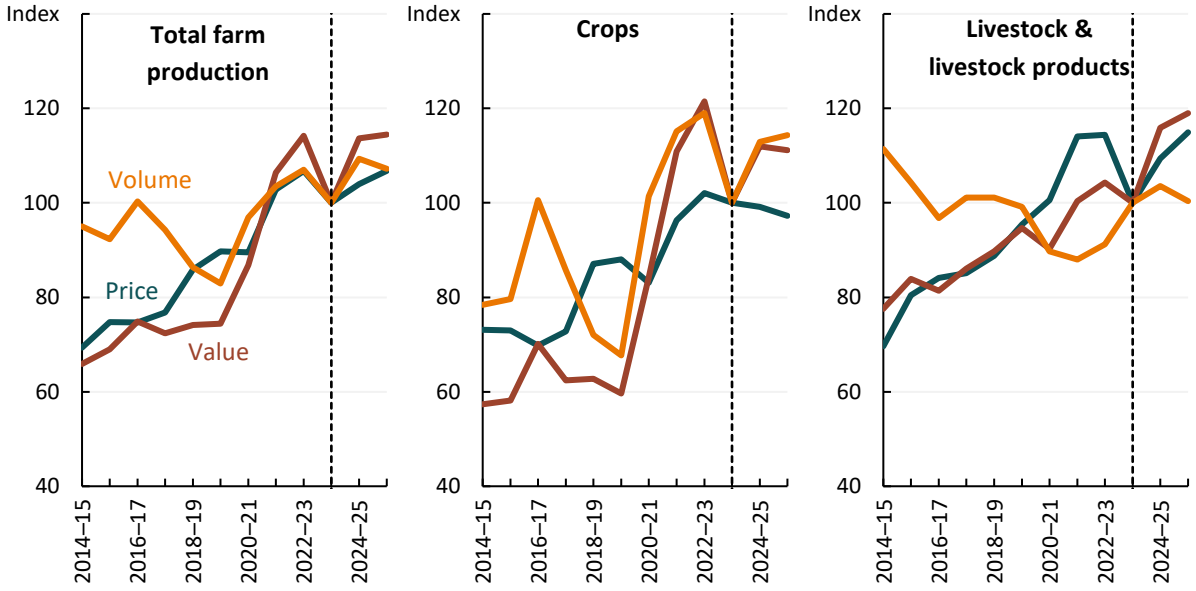
- Gross value of agricultural production to rise by 1% to $94.7 billion.
- Livestock and livestock product values to rise as robust global demand and growing re-stocker activity drives higher prices.
- Value of crop production to fall slightly as lower prices outweigh growth in total volume.
- Agricultural export value to fall by 3% to $74.6 billion given falling overall livestock and livestock product export volume.
- Average farm business profit to rise to $163,000 driven by higher livestock prices and improved seasonal conditions.

Gross value of agricultural production rising

The **gross value of agricultural production** is forecast to rise by $685 million to $94.7 billion in 2025–26 ($101.6 billion including fisheries and forestry), the highest result on record. This increase is expected to be driven by livestock and livestock products, which are up by $1.1 billion as forecast higher domestic prices more than offset easing production volumes. In contrast, total crop production value is expected to decline year on year with lower domestic prices more than offsetting a small rise in output volume (Figure 1.1, Figure 1.2).

Forecast total farm production values for 2025–26 have been revised up by around $4.1 billion from the *June 2025 Agricultural Commodities Report*. This reflects upwards revisions to prices of livestock commodities and improving crop yield prospects across southern Australia.

Figure 1.1 Annual value, volume, and price of agricultural production



Note: Index 100 = 2023–24. Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Livestock and livestock product values rising with higher prices

Livestock and livestock product values are forecast to rise by $1.1 billion in 2025–26 because of higher prices, which are being driven up by strong global demand for meat and domestic restocking activity as seasonal conditions improve. By commodity, the main drivers of change in total livestock and livestock product values are as follows (Figure 1.3):

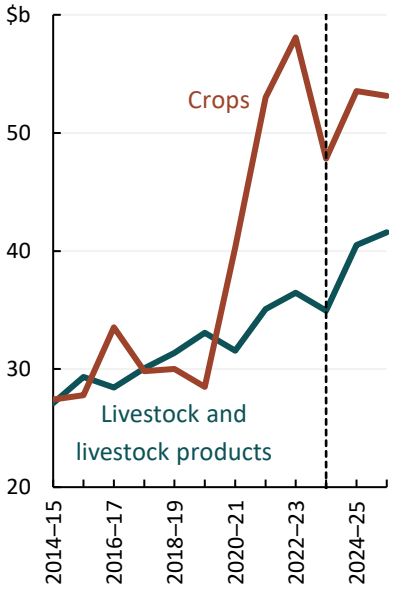
- **Lamb and sheep** slaughtering (up $0.5 billion), as higher prices offset lower production for **lamb** (up $0.6 billion), but lower production driving lower **sheep** slaughtering value (down by $0.1 billion).
- **Milk** (up $0.4 billion) and **cattle** (up $0.2 billion), with higher domestic prices offsetting declines in production.
- **Pigs, poultry slaughtering** and egg production (up $0.2 billion), as rising domestic production volumes more than compensate for slightly lower prices for poultry meat.
- By contrast, **wool** is down $0.2 billion because of lower wool prices and lower production volumes.

Crop production value falling slightly amid lower global prices

Total crop production value is forecast to fall by $0.4 billion to $53.1 billion in 2025–26, as lower prices offset marginally higher production volumes. While declining somewhat from 2024–25, if realised, the forecast value of crop production would be the third highest on record. Favourable seasonal conditions in winter, combined with a positive spring outlook, will support strong production volumes.

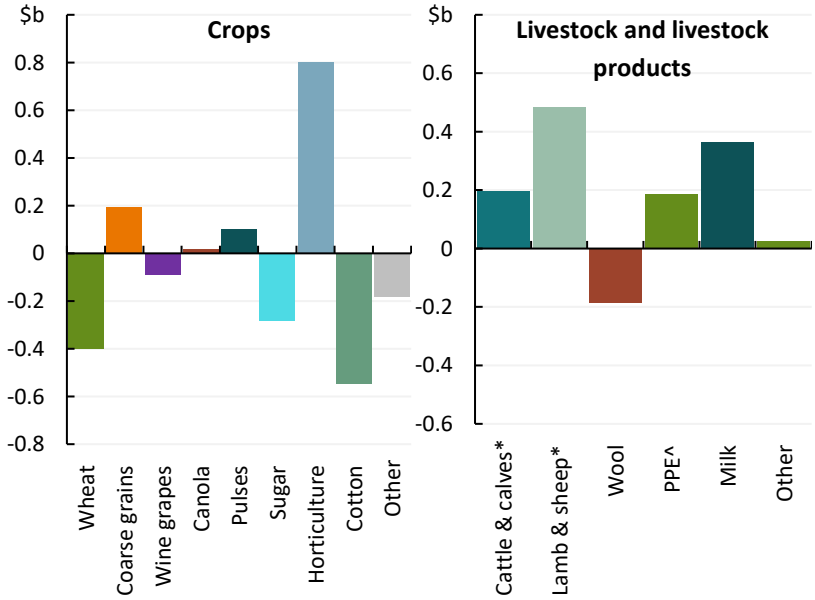
Crop prices are forecast to decline slightly in 2025–26, falling by 2% overall. Grains and industrial crops are expected to drive the overall fall in crop prices, with **global prices** of these crops down due to robust global production and an increase in global stocks. These lower prices are being partially offset by expected price rises across key horticultural products.

Figure 1.2 Annual value of agricultural production



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Figure 1.3 Forecast annual change in production value, 2024–25 to 2025–26



Note: *Includes live exports, ^Pigs, poultry & eggs.
Source: ABARES; ABS

By commodity, the main drivers of lower overall crop production value are (Figure 1.3):

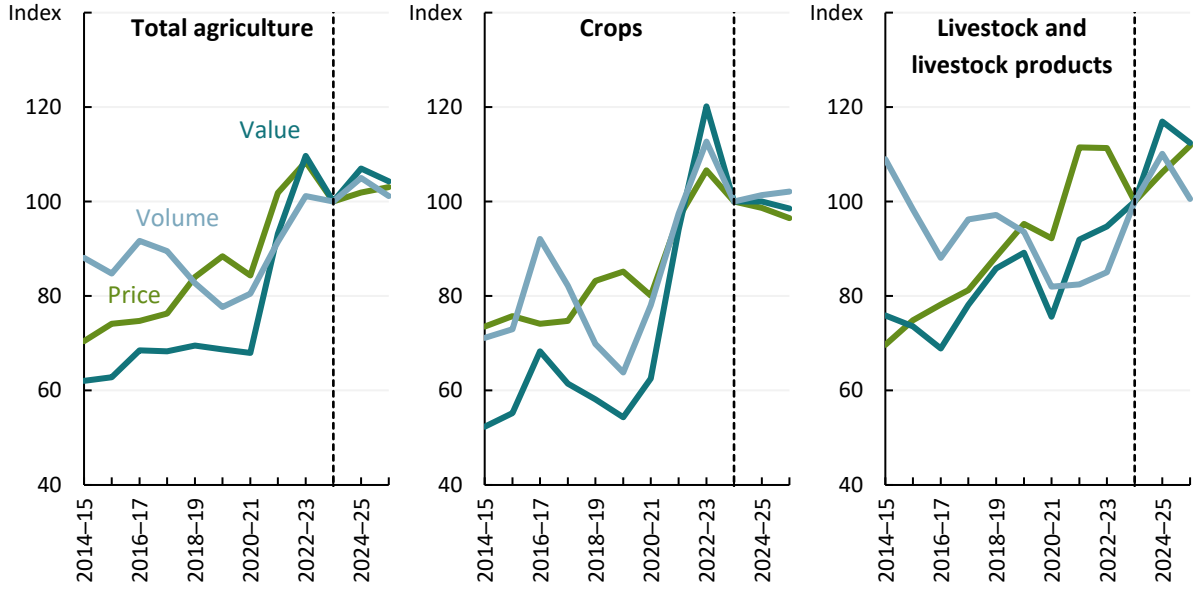
- **Wheat** (down $0.4 billion), **cotton** (down $0.5 billion), **wine grapes** (down $0.1 billion), with lower production volumes and lower prices expected.
- **Sugarcane** (down $0.3 billion) reflects easing international prices from recent highs.
- In contrast, **horticulture** (up $0.8 billion) and **pulses** (up $0.1 billion) are increasing, a result of higher domestic production and higher prices for export focussed horticulture commodities offsetting price falls across a broader set of horticultural products.
- **Coarse grains** rising (up $0.2 billion), as higher production outweighs a fall in prices.

Oilseeds (up $24.4 million) as higher prices and a small increase in production lift values.

Agricultural export value to fall relative to last year but remain elevated

The **value of agricultural exports is** forecast to fall by $1.9 billion to $74.6 billion in 2025–26 ($79.7 billion including fisheries and forestry exports). This is the third highest value on record (Figure 1.4), with export demand remaining strong despite the challenges of subdued global growth and a changing trade policy environment. The decline in 2025–26 is primarily being driven by lower **livestock and livestock product export values**, which are down by $1.3 billion because of falls in export volumes. Total **crop export value** is also expected to fall slightly in 2025–26, down by $0.6 billion due to lower prices.

Figure 1.4 Annual value, volume, and price of agricultural exports



Note: Index 100 = 2023–24. Data to the right of dotted line indicate forecasts.
Source: ABARES; ABS

The forecast 2.5% fall in total agricultural export value in 2025–26 is expected to be driven by aggregate values falling across both crop and livestock and livestock product exports.

- **Livestock and livestock product export volumes** are forecast to fall by 8.7% because of lower livestock slaughter, partly offset by **livestock and livestock product export prices** which are expected to rise by 5.3%, reflecting strong global demand for most livestock products.
- **Crop export volumes** are forecast to be relatively steady in 2025–26, rising by 0.7%, as carryover stocks from the previous harvest are exported. Forecast falls in the value of exports are expected

to be driven by lower **Crop export prices** which are expected to fall by 2.2%, driven by favourable growing conditions in major grain and oilseed producing countries, which is supporting higher global production.

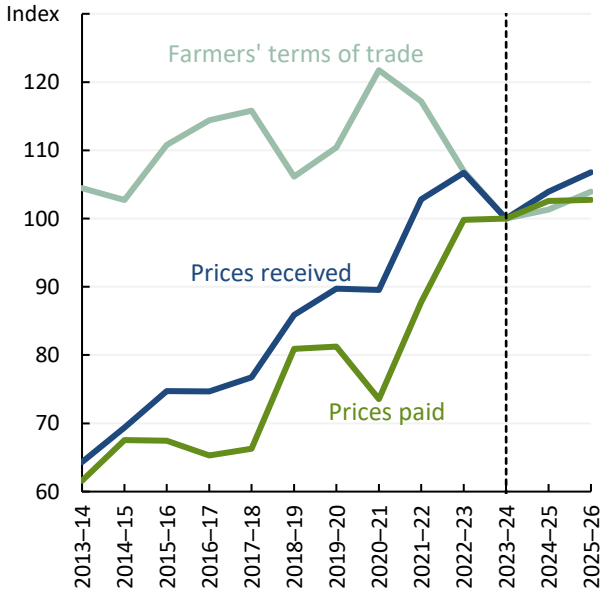
The forecast value of agricultural exports for 2025–26 is $3.0 billion higher than expectations in the *June 2025 Agricultural Commodities Report*, a result of upward revisions to livestock export values and crop export volumes.

Input prices mixed but remain elevated in 2025–26

The prices paid for farm inputs index is expected to rise marginally by 0.2% in 2025–26. Fuel (-4.6%) and Fodder (-7.7%) prices are helping to moderate the rise in the prices paid index. Falling fuel prices are expected because of rising global production (see *Economic outlook*), whilst fodder prices are expected to fall from record levels as seasonal conditions improve in 2025–26 (*See Seasonal outlook)*. Forecast rises in all other categories, particularly livestock purchases (up 11.6%) and fertiliser (up 3.2%) are expected to drive the overall rise in the index. (Figure 1.6).

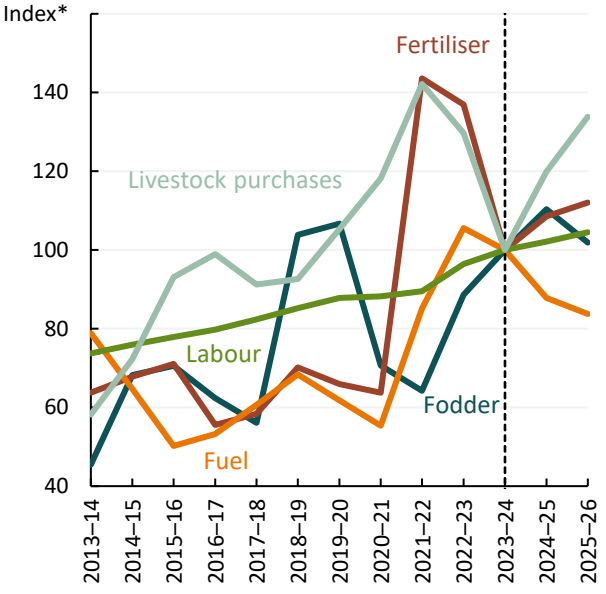
Prices received for agricultural commodities are expected to rise by 2.7% in 2025–26. Strong increases in livestock prices are expected to outweigh falls in prices received for grains and industrial crops. Overall, **farmers' terms of trade** (the ratio of prices received for outputs to prices paid for inputs) is forecast to rise by 2.6% in 2025–26 (Figure 1.5).

Figure 1.5 Prices paid, prices received and farmers' terms of trade, Australia



Note: To the right of the dotted line represents estimates and forecasts. Index 2023–24 = 100.
Source: ABARES; ABS

Figure 1.6 Annual selected input prices, Australia



Note: Index 2023–24 = 100. Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

For broadacre industries, higher input prices are expected to raise total broadacre farm costs in 2025–26 (see *Farm performance forecast*) – for example livestock purchase costs are expected to increase in line with higher saleyard prices. In addition to higher input prices, greater use of some inputs is also forecast to contribute to higher farm costs. For example, fertiliser and chemical use are expected to rise in some cropping regions as growing conditions improve.

Average broadacre farm business profit is expected to rise in 2025–26 to an average of $163,000 in real terms per farm, driven by higher livestock prices which are increasing the capital value of 'stocks on hand' for sheep and cattle producers (see *Farm performance forecast*).

2 Seasonal conditions

Matthew Miller

Seasonal conditions

Favourable climate outlook across much of the country to support Australian 2025–26 crop production and livestock prices.

Key points

- Average to above average winter rainfall has boosted soil moisture levels across most growing regions, providing an improved outlook for 2025–26 winter crop yield potentials.
- In contrast, winter-to-date rainfall totals in southern New South Wales, have only been sufficient to support a delayed establishment and below average yield expectations for 2025–26 winter crops, with minimal improvements in stored soil moisture levels.
- Favourable global production outcomes are anticipated from average to wetter than normal conditions observed across most northern hemisphere grain and oilseed producing regions.

Climate and agronomy

The volume of global grain and oilseed production in 2025–26 is estimated to be 2% higher than 2024–25 levels. This largely reflects improved seasonal conditions boosting rice, coarse grain, wheat and oilseed production:

- Higher projected **wheat** production is expected for Argentina, India, the Russian Federation and the European Union and should more than offset reduced expected production for Australia, Iran, Kazakhstan, Pakistan, the United States and Ukraine.
- Total global **coarse grain** production is projected to be higher compared to the previous season, which is largely due to record expected **corn** production in the United States.
- Higher projected **rice** production in 2025–26 is driven by improved seasonal conditions in all major rice exporting nations.
- Global **soybean** production is expected to be higher, likely to reach a new record high, driven by improved seasonal conditions in South America and China.

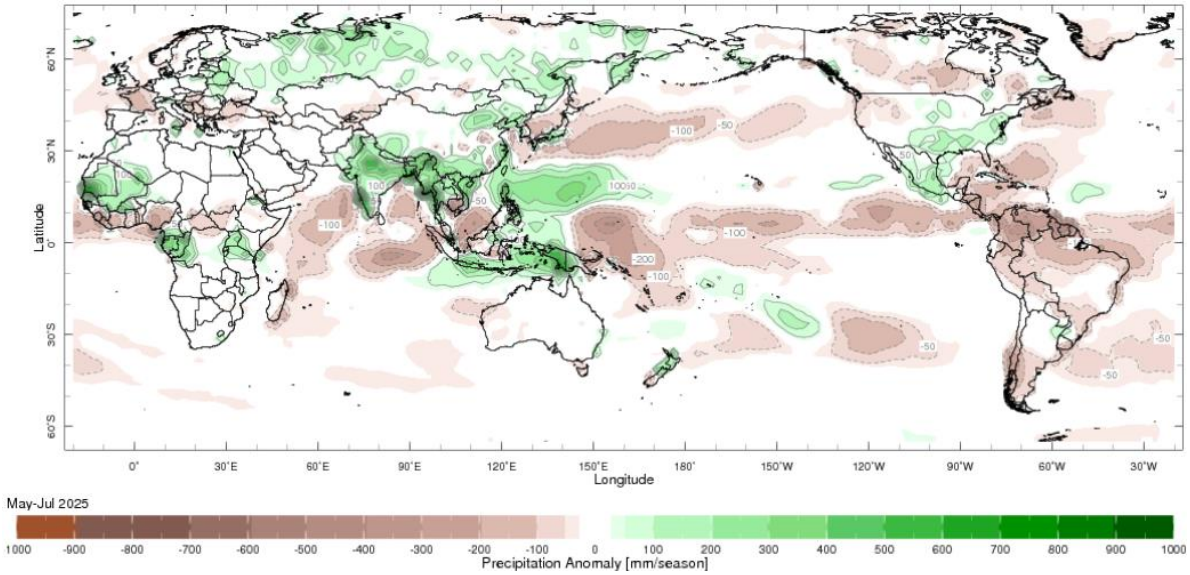
Australian crop production in 2025–26 is expected to be higher than that forecast in the *June 2025 Agricultural Commodities Report*, despite some variability across growing regions. Favourable climatic conditions during winter have boosted production outcomes in South Australia, Victoria and Western Australia. Increased production is also expected in New South Wales and Queensland.

Global climate

Wetter than normal conditions observed across most northern hemisphere grain and oilseed producing regions

Higher production is anticipated across most global grain and oilseed producing regions due to favourable climatic conditions, with average to above average rainfall from May to July 2025. However, much of Brazil, and isolated areas in Canada, eastern Europe, France and northern United States, recorded below average rainfall (Figure 2.1). In Australia, average rainfall has delivered a favourable outlook for 2025–26 winter crop production, despite some soil moisture deficits in parts of southern New South Wales.

Figure 2.1 Seasonal precipitation anomaly for May to July 2025

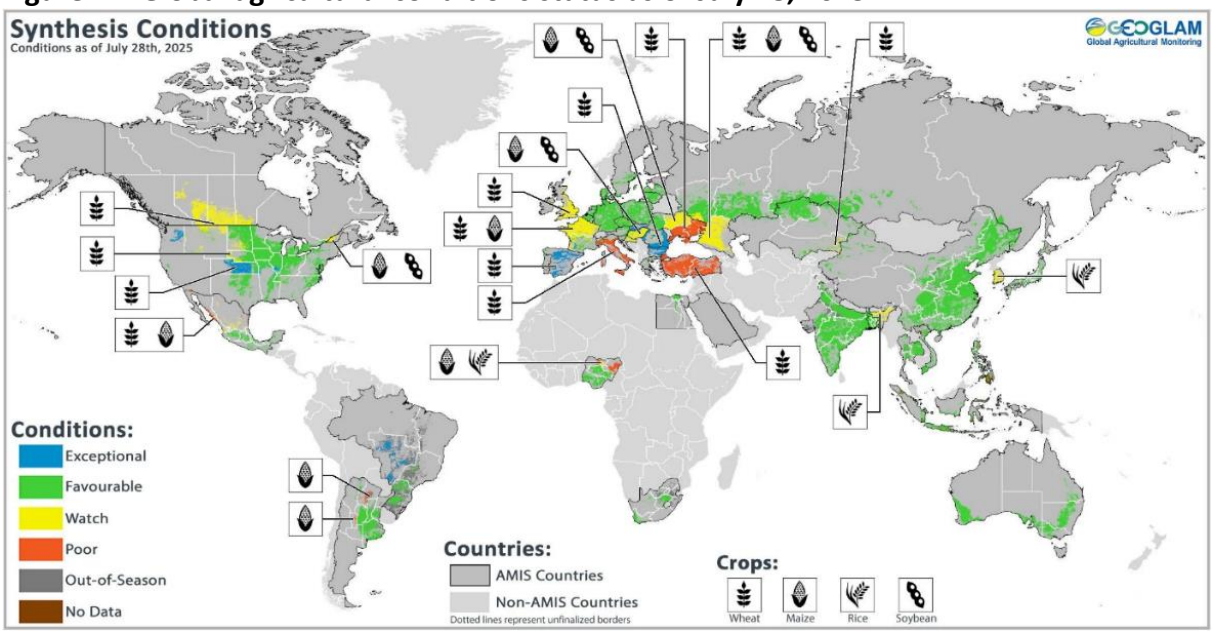


Note: This map shows 3-month seasonal precipitation anomalies based upon precipitation estimates from the CAMS_OPI dataset. The period used for computing the climatology is 1991–2020. Green areas on the map indicate where precipitation was above the long-term normal for the season, and brown areas indicate where precipitation was below normal.
Source: Columbia University; IRI

Global crop production conditions generally favourable despite some variability

At the end of July 2025, crop production conditions remained generally favourable for corn, rice and soybeans, but more varied for wheat (Figure 2.2).

Figure 2.2 Global agricultural conditions status as of July 28, 2025



Source: GEOGLAM Crop Monitor

- **Wheat –** In the **northern hemisphere**, the winter wheat harvest is progressing under uncertain conditions. In the **southern hemisphere**, sowing and crop development is continuing under broadly favourable conditions.
- **Corn –** In the **southern hemisphere**, the harvest is progressing under favourable conditions. In the **northern hemisphere**, dry conditions across parts of the Russian Federation, the European Union, and Ukraine are likely to negatively impact cropping outcomes.

- **Rice –** Global conditions are broadly favourable for major rice production regions.
- **Soybeans –** In the **northern hemisphere**, crops are developing under generally favourable conditions across most major growing regions.

Global climate outlook

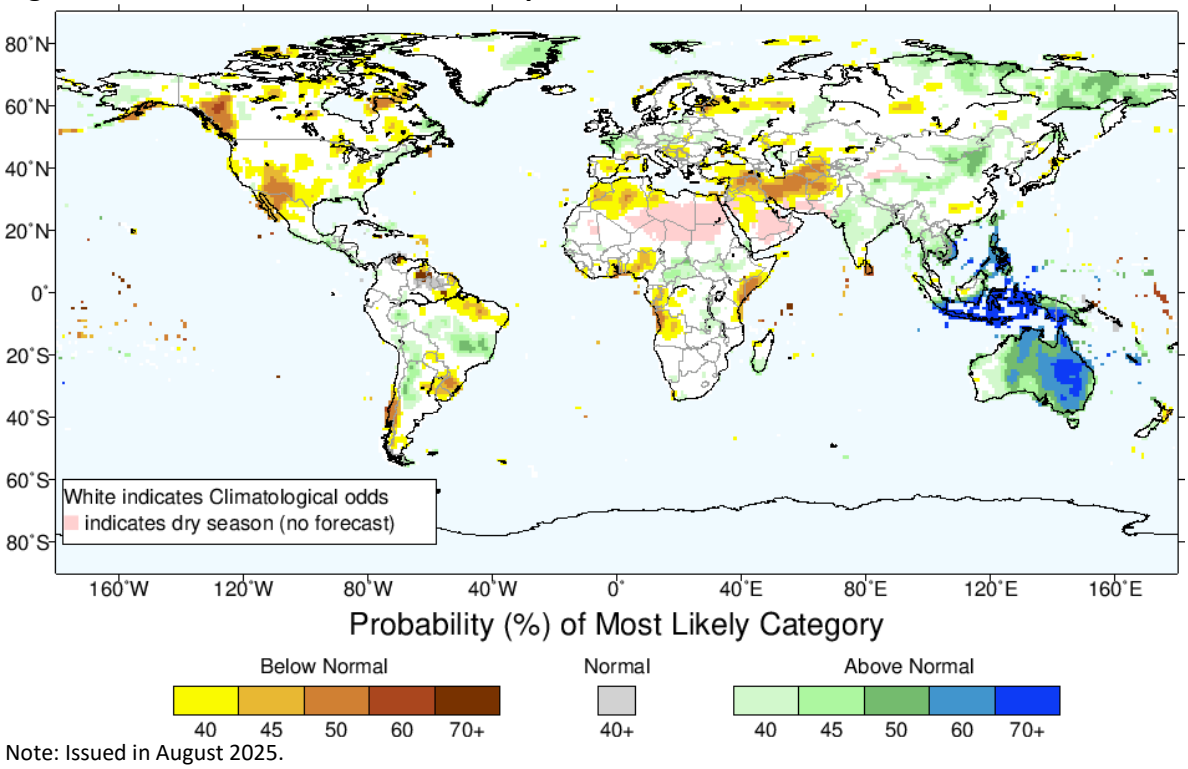
High probability of above average rainfall in Asia and Australasia

The El Niño–Southern Oscillation (ENSO) has remained neutral for the past 12 months, despite changes in sea surface temperature patterns consistent with a developing La Niña in late 2024. The Bureau of Meteorology's model forecasts neutral ENSO (neither El Niño nor La Niña) until at least January 2026. This is consistent with most surveyed international models.

The Indian Ocean Dipole (IOD) is also currently neutral. However, the development of a negative IOD event is becoming increasingly likely. A negative IOD typically results in above-average spring rainfall over parts of southern Australia.

During the last 3 weeks the IOD index has been below the negative IOD threshold. The latest IOD index value for the week ending 10 August is −0.84 °C. Sustained index values less than or equal to −0.4 °C for at least 8 weeks are typical of a negative IOD event. All international models, including the Bureau of Meteorology's model, predict a negative phase of the IOD during spring, with a return to neutral in early summer, consistent with the typical IOD life cycle. Between September and November 2025 (Figure 2.3), there is an elevated probability of above-average rainfall in central Brazil and Caribbean region, South Asia, the Maritime Continent regions, parts of China and much of Australia. The outlook indicates elevated probabilities of below average precipitation over much of southern United States, southern Brazil, Mexico, West Asia and western Canada.

Figure 2.3 Global rainfall outlook for September to November 2025

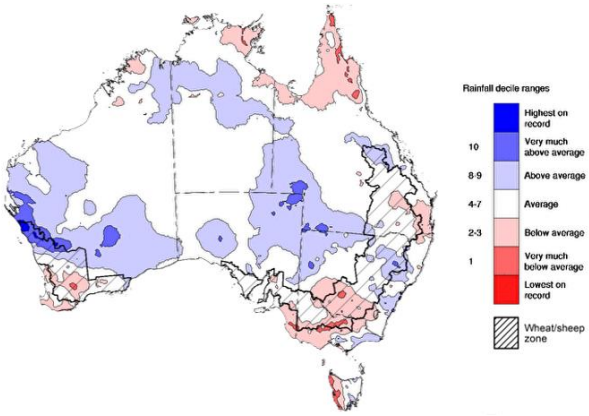


Note: Issued in August 2025.
Source: Columbia University; IRI

Australian climate, water availability and production conditions

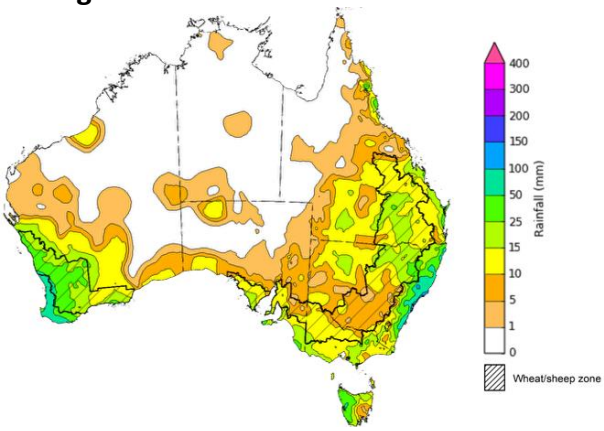
Winter rainfall is critical for crop growth and development. Northern cropping areas in Western Australia, as well as northern and central New South Wales and northern Queensland cropping regions have received average to above average rainfall in June and July, with average to below average rainfall elsewhere (Figure 2.4). However, cropping regions with below average to average rainfall recorded rainfall totals of between 25 and 100 millimetres during this period, which are likely to have supported the growth and the establishment of winter crops. Final production outcomes in these growing regions will be highly dependent on climatic conditions recorded during the remainder of the growing season.

Figure 2.4 June to July 2025 rainfall deciles



Source: Bureau of Meteorology

Figure 2.5 Rainfall totals from 1 August to 20 August 2025



Source: Bureau of Meteorology

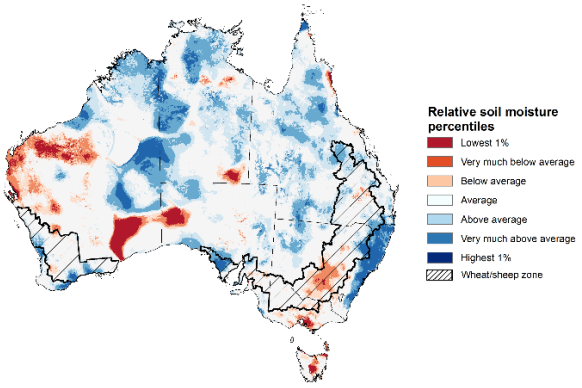
Access to sufficient levels of plant available water is widely assumed to be the factor most limiting the growth rates of crops and pastures in rainfed environments. Analysis of accumulated rainfall totals between 1 and 20 August 2025, would indicate that sufficient levels of plant available water have been realised across large areas of western and eastern Australia (Figure 2.5).

Accumulated August-to-date rainfall totals have been above the August median (1991 to 2020) across most cropping regions in northern New South Wales, Queensland and Western Australia. This is expected to have boosted soil moisture profiles in these areas and support above average pasture and crop yield potentials. In contrast, in southern New South Wales cropping areas, where it has been dry in the preceding months, the rainfall totals in August 2025 have been mainly up to 10 millimetres. These accumulated August-to-date rainfall totals are less than a third of the August median (1991 to 2020) in these areas. Given the generally dry conditions observed throughout the growing season so far, these areas of southern New South Wales will require timely rainfall in the spring to avoid further reduction in crop and pasture yields as the season progresses.

Root zone soil moisture plays a pivotal role in sustaining the growth of winter crops and pasture during their critical development stages during spring. Crop development and pasture growth in areas of above average soil moisture are typically less reliant on timely and frequent in-season rainfall events than in areas with below average levels of soil moisture. For much of Australia, the root zone soil moisture as of 18 August 2025 was average to very much above average (Figure 2.6). In contrast, areas of extremely low to below average soil moisture levels were evident across parts of south-eastern and north-western Australia.

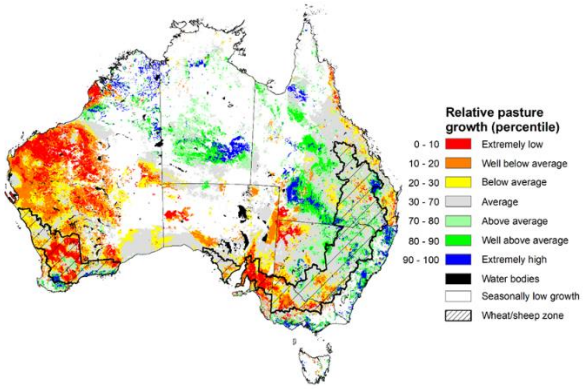
Across cropping regions, root zone soil moisture levels are generally average to above average in Western Australia, Queensland, Victoria, South Australia and central to northern New South Wales. However, regions experiencing extremely low to below average soil moisture—southern New South Wales—will need adequate and timely rainfall throughout the remainder of winter and spring to sustain current forecast levels of crop production.

Figure 2.6 Root zone (0 to 1m) soil moisture as of 18 August 2025



Source: Bureau of Meteorology

Figure 2.7 Relative pasture growth for 3-months ending 31 July 2025



Notes: AussieGRASS pasture growth estimates are relative to the long-term record and shown in percentiles.
Source: Queensland Department of Science, Information Technology and Innovation

During the northern Australia dry season (May to September), pasture growth typically declines significantly due to the reduction in water availability, with livestock relying on pasture grown throughout the previous wet season.

For southern Australia, during winter and spring, pasture growth typically increases reflecting higher rainfall totals, and reduced temperatures and evapotranspiration rates at this time of year. Pasture availability during this period influences the growth, branding and marking rates of lambs and calves, livestock turnoff and the production of meat, milk, and wool.

For the 3 months to July 2025, average to extremely high pasture production (relative to the 1957 to 2016 average) was recorded across large parts of eastern and central Australia, extending into northern Western Australia (Figure 2.7). Despite being firmly within the typical dry season, much of northern Australia also recorded generally average to above average pasture growth for this time of the year. Average to extremely high pasture production across many grazing regions will likely enable farmers to continue to maintain current stock numbers and provide opportunities to build standing dry matter availability.

In contrast, below average to extremely low pasture growth rates were recorded across parts of southern South Australia, large areas of Western Australia, western Victoria and western New South Wales. In regions where below average pasture growth was recorded this will likely have seen some graziers continuing to destock or remaining reliant on supplemental feed to maintain current stocking rates and production. However, favourable conditions during late winter and a positive rainfall outlook for the 2025 spring across much of Australia is likely to boost pasture growth rates and see an increase in restocking activity.

Irrigated crops

Reservoir storage levels have improved slightly in the Murray-Darling Basin. On 14 August 2025, the accessible capacity of water held in Murray–Darling Basin storages were around 14,650 GL, or

around 66% of total capacity. This is a 20% decline in the stored water volume since last year. The traded volume of allocation water for the 2025–26 season is around 759 GL to date, this is around half of the 1,457 GL traded at the same point in the 2024–25 season. The median price for water allocation to date for the 2025–26 is $260/ML, compared to $138/ML in 2024–25, and well above the 5-year average median price of $79/ML.

Decreased water storage volumes, low irrigation allocations, low levels of carryover water, high allocation prices and variable planting conditions are likely to drive reduced irrigated crop production in 2025–26.

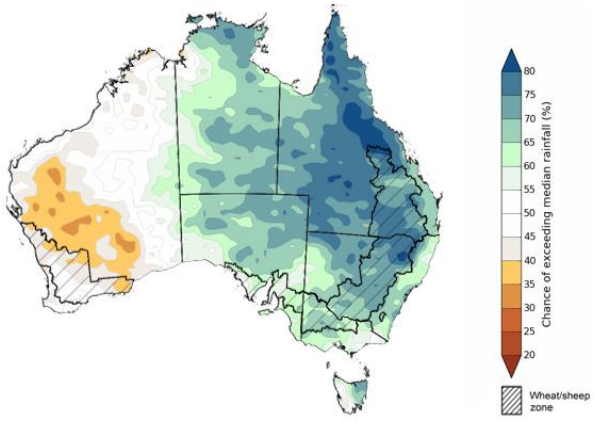
Australian climate outlook

Above average conditions forecast for spring 2025 in the east while variable conditions expected in the west

Rainfall during spring is crucial for the grain-filling and yield-determining stage of winter crops. The rainfall outlook for September to November 2025 indicates that above median rainfall is more likely across eastern and central areas of the country. In contrast, large areas of Western Australia are expected to receive below median rainfall, with the probability below 40% of exceeding median rain in these areas. Remaining areas have equal chance of receiving above or below median rainfall (Figure 2.8).

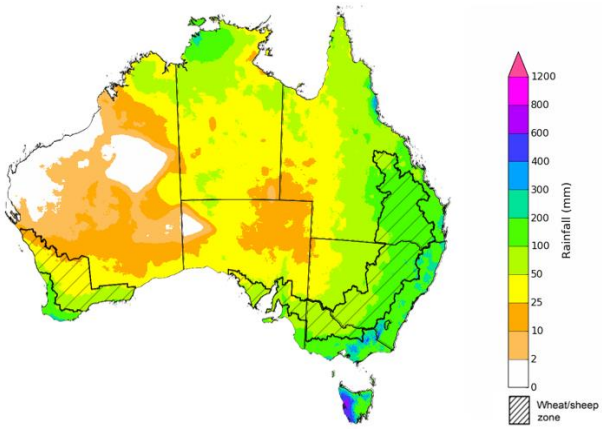
Across cropping regions, the chance of receiving above median rainfall is above 70% across Queensland and New South Wales, while South Australia and Victoria have a greater than 60% probability of receiving above median rainfall over the period. In Western Australia, the probability of above median rainfall is lower at 35-55%. If realised, this forecast rainfall coupled with favourable winter conditions would support ABARES forecasts of above average winter crop yields in northern New South Wales, Western Australia and Queensland, and close to average yield expectations in Victoria and South Australia.

Figure 2.8 Chance of exceeding median rainfall, September-November 2025



Note: Issued 21/08/2025
Source: Bureau of Meteorology

Figure 2.9 Rainfall totals that have a 75% chance of occurring, September-November 2025



Note: Issued 21/08/2025
Source: Bureau of Meteorology

The outlook for September through to November 2025 suggests a 75% chance of receiving rainfall totals of between 50-300 millimetres across much of New South Wales and Victoria, with expected rainfall totals increasing from west to east. Lower rainfall totals are forecast for northern, central and western regions, with South Australia, Queensland, the Northern Territory, and the southwest and north of Western Australia likely to see 25-200 millimetres of rainfall, again with expected rainfall

totals increasing from inland areas to coastal regions (Figure 2.9). Between 300-600 millimetres are expected across western Tasmania and alpine areas of New South Wales and Victoria. Much of the remainder of the country is expected to receive little to no rainfall, typical of this time of the year.

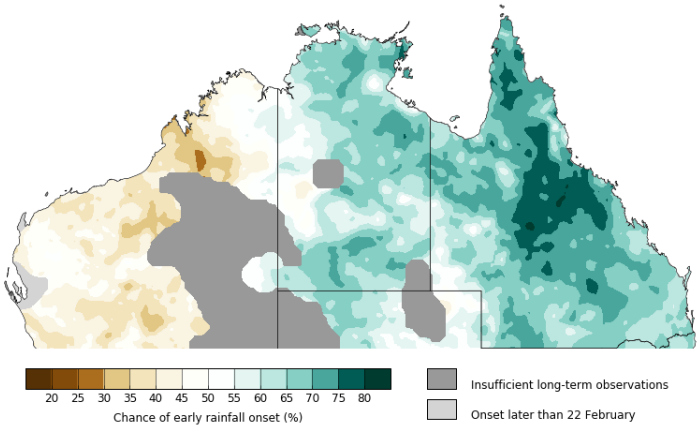
In cropping regions, there is a 75% chance of receiving between 50-200 millimetres across Queensland, New South Wales, Victoria and South Australia. In Western Australia, falls of 25-100 millimetres are expected.

These expected rainfall totals are likely to be sufficient to support the flowering and grain filling stages of winter crop development, boost soil moisture profiles, assist in maintaining current winter crop yield expectations in most regions and provide a favourable start to the summer cropping season. However, a potential downside production risk exists in parts of southern New South Wales, exhibiting low soil moisture levels leading into spring.

Later than usual northern rainfall onset likely in the west and central regions, earlier in parts of the east

The northern rainfall onset outlook provides an indication of whether the first significant rains after the dry season are likely to be earlier or later than normal. The onset occurs when the total rainfall after 1 September reaches 50 millimetres, which is considered approximately the amount of rainfall required to stimulate plant growth. The northern rainfall onset for the 2025–26 season is likely to be later than usual for most of Western Australia, but earlier for much of the eastern and central Australia (Figure 2.10). Much of Western Australia has a 55–70% chance of a later than usual northern rainfall onset. Across Queensland and much of the Northern Territory, the rainfall onset is likely (60–75%) to be earlier than usual. Elsewhere, the northern rainfall onset is likely to be closer to the normal onset date.

Figure 2.10 Chance of early Northern Rainfall Onset



Note: Issued 14/08/2025
Source: Bureau of Meteorology

3 Economic outlook

Hamish Morton

3.1%
Global economic growth in 2026

Economic overview

Global economic outlook to remain subdued in 2026.

Key points

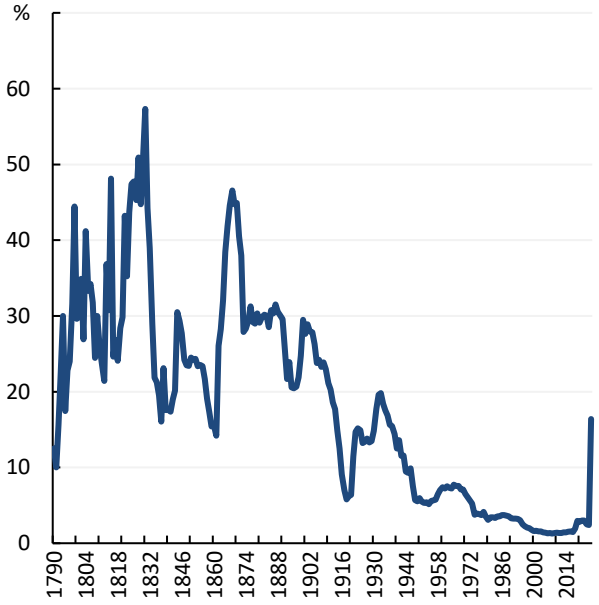
- Uncertainty around inflation and global trade policy to weigh on the global economic outlook for 2025–26.
- Despite US tariffs and deals, demand for Australian agricultural exports remain resilient.
- The Australian dollar is expected to remain low in 2025–26, supporting export competitiveness.
- Input prices expected to remain elevated in 2025–26.
- Domestic demand expected to rise marginally in 2025–26.

Resilient growth despite uncertainty

Global economic growth is expected to be subdued but steady in 2025 and 2026 as global trade tensions and geopolitical uncertainty continue to increase (Figure 3.1, Figure 3.2). The International Monetary Fund's (IMF) July 2025 outlook forecasts that **world gross domestic product** (GDP) growth is expected to fall from 3.3% in 2024 to 3.0% in 2025 before rising to 3.1% in 2026.

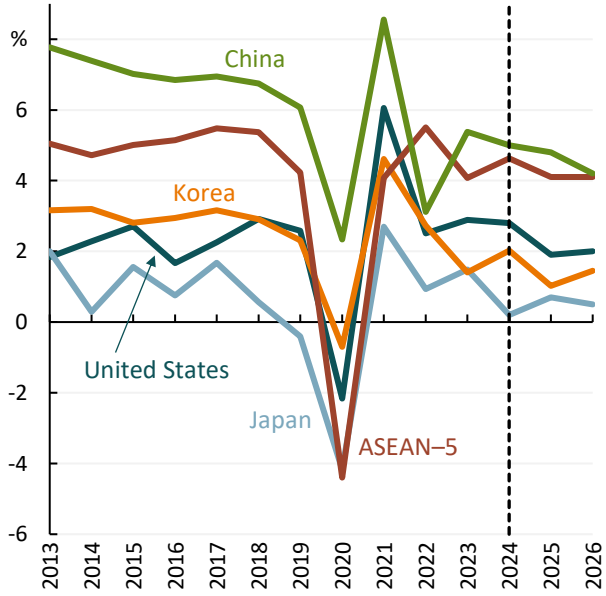
However, expectations for global growth in 2025 and 2026 are 0.3 and 0.2 percentage points higher respectively than expected in the *June 2025 Agricultural Commodities Report*. These upwards revisions reflect several factors, including the front loading of purchases in anticipation of higher tariffs, lower average effective US tariffs than announced in April, an improvement in financial conditions, a weaker US dollar and fiscal expansion in some countries.

Figure 3.1 US effective tariff rate



Source: The Budget Lab Yale

Figure 3.2 Real GDP, selected countries



Note: Data to the right of the dotted line indicate forecasts.
Source: ABARES, IMF

Inflation and interest rates moderate but risks persist

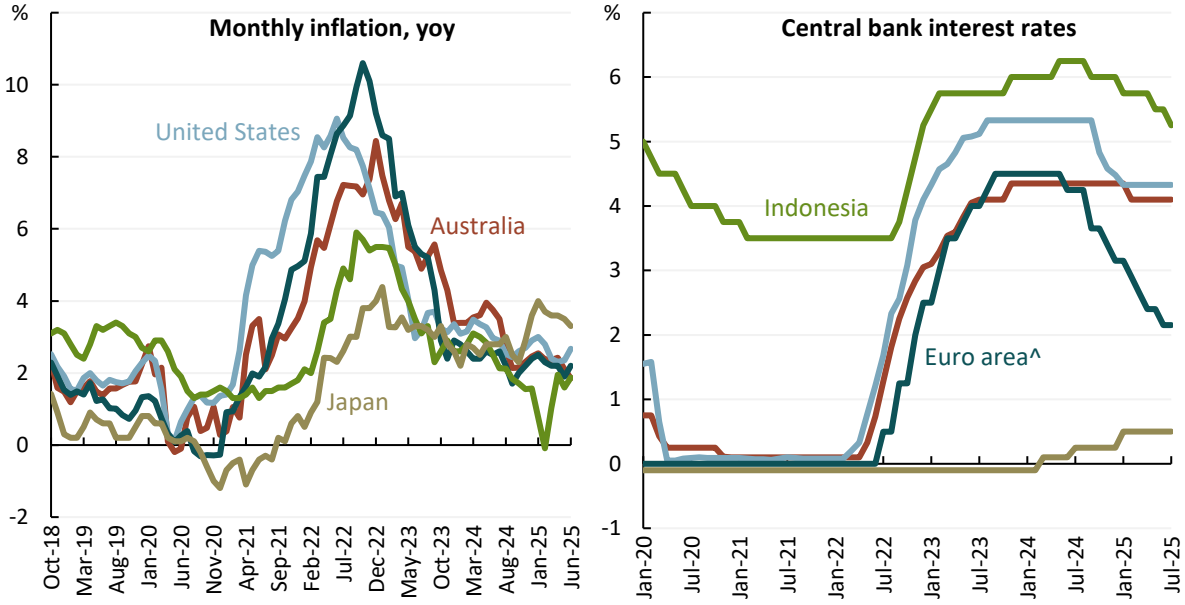
Core inflation across advanced economies has been falling since peaks in 2022 and 2023 and remains at or marginally above central bank targets in most advanced economies (excluding the United States) (Figure 3.3).

The recent moderation in core inflation has largely been driven by declining goods inflation for those economies that have not imposed retaliatory tariffs on the United States, whilst services inflation has remained elevated. Lower energy prices have also placed downward pressure on inflation in most advanced economies – lower energy prices directly reduce prices faced by consumers (and producers) for fuel and electricity, indirectly placing downward pressure on prices by reducing input costs for manufacturing and freight.

Despite the moderating inflation environment, there is a risk that **trade disruptions** could result in higher import prices and consumer inflation globally. This risk has not materialised to date as significant increases to US imports in the first half of 2025 – potentially to buffer domestic supply chains ahead of tariff implementation – has provided US companies with adequate stocks to avoid passing tariffs on to consumers (see Box 4.1). In addition, China has been able to redirect exports that typically would be destined for the United States to other markets, placing downward pressure on import prices in those countries (see Box 4.2).

Although **interest rates** continue to decline across most major economies in 2025, the outlook remains uncertain, and many central banks kept rates on hold in June and July (Figure 3.3). Market pricing currently implies that some central banks will decrease **interest rates** by more than had been expected before the April tariff announcements. The US Fed expected to cut rates to 3% by the end of 2026 and the ECB expected to cut rates to 2% by the end of the year.

Figure 3.3 Average monthly inflation and central bank interest rates, selected economies



Note: Australian inflation data is sourced from the ABS Monthly Consumer Price Index Indicator. ^Fixed rate on main refinancing operations.

Source: Bank Indonesia; Bank of Japan; European Central Bank; RBA, US Federal Reserve, ABS, Badan Pusat Statistik Indonesia; European Commission; Statistics Japan; US Bureau of Labor Statistics

Box 3.1 Elevated merchandise imports provide temporary buffer for US inflation

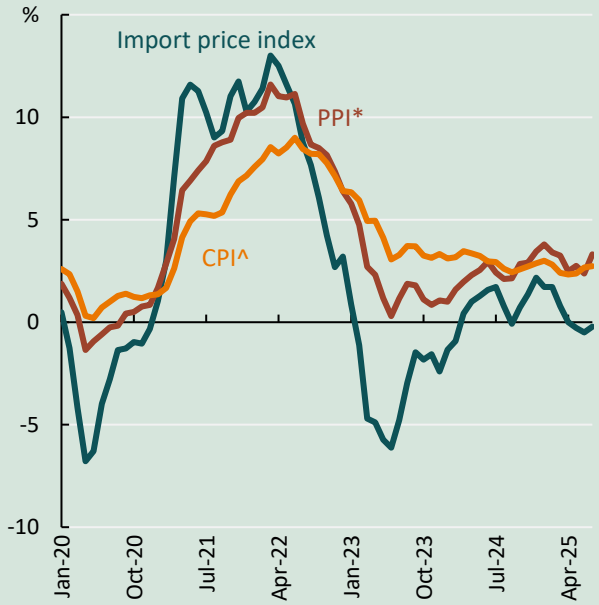
Official inflation data in the US has remained relatively stable across all levels of the supply chain throughout 2025, with import prices even falling in May and June (Figure 3.4). However, the University of Michigan's survey of consumers highlights that US consumer's 12-month ahead inflation expectations have increased from 3.3% in January 2025 to a high of 6.6% in May.

US companies have significantly increased merchandise import volumes in the 6 months to March 2025 as uncertainty around the global trade environment rose. The rate of increase in US imports has been substantial – in the lead up to the April 1 tariffs, import volumes increased by more than they decreased during both the Global Financial Crisis and COVID-19, limiting the impact to date of tariffs on inflation across the supply chain (Figure 3.5).

- Research from the Peterson Institute highlights that many importers have not yet passed on the rising cost of tariffs to their consumers as the price of old inventory is not being marked up to reflect the cost of new imports. As such, the impact of higher tariffs on US inflation is expected to be delayed by several months, with extended delays possible if importers or producers choose to temporarily absorb the cost of tariffs.

US imports recorded the largest monthly fall on record in April, indicating that importers possess adequate stocks or are unwilling to pay the higher import costs associated with tariffs. In the medium term as stocks fall, it is expected that US importers will begin to pass on higher import costs to producers or that producers will forgo imports, resulting in lower stocks and higher prices (Figure 3.5).

Figure 3.4 Quarterly year-ended US inflation measures through the supply chain



Note: *Producer price index, seasonally adjusted, final demand. ^Consumer price index, all groups urban consumers, seasonally adjusted.
Source: U.S. Bureau of Labor Statistics

Figure 3.5 Volume of US merchandise imports

Source: Netherlands Bureau for Economic Policy Analysis

Australian exports to remain competitive despite US trade policy

Since the *June 2025 Agricultural Commodities Report*, a number of tariff and non-tariff trade barriers have been imposed by the US and used as a negotiation tool to receive favourable market access for US exporters. Many deals made to date include conditions that remove or reduce trade barriers for US agricultural products in some of Australia's key export destinations.

While this presents a risk to Australian exporters' market share, the impact on demand for Australian agricultural exports is expected to be limited in the short term given Australia's geographical

proximity to key markets, cost competitiveness and strong reputation as a reliable export partner. In addition, US deals are likely to result in small increases in US export volumes as most negotiations to date have typically included agreements to marginally increase US agricultural exports above current levels. US trade deals to date with Australia's top agricultural export destinations (excluding China and the US) include:

Japan – In July 2025, the United States reduced proposed tariffs on Japanese imports from 25% to 15% in exchange for Japan purchasing USD8 billion of US soybeans, corn, fertiliser and biofuels, and increasing the US share of Japan's rice import quota. For Australia, the impact of the deal is likely to be limited as Japan already imports approximately USD12 billion of agricultural products annually from the US, however, Australian rice exports may be exposed.

Indonesia – In July 2025, the US reduced tariffs on Indonesian imports from 32% to 19% in exchange for Indonesia removing import licensing regimes for US products. Further, Indonesia has agreed to purchase USD4.5 billion US agricultural products including wheat, corn, soybeans, food oils and cotton. The deal is unlikely to affect most Australian agricultural exports due to the low value specified under the agreement, Australia's geographic proximity to the region and freight cost advantage.

Korea – In July 2025, the United States reduced proposed tariffs on Korean imports from 25% to 15% in exchange for Korea investing USD350 billion in the United States and purchasing USD100 billion in US liquefied natural gas and other energy products. However, to date there has been no commitment from the Korean government to remove trade barriers on US agricultural exports, which include beef and nut exports which compete with Australia.

Vietnam – In July 2025 the United States reduced proposed tariffs on Vietnamese imports from 46% to 20% in exchange for Vietnam's removal of all levies on US imports and an agreement to purchase USD2 billion of US agricultural products including soybean meal, corn, wheat, cotton and meat. This is significant as previously the United States faced high tariffs on agricultural exports to Vietnam, while Australia has a free trade agreement with Vietnam. The removal of tariffs is likely to increase opportunities for US cotton and wheat exporters however increases in US beef exports are likely to be limited due to the smaller US beef herd.

In addition to the above deals the US has announced:

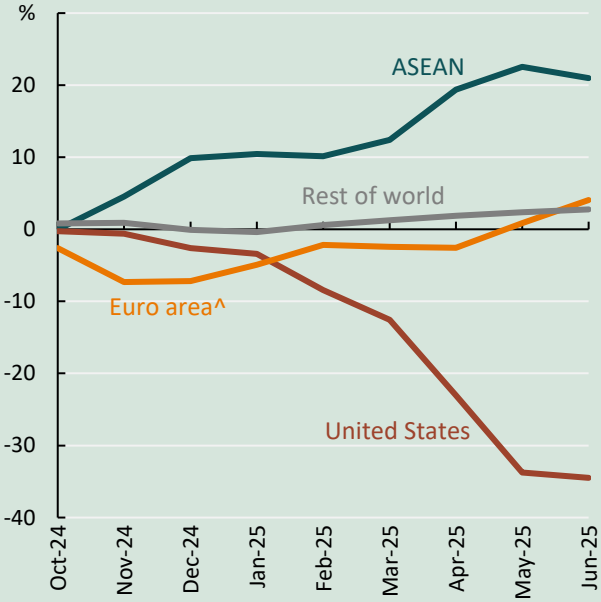
- A further 90-day extension to the increase in tariffs on **Chinese** imports in August 2025, as the two countries continue trade negotiations. President Trump has stated that as part of a future deal, China should quadruple its US soybean imports. This delay to tariff increases is unlikely to have a deflationary impact on US prices as much of China's merchandise exports have been redirecting to alternative markets in the first half of 2025 (See Box 1.2).
- A 50% tariff on **Brazilian** imports in July 2025. Brazil is a major southern hemisphere producer which – like Australia, operates as a countercyclical supplier to the northern hemisphere. Increases to US tariffs on Brazilian exports to the United States combined with a low Brazilian Real, will likely result in increased competition in markets that Australian agricultural producers export to – placing downward pressure on global prices of some commodities such as corn, soybeans, and sugar.
- A 50% tariff on **Indian** imports in August 2025 in response to India's purchasing of Russian oil.

Box 3.2 Chinese exports rapidly realign to new markets in response to trade uncertainty

Chinese exports have adapted to trade uncertainty over the past 9 months, potentially supporting Chinese growth and reducing the impact of trade disruptions on countries subject to US tariffs. Since it was announced that Donald Trump would take office in November 2024, the Chinese exports that would otherwise have been bound for the US have redirected to alternate markets. The value of Chinese exports fell by 36% to USD215 billion between December 2024 and February 2025 (Figure 3.7) but quickly recovered as a decline in export values to the United States were offset by rising exports to the rest of the world (Figure 3.6).

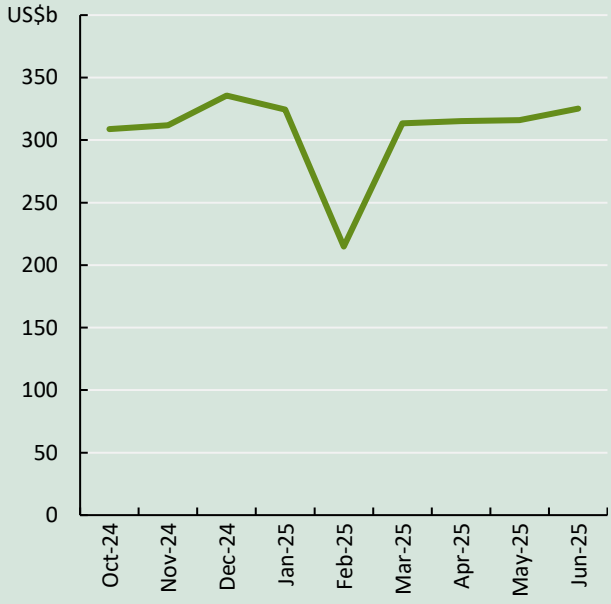
The RBA estimates that approximately half of China's exports to the United States prior to the April 1 tariff changes could be redirected to other markets with minimal impacts on global prices for those products. Chinese customs data to date highlights that Chinese exports to the ASEAN region have risen significantly, as supply chains realign in response to US tariffs and changes in global demand and export competitiveness. This is likely to ease consumer price pressures in ASEAN countries which – if realised, could support household spending and demand for Australian agricultural exports.

Figure 3.6 China's cumulative export growth by destination



Note: Growth rates are calculated using three-month moving averages of the change in a countries share of Chinese exports by value. October 2024 includes data for August, September and November 2024.
Source: General Administration of Customs, China; ABARES

Figure 3.7 Total monthly value of Chinese exports



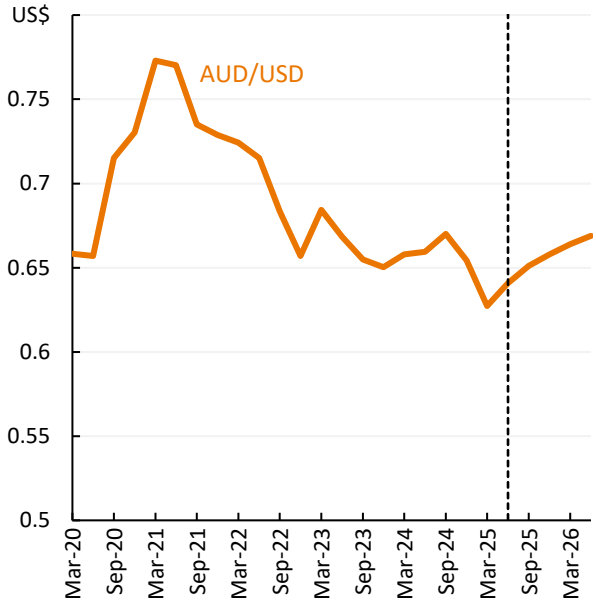
Source: General Administration of Customs, China; ABARES

Australian exchange rate to remain low in 2025–26

The Australian dollar is expected to rise by 2% to an average of US66 cents in 2025–26 (Figure 3.8). Market forecasters expect the rise in the Australian dollar to be somewhat subdued with the dollar remaining 4% lower than the 5-year average to 2024–25. Concerns surrounding US growth, trade uncertainty and declines in US Government bond yields have all contributed to weakening global demand for the US dollar and are expected to support the gradual rise in the Australian dollar throughout 2025–26.

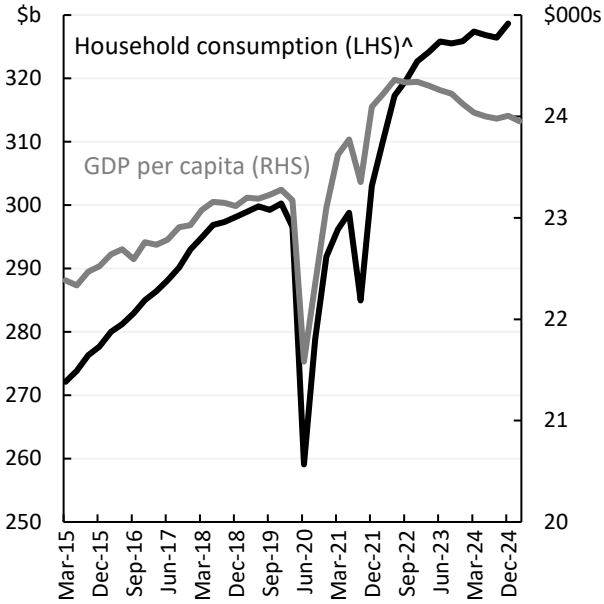
By contrast, rising global volatility may present a downside risk as this could result in increased capital flows to safe haven assets (gold) and currencies such as the US dollar, Euro and Swiss Franc, weighing on the Australian dollar.

Figure 3.8 Average quarterly AUD-USD exchange rate



Note: Data to the right of the dotted line indicate forecasts
Source: RBA

Figure 3.9 Household consumption and GDP per capita, quarterly chain volume measure



Note: Seasonally adjusted, chain volume measure; ^Final consumption expenditure.
Source: ABS

Rising household consumption to support domestic demand despite economic headwinds

The trend of recovering household consumption is expected to continue in 2025–26 supporting domestic demand for Australian agricultural commodities. Household consumption grew by 0.4% in March 2025 down from 0.7% in the December quarter 2024 (Figure 3.9). Broad-based increases across discretionary and essential spending categories have contributed to the rise in household consumption. However, GDP per capita fell by 0.2% in the March quarter 2025, the 7th quarterly fall in 2 years indicating that population growth rather than improved household incomes has been driving increases in consumption.

Recent escalations in trade tensions have had a limited impact on headline producer price inflation in Australia to date and many agricultural commodity prices have trended lower throughout 2025 (excluding livestock and fodder in drought-affected regions). Stable producer prices are expected to support domestic demand for agricultural commodities by agrifood producers.

In its August 2025 Statement, the RBA highlights that markets estimates of consumer **inflation** are expected to rise from 2.1% in the June quarter 2025 to 3.1% in June quarter 2026. However, the trimmed measure is expected to fall from 2.7% to 2.6% over the same period. This indicates that although trimmed inflation is expected to continue to ease, price volatility is expected to continue across some sectors.

Agricultural input costs fall but remain historically elevated

Prices for some agricultural inputs are expected to ease in 2025–26 but remain historically elevated. Trade barriers have created uncertainty and are driving a realignment of supply chains, which when combined with a lower growth outlook are expected to have a net deflationary effect globally, placing downward pressure on many input costs.

Oil prices are expected to fall in 2025–26 as subdued global growth limits crude oil demand at a time of heightened crude oil production (Figure 3.11). In the first half of 2025, OPEC nations increased

crude oil production resulting in global production growing faster than demand. In addition, US oil production increased to a new record in May 2025 (equal to the combined output of Russia and Saudi Arabia). This is likely to offset expected higher inflation with lower energy costs as the United States continues to pull out of renewable energy targets.

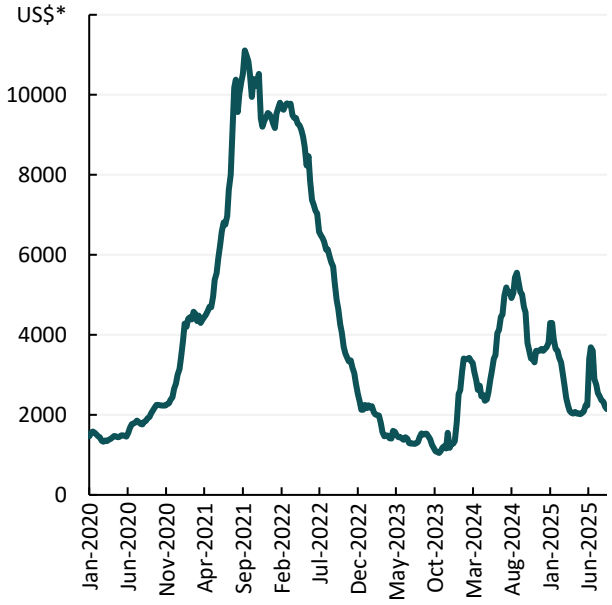
In contrast, **natural gas prices** have been somewhat volatile over the first half of 2025 and currently remain elevated due to supply disruptions and changing consumption patterns. Prices are expected to ease but remain elevated towards the end of 2025–26 as increased US production capacity comes online.

Elevated prices for natural gas and a lower Australian dollar are likely to increase the cost of producing and importing key **fertilisers** needed by Australian agricultural producers.

Global freight prices are forecast to continue their downwards trend in 2025–26 but remain above pre-pandemic levels (Figure 3.10). Escalating Sino-US trade tensions are driving a realignment of trade routes resulting in falling freight volumes. However, there is a risk that container availability on some routes will fall, driving higher prices as exports to the US (the largest consumer market in the world) fall.

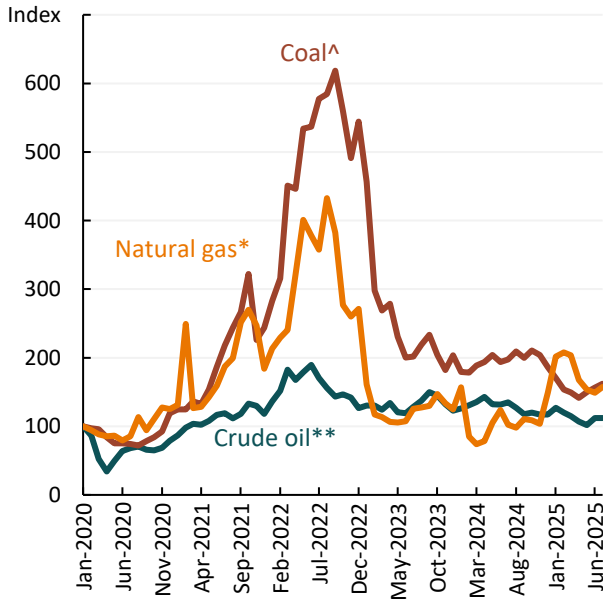
Labour availability pressures for Australian agriculture have continued to ease in 2025 with the number of Working Holiday Makers increasing by 21.5% in the year to May 2025. Labour availability issues are expected to ease further in 2025–26 as the number of temporary overseas workers continues to rise above pre-pandemic levels. Historically many (but not all) WHMs and PALM scheme workers have been employed in agriculture.

Figure 3.10 Average weekly global shipping container price



Note: *Price per 40-foot shipping container
Source: Freightos

Figure 3.11 Average monthly energy prices



Note: Index 100 = January 2020; ^From February 2022, thermal, f.o.b. Newcastle, 6000 kcal/kg futures price. From 2015 to January 2022, port thermal, f.o.b. Newcastle, 6000 kcal/kg spot price; *US spot price at Henry Hub, Louisiana; **Average spot price of Brent, Dubai and West Texas Intermediate.
Source: World Bank

4 Wheat

Amelia Brown

a US no. 2 hard red winter, fob Gulf.

Wheat

World wheat prices to fall reflecting increased global supply.

Key points

- Gross value of wheat production to fall by 4% to $11 billion in 2025–26, largely driven by lower prices.
- Value and volume of wheat exports to remain above average in 2025–26, with higher exportable supply.
- Australian wheat production to remain above historical averages reflecting improved seasonal conditions.
- World wheat production forecast to reach a new record in 2025–26, placing downward pressure on prices.

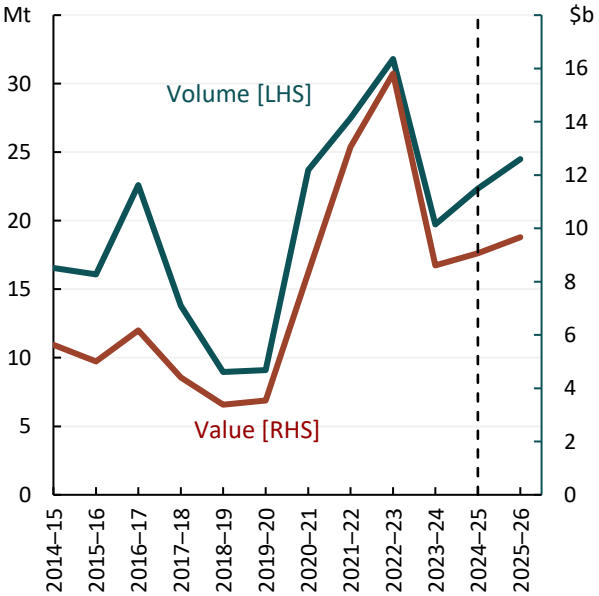
Value of production to fall driven by lower prices

The gross value of wheat production is forecast to fall by 4% to $11 billion in 2025–26, still estimated to be the fourth highest value on record. The expected fall in value is driven by slightly lower Australian production and easing global wheat prices.

- **Wheat production** is forecast to be lower year on year but remain well above the 10–year average – reflecting expected improved seasonal conditions in South Australia and Victoria, and excellent conditions in Western Australia, northern New South Wales and Queensland.
- **World prices** are expected to ease due to mostly favourable seasonal conditions in major producing countries resulting in record production.

The gross value of wheat production forecast for 2025–26 is $0.6 billion higher than expected in the *June 2025 Agricultural Commodities Report*. This largely reflects an upward revision to wheat production volumes given favourable conditions across most growing regions during winter.

Figure 4.1 Annual volume and value of Australian wheat exports



Note: Data to the right of the dotted line indicates a forecast.2024–25 data may be subject to ABS revision.
Source: ABARES; ABS

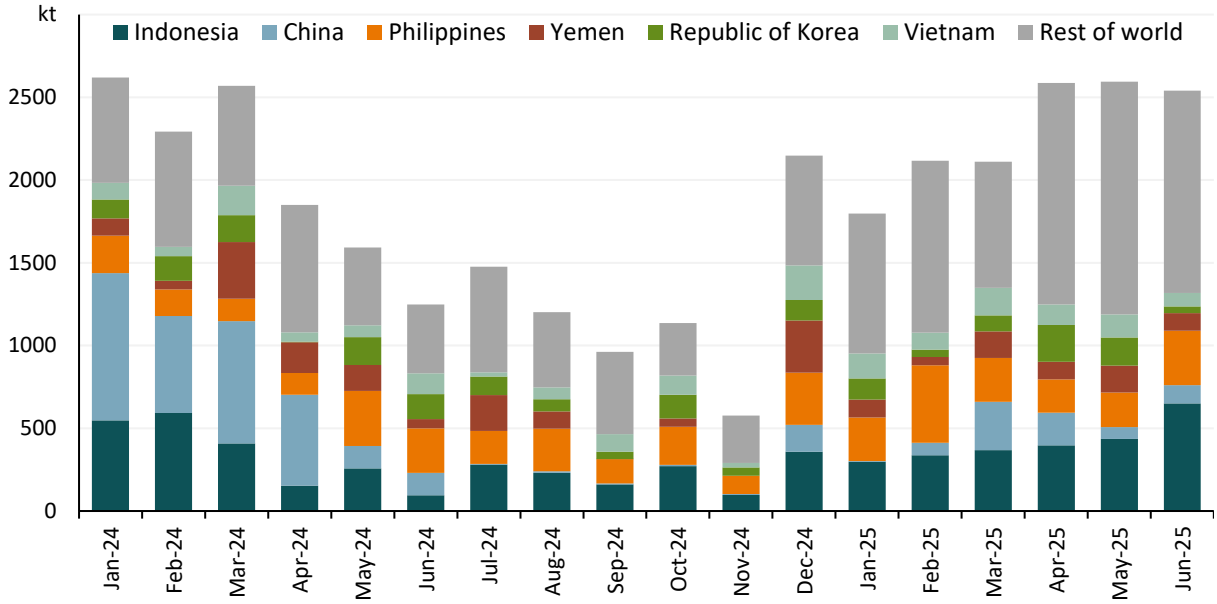
Increased export value reflects higher volumes

The value of Australian wheat exports is forecast to increase by 7% in 2025–26 to $9.7 billion (Figure 4.1), with lower prices forecast to be offset by higher export volumes. The exportable supply of wheat is expected to increase with high carryover stocks and well above average forecast production.

Australia's wheat exports to China have fallen 81% in the 2024–25 financial year, to below 1 million tonnes. Between 2021–22 and 2023–24, the average annual export volume to China was around 6 million tonnes. Despite the lack of demand

from China, Australian wheat exports to other key markets remain strong. After a relatively slow start to the marketing year, export volumes picked up in May and June to varied destinations including Indonesia, Philippines, Yemen, the Republic of Korea and Vietnam (Figure 4.2).

Figure 4.2 Australia's major wheat export destinations



Source: ABS

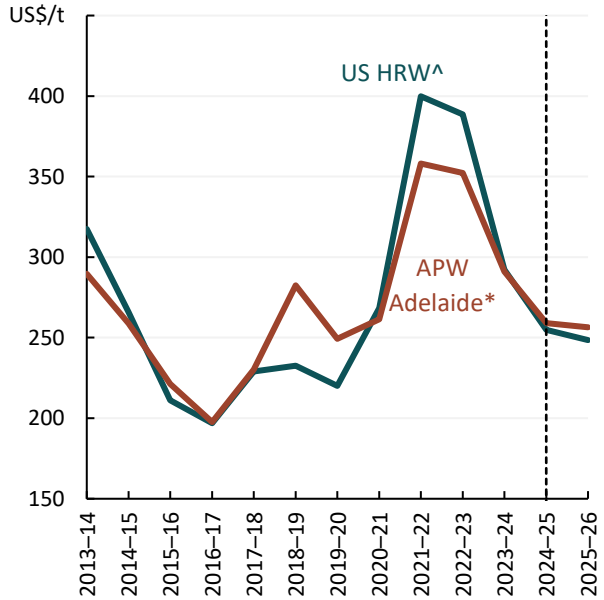
Australian **wheat export volumes** are forecast to increase by 10% in 2025–26 to 24.5 million tonnes, reflecting both high carryover stocks and well above average forecast production (Figure 4.1). Elevated production in Western Australia (Australia's largest exporting state) will likely support above average export volumes, provided robust demand from our major export destinations continues.

Lower prices reflect increased world supply

Australian wheat prices are expected to ease in line with international prices in 2025–26, largely reflecting increased supply in major exporting countries and a continuation of subdued import demand in key importing countries, particularly China.

Over the last six months, seasonal conditions in most major producing countries in both the northern and southern hemisphere have allowed for average to above average grain production which has boosted global supply – including record global corn production – which is weighing on prices. Importing countries are not having to compete for grain supply and have been able to relax their purchasing patterns, with smaller more frequent purchases. This is likely to continue into the second half of 2025 as the northern hemisphere harvest progresses under favourable conditions and southern hemisphere production prospects remain favourable. The Australian wheat export price (Australian Premium White) and

Figure 4.3 Average annual wheat indicator prices



Note: Data to the right of the dotted line indicate forecasts.
*Australian premium white wheat, fob Port Adelaide, South Australia. ^US no. 2 hard red winter wheat, fob Gulf.
Source: ABARES; International Grains Council

world wheat indicator price (US no.2 Hard Red Winter wheat) are forecast to both fall by around 3%, averaging $389 and US$249 per tonne, respectively (Figure 4.3).

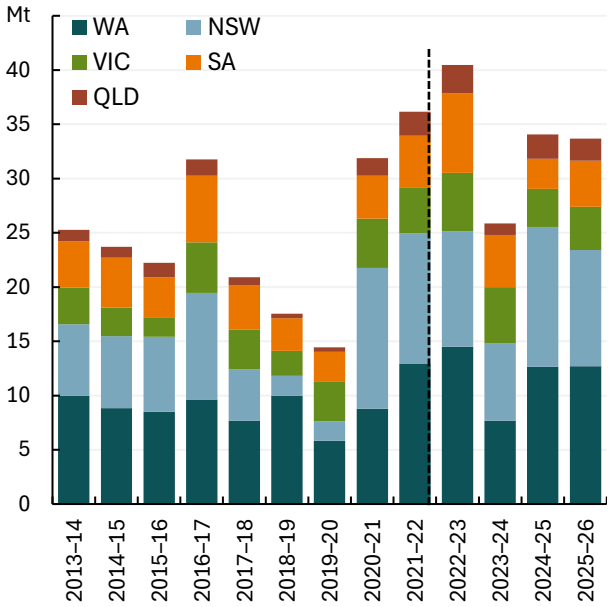
Above average Australian wheat production

In 2025–26, **wheat production** is forecast to fall 1% to just under 34 million tonnes, 22% above the 10–year average to 2024–25 (Figure 4.4). Area planted to wheat in 2025–26 is estimated to have been 3% lower at 12.7 million hectares, reflecting a dry and sporadic start in some major cropping regions.

Above average July rainfall across South Australia and Victoria has significantly improved what was shaping up to be a very poor season after prolonged dry conditions but further rainfall in early spring will be crucial to maintain current yield potential with crop development 3–4 weeks behind average in many regions.

Wheat production in Western Australia is forecast to be marginally higher year on year and if realised will be the third largest wheat crop on record, reflecting excellent late winter rainfall and a largely neutral spring rainfall outlook. The winter cropping season in northern New South Wales and Queensland has been favourable with yields forecast to be above average. However, across parts of central and southern New South Wales, ongoing dry conditions mean that timely spring rainfall will be crucial for current yield forecasts to be realised.

Figure 4.4 Annual Australian wheat production by state



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

World production expected to be record high

In 2025–26, world wheat production is forecast to increase to a record 807 million tonnes, driven by increased production in major exporting countries including Argentina, the European Union and the Russian Federation, more than offsetting expected falls in Australia, Ukraine and the United States.

- Wheat production and exports in **Argentina** are expected to recover further in 2025–26. Sowing is now complete with conditions generally favourable. However, some regions have been impacted by flooding. Production is forecast to increase by 6% to 19.7 million tonnes, reflecting both an increase in area sown and higher yields.
- **EU** production is expected to rebound 13% to 138 million tonnes, with wheat yields estimated to be well above average after a favourable season.
- Wheat harvest in the **Russian Federation** is progressing steadily after a slow start, with production forecast to increase 2% to 83.5 million tonnes.
- Production in the **United States** is forecast to be down 2% at 52 million tonnes, reflecting a drop in area planted. The harvest of winter wheat is almost complete, while the spring wheat harvest is ongoing with crop conditions rated well below the previous season.
- Wheat production in the **Ukraine** is expected to be down 6% at 22 million tonnes, despite an increase in area planted, as dry seasonal conditions negatively impacted yields**.**

World demand to increase to record high

World wheat consumption is forecast to increase 1% to a record high 810 million tonnes in 2025–26. This reflects an increase in food consumption and a marginal increase in feed use. The growth in feed use is expected to be relatively flat due to increased substitution with corn as abundant world supply makes it more competitive.

World import demand is expected to recover in 2025–26. Global wheat trade is forecast to increase by 3% to 208 million tonnes, driven by an increase in expected purchases by China, North Africa, Indonesia and Turkey after subdued import volumes in 2024–25. This increase is expected to be partially offset by a 39% decrease in wheat imports by the European Union, to 6.5 million tonnes. The fall reflects a recovery in domestic production and the reinstatement of import quotas for wheat imports from the Ukraine.

Opportunities and challenges

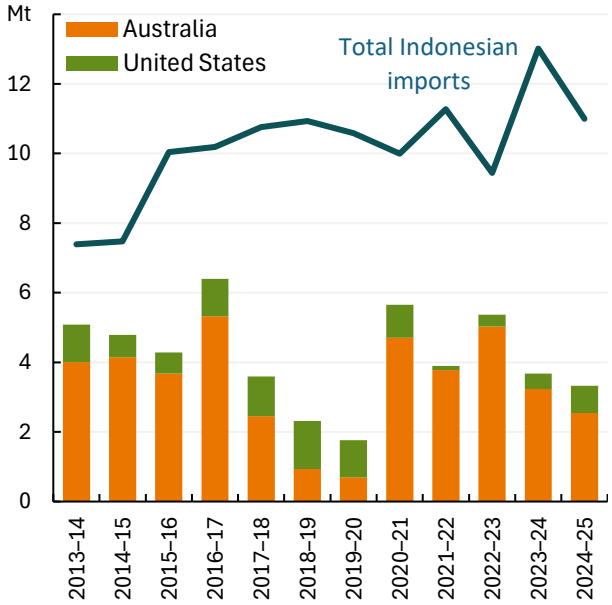
US trade deals with some of Australia's largest export destinations

In July 2025, Indonesia and Vietnam reached new trade agreements with the United States. Under the agreements, US exports will incur zero tariffs for nearly all agriculture products, while exports from Indonesia to the United States will face a 19% tariff and from Vietnam, 20%. Indonesia and Vietnam are key export destinations for Australian wheat and are price sensitive markets.

Australia is one of Indonesia's largest wheat suppliers, averaging 35% of Indonesia's annual wheat imports from 2013–14 to 2024–25 (Figure 4.5). The US share of Indonesia's wheat imports was 8% on average over the same period and in 2024–25, US wheat exports to Indonesia totalled 781 thousand tonnes (US marketing year). Under the trade deal, Indonesia is expected to commit to purchase a minimum of 1 million tonnes of US wheat annually from 2026 to 2030. Given Indonesia's stable demand for Australian wheat, an increase in wheat imports from the United States of around 200 thousand tonnes (relative to the 2024–25 level) is unlikely to significantly reduce Australia's market share. This is also supported by rising Indonesian wheat imports which are forecast to increase by 1 million tonnes in 2025–26.

Vietnam is the fifth largest market for Australian wheat, accounting for 9% of Australian wheat exports on average. Australia is Vietnam's largest wheat supplier. Over the last 10 years, Australia has supplied 40% of Vietnam's total wheat imports on average, with 2022–23 reaching a share of 75%. Australia exports 1.7 million tonnes of wheat to Vietnam each year on average. By contrast, the US share of Vietnam's wheat imports is 8% on average (341 thousand tonnes). In 2024–25 (US marketing year), US wheat exports to Vietnam increased to 622 thousand tonnes, 12% of Vietnam's estimated annual imports of 5.3 million tonnes. Despite the new deals, Australian exporters are well placed geographically to be price competitive relative to US exports.

Figure 4.5 Annual Indonesian wheat imports by country



Note: Data for 2024–25 still subject to revision.
Source: UN Comtrade

5 Coarse grains

Amelia Brown

b France feed barley, fob Rouen.

Barley

World barley prices to fall due to increased global grain supply.

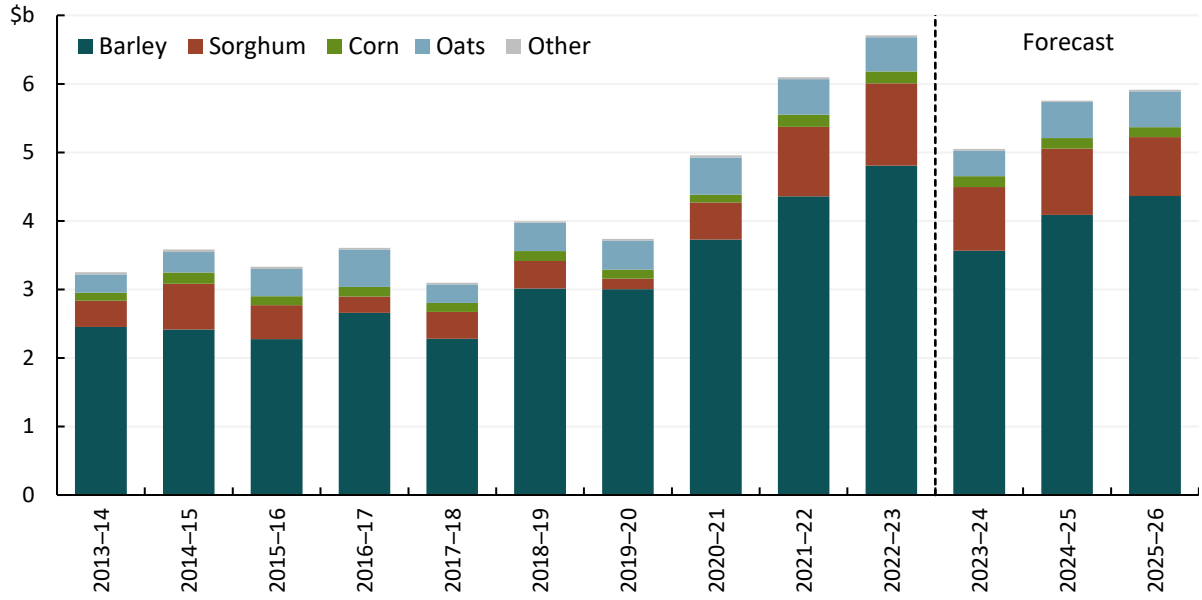
Key points

- Gross value of barley production to increase 7% to $4.4 billion in 2025–26 due to increased production.
- Gross value of sorghum production to decrease 11% to $862 million reflecting lower prices.
- Australian coarse grain production to remain above the long–term average supported by favourable seasonal conditions.
- Despite strong demand, record global coarse grain production is weighing on prices.
- Coarse grain export volume and value to increase in 2025–26, remaining well above long–term averages.

Gross value of production to increase

The **gross value of barley production** is forecast to increase by 7% in 2025–26 to $4.4 billion, reflecting higher levels of domestic production, which are forecast to be partially offset by lower barley prices. While the **gross value of sorghum production** is forecast to fall 11% to $862 million (Figure 5.1), with increased production offset by lower prices.

Figure 5.1 Annual value of coarse grain production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

The gross value of barley production forecast for 2025–26 is $259 million higher than expected in the *June 2025 Agricultural Commodities Report*. This largely reflects an upward revision to barley production volumes, due to favourable climatic conditions during winter in major barley growing regions and a positive spring rainfall outlook. The gross value of sorghum production is $71 million

higher than forecast in *June 2025 Agricultural Commodities Report*, reflecting the positive spring rainfall outlook, which at this early stage is expected to boost the area planted to sorghum.

Value of barley and sorghum exports to increase

The **value of barley exports** is forecast to rise by 1% to $3.1 billion in 2025–26, with an increase in export volumes, partially offset by lower export unit values. The **value of sorghum exports** is forecast to increase by 23% to $1.1 billion. Despite strong export demand for Australian coarse grains, increased global supply of both corn and barley is placing downward pressure on world feed grain prices.

China remains Australia's largest barley export destination taking 73% of total volume in the 2024–25 financial year, with smaller volumes going to Japan (8%) and Mexico (3%) (Figure 5.2). Exports to China are expected to remain strong in 2025–26 despite ongoing trade uncertainty in relation to US tariffs (see *Economic outlook*).

China is also the largest export destination for Australian sorghum, accounting for 93% of total export volume in the 2024–25 financial year (Figure 5.3). Strong Chinese import demand for Australian sorghum reflects Chinese tariffs on US sorghum – Australia's biggest competitor – which has kept Australian sorghum values elevated throughout the first half of 2025.

Figure 5.2 Australian barley exports by major destination

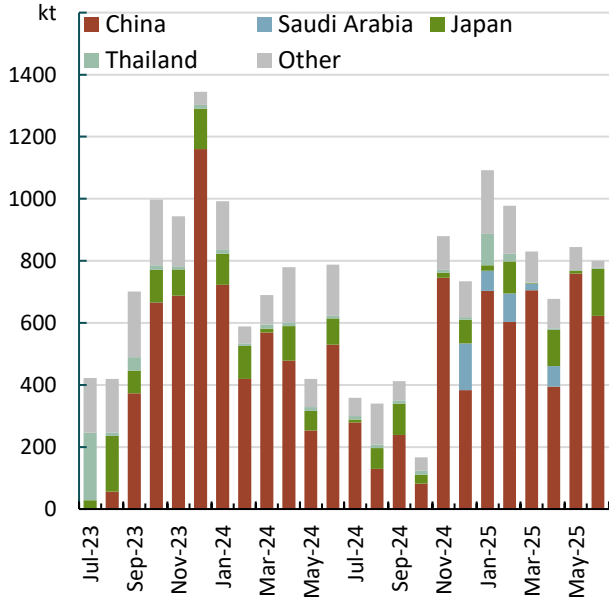
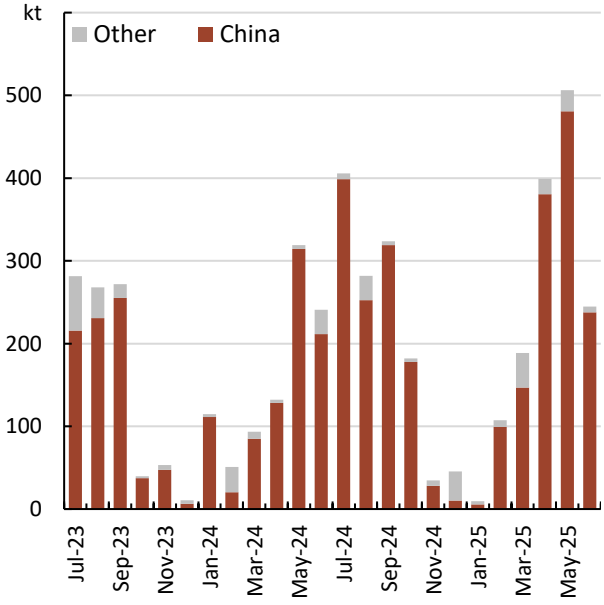


Figure 5.3 Australian sorghum exports by major destination



Source: ABS

Price pressure across all coarse grains

Australian coarse grain prices are forecast to fall in 2025–26, reflecting a forecast increase in both domestic and global coarse grain supply. Record global corn production is expected to place downward pressure on the prices of all coarse grains, including barley. Domestic feed demand is expected to be slightly lower in 2025–26 due to improved seasonal conditions across southern New South Wales, Victoria and South Australia, although cattle on feed numbers are expected to remain at record levels.

The ongoing uncertainty around tariffs is impacting global trade flows, with Australia currently benefiting from tariff free access to China, while US exports and prices have softened throughout the first half of 2025. However, global prices are expected to remain relatively strong in historical terms,

supported by robust global demand for animal feed and growing global demand for biofuels. Over 2025–26:

- The world indicator price for corn (fob Gulf, US) is forecast to decrease by 2% to average US$195 per tonne (Figure 5.4).
- The world indicator price for barley (fob Rouen, France) is forecast to fall by 2%, averaging US$215 per tonne (Figure 5.4).
- The world indicator price for sorghum (fob Gulf, US) is forecast to decrease by 3% to average US$220 per tonne (Figure 5.4).
- The Australian feed barley price (Geelong feed) is forecast to average 2% lower at $305 per tonne (Figure 5.5).
- The Australian malting barley price (Geelong malting) is forecast to fall by 2% to average $315 per tonne (Figure 5.5).
- The Australian sorghum price (Brisbane sorghum) is forecast to fall 2% averaging $355 per tonne (Figure 5.5).

Figure 5.4 Average annual global coarse grain export prices

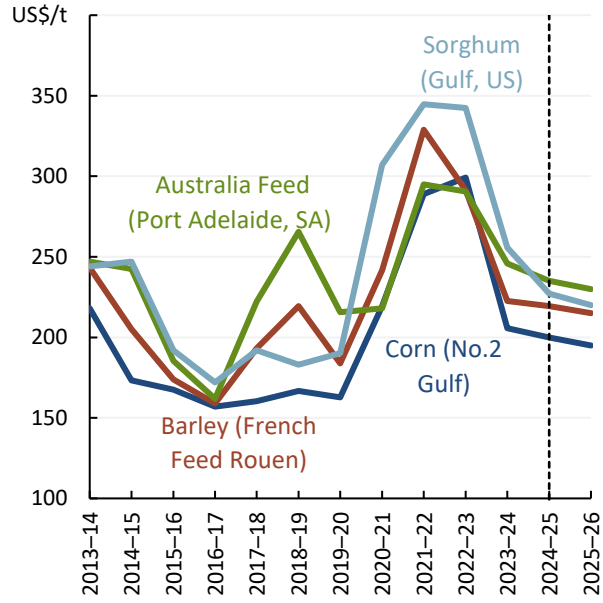
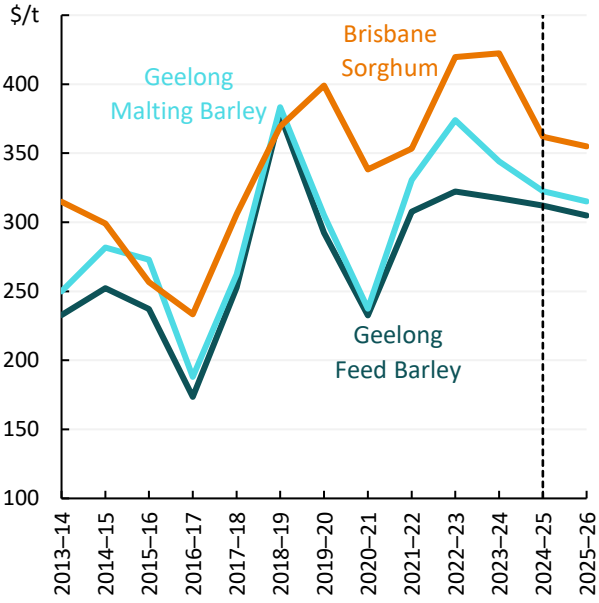


Figure 5.5 Average annual Australian domestic export prices



Note: Data to the right of the dotted line indicate forecasts.2024–25 data is subject to ABS (and other?) revisions.
Source: ABARES; IGC; Jumbuk AG

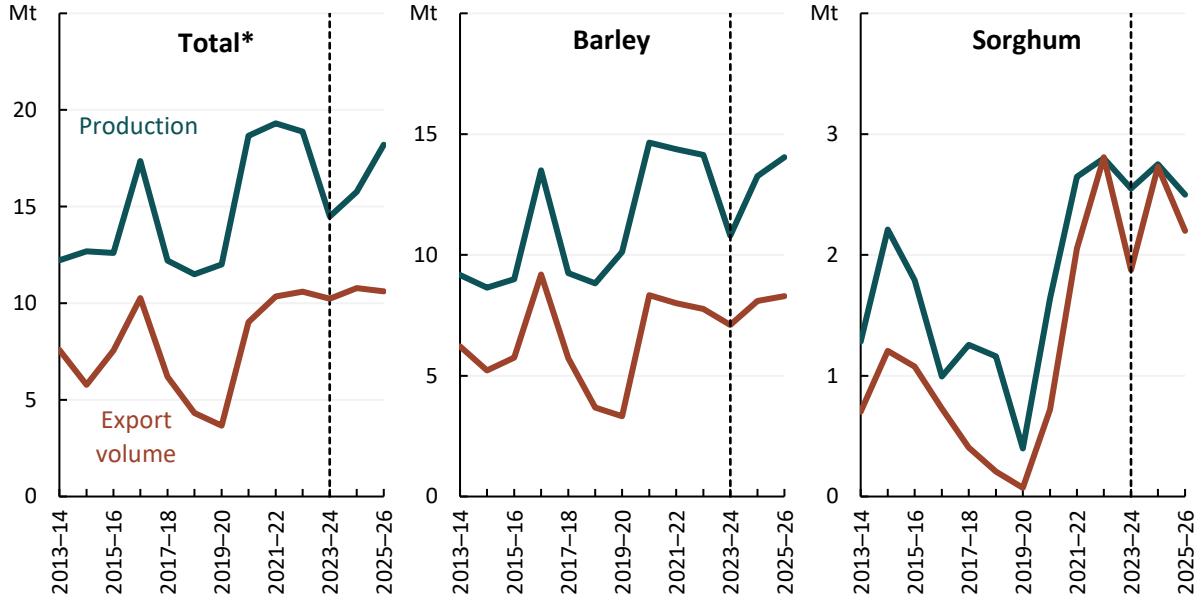
Australian production to increase

Australian barley production is forecast to increase by 10% to 14.5 million tonnes in 2025–26, approximately 23% above the 10–year average (Figure 5.6). The forecast increase in production is being driven by an increase in the area planted to barley after a dry and sporadic start to the season across southern cropping regions, combined with an improvement in seasonal conditions throughout winter. Conditions in Western Australia, northern New South Wales and Queensland are excellent, which has boosted yield potential. Conditions in South Australia and Victoria have improved throughout winter but spring rainfall will be critical for current yield forecasts to be realised (see *Seasonal conditions*).

Area planted to barley is estimated to have increased by 3% to 4.8 million hectares in 2025–26, reflecting a favourable start to the season in southern Western Australia, northern New South Wales and Queensland. Barley's ability to be planted later in the growing season and its resilience to drier conditions compared to other crops allowed some additional planting in South Australia, Victoria and southern New South Wales after a reduction in area planted to canola.

Area planted to grain sorghum is forecast to increase by 3% to 602 thousand hectares in 2025–26, 16% above the 10–year average to 2024–25. The positive rainfall outlook for spring coupled with above average levels of stored soil moisture in northern New South Wales and southern Queensland is expected to incentivise planting. However, sorghum area planted will ultimately depend on the timing of winter crop harvests and soil moisture during the planting window. At this early stage, average yields are forecast to be below last season's record, with production currently forecast to be down 9% year on year at 2.4 million tonnes.

Figure 5.6 Annual coarse grains production and export volume



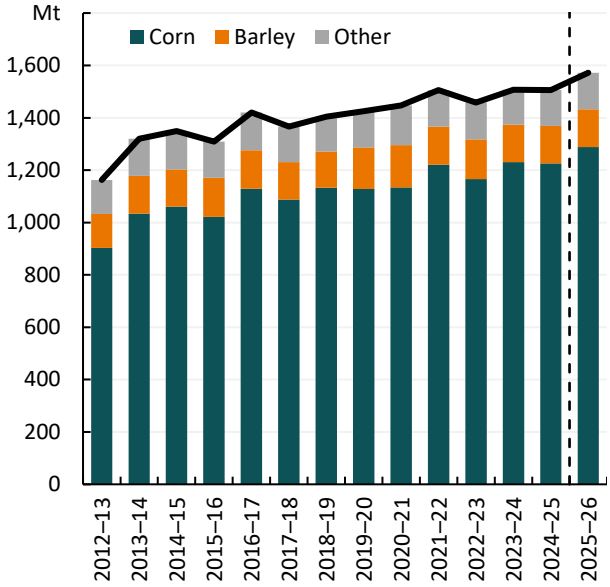
Note: Data to the right of the dotted line indicate estimates and forecasts. *Total coarse grains includes barley, sorghum, corn, oats and triticale.
Source: ABARES; ABS

Record global production boosts coarse grains supply

World coarse grain production is projected to reach a record 1.57 billion tonnes in 2025–26, surpassing the previous record set in 2023–24 (Figure 5.7). Increased barley production in the European Union and Australia, and higher corn and sorghum production in the United States, is expected to more than offset lower corn production in the EU and lower barley production in Turkey and Ukraine.

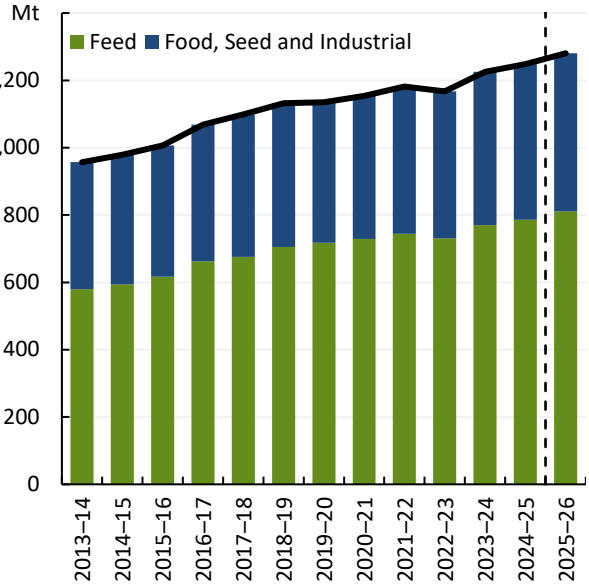
World barley production is expected to increase by 1% to 144 million tonnes in 2025–26 but remain below the 5–year average. Barley production in the **European Union** is expected to improve by 8% in 2025–26, to around 53 million tonnes, reflecting above average yields for both winter and spring crops. Barley production in the **Russian Federation** is expected to rebound by 9% to 17.8 million tonnes, while production in Ukraine is forecast to decrease by 5% to 5.5 million tonnes. Barley production in Turkey is forecast to fall by 13% to 6.1 million tonnes and in Canada, production is expected to slightly higher year on year, at around 8 million tonnes.

Figure 5.7 Global production of coarse grains



Note: Data to the right of the dotted line indicate forecasts.
Source: USDA

Figure 5.8 Global consumption of corn



Note: Data to the right of the dotted line indicate forecasts.
Source: USDA

World corn production is expected to increase by 5% to a record 1.29 billion tonnes in 2025–26, with increased output in most major producers. Corn production in the **United States** is forecast to increase by 13% to a record 425 million tonnes, reflecting both an increase in the area planted and record yields. Corn production in **China** is expected to increase marginally to 295 million tonnes, just surpassing last year's record and in **Argentina** production is forecast to be up 6% at 53 million tonnes. Corn production in the **European Union** is expected to fall 2% year on year at 58 million tonnes, with recent hot and dry seasonal conditions impacting yield potential. Corn production in **Brazil** is forecast to fall marginally in 2025–26 but remain well above the five–year average at 131 million tonnes.

Record high global coarse grains demand

Global consumption of coarse grains is expected to rise by 2%, surpassing last year's record at 1.56 billion tonnes across food, seed, industrial, and feed complex. Feed use is forecast to increase by 3% to 970 million tonnes, while food, seed and industrial use is expected to increase by 1% to 595 million tonnes. Corn consumption makes up 82% of total coarse grains consumption and is expected to increase by 2% to 1.3 billion tonnes.

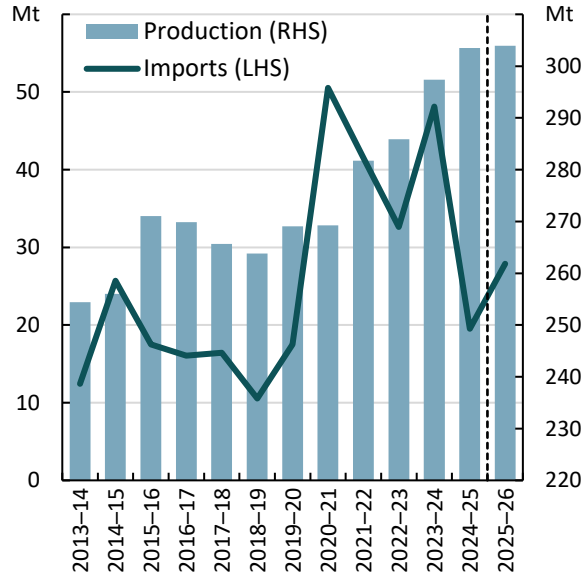
China continues to be the largest consumer of coarse grains, significantly influencing global feed demand and trade flows. China's imports of coarse grains fell 59% in 2024–25 to their lowest level since 2019–20, reflecting increased domestic corn production and a draw down on accumulated corn stocks (Figure 5.99). Over 70% of China's coarse grains consumption is for feed use which is expected to increase in 2025–26, and while imports are forecast to increase to around 28 million tonnes, this is well below volumes imported in the previous 4 years.

Corn consumption in the United States is expected to increase by 4% in 2025–26 to around 332 million tonnes, with feed consumption forecast to be up 7% and food, seed and Industrial use up 2%, reflecting the significant increase in domestic supply and relatively low domestic prices. Exports are forecast to increase by 2% to a record 73 million tonnes.

Growth in **corn–based ethanol production** in Brazil and India is expected to push global consumption higher. Brazil's ethanol blending mandate increased from 27% to 30%, taking effect on 1 August 2025, with industrial corn use forecast to increase 8% (Figure 5.10) In India, an ethanol blending target of 20% is expected to be reached by the end of 2025, up from 12% in early 2024. The increase in Indian corn demand is being met with increased corn imports.

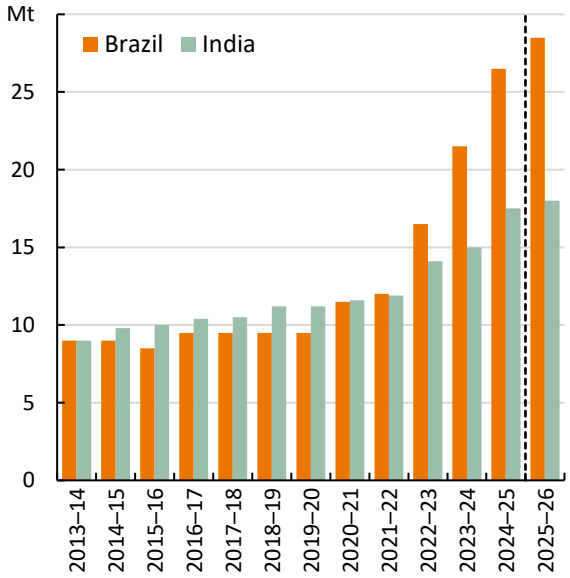
Global consumption of barley is expected to decrease by 1% to 145 million tonnes, reflecting lower feed consumption due to abundant corn supply. Food, seed and industrial consumption is expected to remain relatively stable at around 46 million tonnes.

Figure 5.9 China coarse grain production and imports



Note: Data to the right of the dotted line indicate forecasts.
Source: USDA

Figure 5.10 Industrial use of corn in Brazil and India



Note: Data to the right of the dotted line indicate forecasts.
Source: USDA

Opportunities and challenges

US tariffs and their impact on trade flows

Since January 2025, the US government has announced several new or increased import tariffs, with some countries including China announcing retaliatory measures. Timelines, rates and deals for tariff implementation have varied significantly since the start of this year, generating uncertainty in global markets. China is the world's largest net importer of sorghum and barley, largely sourcing imports from Australia, Canada and the United States. While potential trade deals have the capacity to alter global trade flows, steady import demand for barley and sorghum – especially from China – provides a positive outlook for Australian exports. Steady world population growth and rising incomes in developing economies continue to support grain demand. However, softer global economic activity given trade policy uncertainties as well as the increasing push for Chinese grain self–sufficiency pose downside risks to the outlook for global grain demand.

Seasonal conditions and their impact on global supply of coarse grains

Seasonal conditions over the last 12 months have been generally favourable in both the northern and southern hemisphere, which has meant crop production volumes are forecast to increase further in 2025–26. Historically, there is usually at least one region in either the northern or southern hemisphere where area planted and or grain yields are negatively impacted by poor seasonal conditions. This has not been the case over the last 12 months, with most major producers and

exporters producing a close to average or above average crop. Despite geopolitical issues having short term impacts on prices, the increase in supply has meant that consumers have not had to compete for grain, which has sent prices lower. Despite increased production, the balance sheet is historically tight which means that any deterioration in seasonal conditions in a major producing region in the coming months should be supportive of prices.

6 Oilseeds

Anu Edirisuriya

c Canola, Canada, fob Vancouver.

Canola

World canola price to rise due to robust demand.

Key points

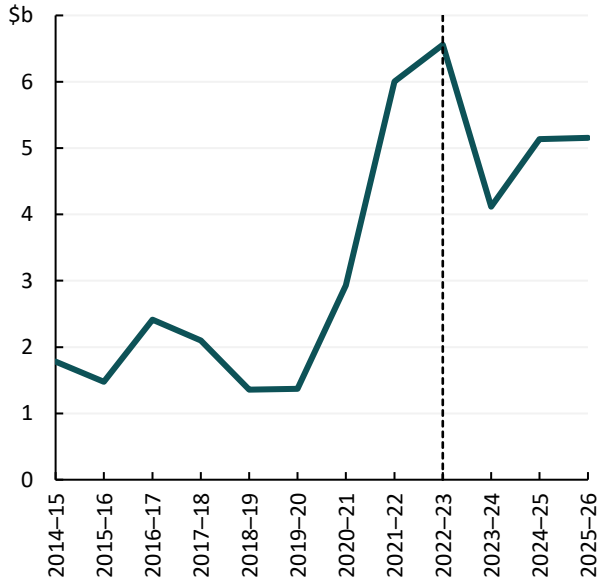
- Gross value of Australian canola production to rise marginally to $5.2 billion in 2025–26.
- Value and volume of Australian canola exports to rise in 2025–26, supported by global demand.
- US biofuel demand supporting global canola prices.
- Australian canola prices forecast to rise marginally in 2025–26, averaging $760 per tonne.

Value of Australian canola production to see a slight increase in 2025–26

The **gross value of Australian canola production** is forecast to rise marginally to $5.2 billion in 2025–26 (Figure 6.1). Despite drier conditions at the time of sowing leading to a smaller area planted for canola, subsequent rainfall has improved yield potential, supporting a forecast of steady production in 2025–26. In addition, demand-driven price increases are also expected to contribute to an overall increase in production value in 2025–26.

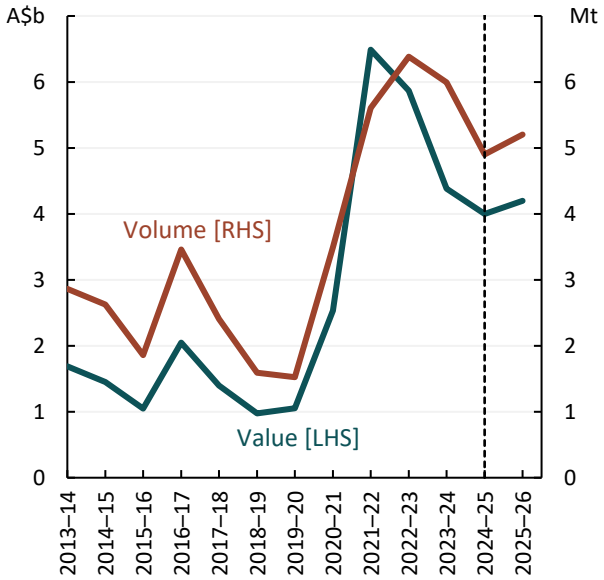
The gross value of production for 2024–25 and 2025–26 has been revised up following the latest ABS trade data, which was higher than expected. This recent data, along with improved seasonal conditions and prices, has led to a significant upwards revision of around $1 billion to the forecast value of canola production for both years since the *June 2025 Agricultural Commodities Report*.

Figure 6.1 Annual gross value of Australian canola production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Figure 6.2 Value and volume of annual canola exports

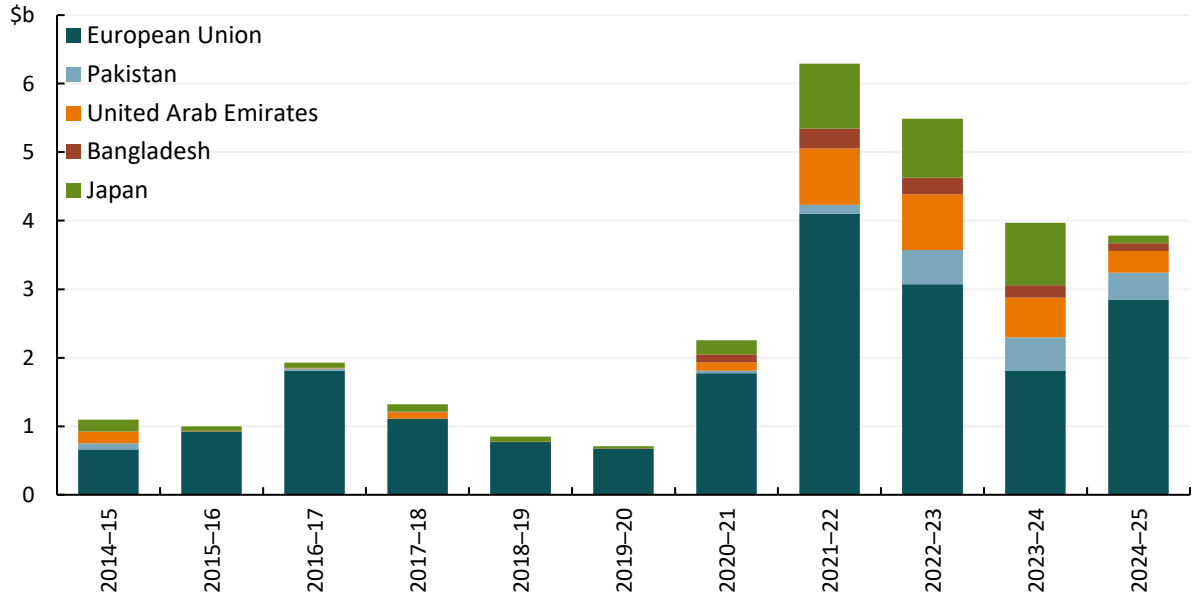


Note: Data to the right of the dotted line indicates forecasts. 2024–25 data may be subject to ABS revision.
Source: ABARES; ABS

Value and volume of Australian canola exports to increase in 2025–26

The **value of Australian canola exports** is forecast to increase by 5% to $4.2 billion in 2025–26 (Figure 6.2). **Export volumes** are projected to increase by 6% to 5.2 million tonnes, driven by steady production and a small increase in Australia's exportable supply. **Export prices** for Australian canola are expected to increase, driven by relatively tight supply, and ongoing strong demand from key markets such as the European Union. Demand from Pakistan is also expected to remain strong following a reopening of this market in April 2025 following a two-month suspension due to fumigation issues (Figure 6.3).

Figure 6.3 Australian canola exports by major export destinations



Note: 2024–25 data may be subject to ABS revision.
Source: ABS

Global oilseed prices poised to increase amid trade volatility

Soybean prices set to increase in 2025–26 amid steady demand

Favourable seasonal conditions in both the US and key growing regions of South America are supporting global soybean production. Despite a larger soybean crop forecast for **Brazil** and a sizeable crop in the **US**, increased global demand for oilseeds (driven in part by the US EPA's proposed Renewable Volume Obligations – see *Opportunities and challenges*) is anticipated to push prices slightly higher compared with 2024–25. The Brazil (Paranagua) soybean price is forecast to increase in 2025–26, rising by 1% compared to 2024–25. This is driven by strong demand from China and also Brazil, following a decision to increase their biodiesel blend to 15% from 1 August 2025 – which will strengthen Brazil's domestic soybean crushing activity.

Canola prices to climb in 2025–26 as global volatility persists

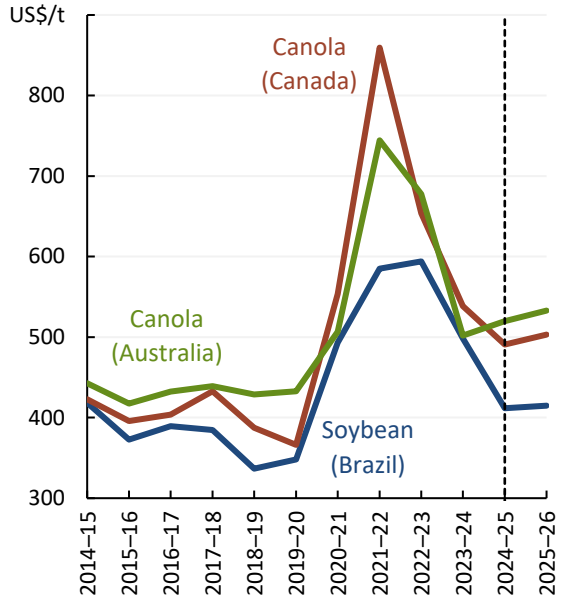
The **Australian canola (Melbourne delivered) price** is forecast to increase marginally to $760 per tonne in 2025–26, compared to $758 per tonne in 2024–25. The **Australian canola export (Kwinana, fob) price** is forecast to increase to an average of US$533 per tonne, rising 3% from 2024–25 (Figure 6.4). The **Canadian (Vancouver) price** (ABARES' world indicator price) is also forecast to rise in 2025–26, up by 3% to US$503. Global canola prices are expected to rise primarily because of increased demand, which is expected to lead to tight global stocks. This marks a sharp contrast to the first half

of 2025, when oilseed prices remained subdued amid uncertainty surrounding US biofuel policy and global market conditions.

Canola prices are expected to remain volatile in 2025–26, amid ongoing instability in global trade dynamics (see *Economic outlook*):

- Tensions in **the Middle East** remain a particular watch point, influencing oilseed prices through their impact on crude oil prices and links to biofuel demand and price.
- **Global fertiliser prices** are expected to rise as Iran, a major producer of urea and ammonia, ceased most of its production due to regional instability and conflict-driven disruptions. Although it is uncertain if this situation will persist, it remains an important factor to consider regarding market volatility in 2025–26.
- **Canada's strong export pace** is contributing to increased volatility in the global canola market, largely due to expectations of tightening canola supplies in Canada.
- **Sizeable soybean harvests in Brazil and the US** will increase the supply of a competing oilseed, and due to substitution, may potentially introduce some price volatility in the canola market in 2025–26.

Figure 6.4 Average annual export prices for canola and soybeans



Note: Data to the right of the dotted line indicate forecasts.
Source: ABARES; International Grains Council

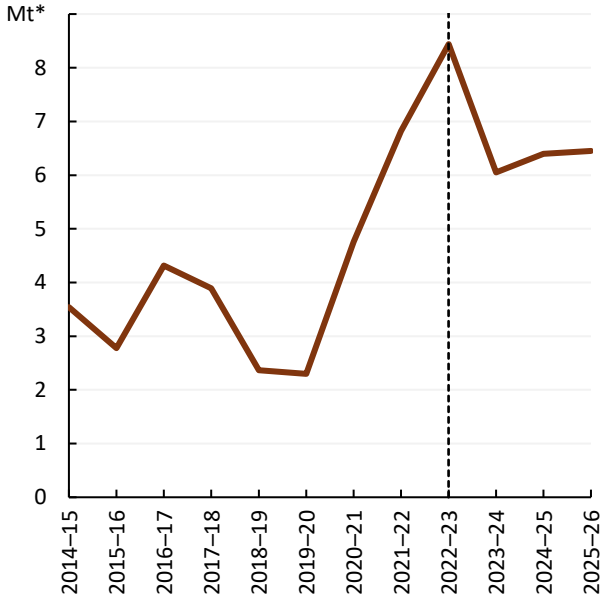
Australian canola production to increase slightly in 2025–26

In 2025–26, **Australian canola production** is forecast to increase marginally to 6.4 million tonnes, which is 34% above the 10-year average to 2024–25 (Figure 6.5). Despite a relatively dry start to the production season, with the El Niño–Southern Oscillation (ENSO) currently forecast to remain neutral, the 2025–26 growing season is generally expected to be average overall for Australian canola growers.

The **total area planted to canola** is forecast to fall by 2% to 3.4 million hectares in 2025–26 (Figure 6.6) driven by reduced planting in southern New South Wales, Victoria and South Australia due to dry conditions and low soil moisture level profiles at the time of sowing. This led some growers to switch from canola to less input-intensive crops such as lentils. However, the decrease in area planted in eastern states is forecast to be largely offset by an increase in area planted in southern Western Australia, where conditions were favourable at the time of planting (see *Australian Crop report*).

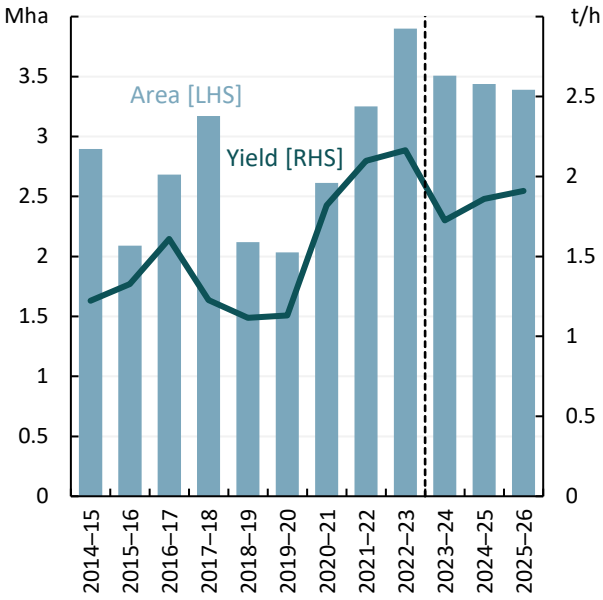
Canola yields are forecast to rise by 3% to 1.9 tonnes per hectare in 2025–26, supported by above-average rainfall in July across key canola cropping regions in Western Australia, Victoria and South Australia promoting crop germination and establishment. The Bureau of Meteorology's climate outlook (September to November), released on 14 August 2025, indicates that spring rainfall is likely to exceed median levels across canola-growing regions in Victoria and South Australia, with average to below average rainfall expected in Western Australia. If realised, these conditions are expected to support current yield prospects (see *Seasonal conditions*), resulting in forecast yields 17% above the 10-year average to 2024–25 (Figure 6.6).

Figure 6.5 Annual Australian canola production



Note: Data to the right of the dotted line indicates estimates and forecasts. *Million tonnes.
Source: ABARES; ABS

Figure 6.6 Annual Australian canola area, and yield



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Global oilseed production to increase

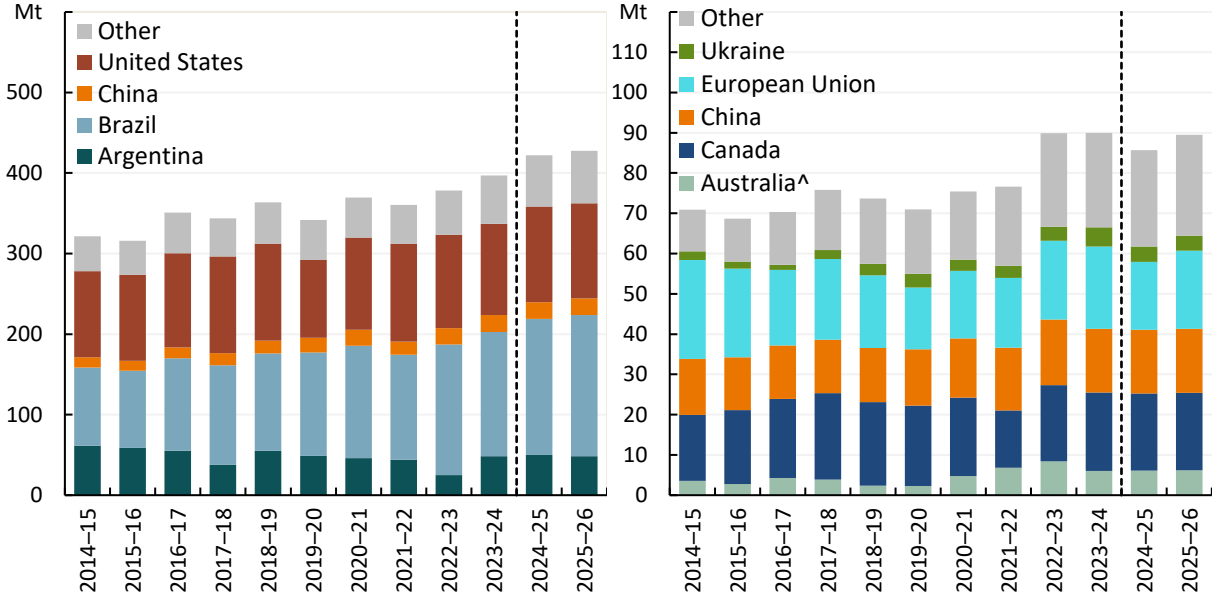
In 2025–26, **global oilseed production** is forecast to increase by 2% to 693 million tonnes, driven by the European Union's expected recovery in canola production, and an increase in Brazil's soybean production. After a poor start, Canada's canola production is now expected to increase after an improvement in seasonal conditions.

Global soybean production is expected to increase by 1% to 428 million tonnes in 2025–26 primarily driven by increased soybean production in Brazil (Figure 6.7). Government mandates are fuelling substantial growth in biodiesel and renewable diesel production, which is ensuring increased demand for soy-oil, a major feedstock used in biodiesel production.

Global canola production is expected to increase by 5% in 2025–26, reaching 90 million tonnes (Figure 6.7):

- Canola production in the **European Union** is forecast to rise by 15% to 20 million tonnes in 2025–26. This growth is supported by strong yield potential across key growing regions, including Romania, despite drought challenges in north–western Europe. The anticipated rise in European Union canola production is more than offsetting declines in Ukraine.
- **Canadian** canola production is estimated to reach 19 million tonnes in 2025–26, a marginal year-on-year increase. This increase reflects expectations of above average canola yields, despite a 2% reduction in the area planted to 8.6 million hectares.
- **Ukrainian** canola production is expected to decline year-on-year, driven by a reduction in area planted, ongoing conflict and adverse weather conditions.

Figure 6.7 Global soybean (left) and canola (right) production by country



Note: Data to the right of the dotted line indicate forecasts. 2025–26 forecast is USDA forecast in marketing years for each country. ^Australian production is USDA data and may not align exactly with ABARES historical and forecast series.
Source: USDA

Oilseed consumption projected to grow

Global oilseed consumption is forecast to grow by 3% to 689 million tonnes in 2025–26, driven by continued growth in key markets which use oilseed meal for animal feed, and oil for food applications and biodiesel production. Higher domestic oilseed crush volumes are anticipated for Canada and the European Union, and soybean crush is expected to increase in Brazil and China. Additionally, Ukraine and the European Union are forecast to see a significant increase in sunflower seed crushing, due to higher supplies and competitive prices.

Food demand

China's food use consumption of soybeans is projected to rise by 5% to 18.5 million tonnes in 2025–26. While consumption growth has traditionally aligned with population growth, China's population has now declined for a third consecutive year. Despite this, shifts in consumer food preferences are expected to continue driving higher soybean consumption. Approximately 20% of all soybeans are used in the production of fresh soy-based foods, such as tofu, tofu jelly, and tofu pudding. Additionally, soybeans are increasingly being used in ice cream and health products in the Chinese market.

Livestock feed demand

China is expected to remain the world's largest oilseed importer for feed use in 2025–26. In April 2025, China announced a plan to lower soymeal use in animal feed to 10% by 2030, in an effort to reduce reliance on soybean imports. Despite these measures, soybean imports are projected to stay high as pig meat production increases, supported by a rise in breeding sow numbers that began in late-2024. In addition, while major pig meat producers have begun adopting alternative protein sources, smaller farms – accounting for about 32% of national production – may face difficulties in making this switch due to limited resources, technical constraints, and a continued preference for soymeal-based feed.

Global biodiesel demand

Global demand for biodiesel is forecast to increase, driven by government policies that promote its adoption by mandating higher blending ratios in the production of transport fuels. Notably, the

United States Environmental Protection Agency (EPA) has recently proposed a significant rise in biodiesel blending targets (see *Opportunities and challenges*). This expansion is expected to boost demand for soy-oil, a major feedstock used in US biodiesel production.

Opportunities and challenges

New US EPA proposal for Renewable Fuel Standard (RFS) volume

The US Environmental Protection Agency (EPA) has proposed a major increase in biodiesel blending volumes under the Renewable Fuel Standard (RFS), raising the Renewable Volume Obligation (RVO) from 3.35 billion gallons in 2025 to 5.61 billion gallons in 2026. Following consultation, this rule is scheduled for finalisation by the end of October 2025. If implemented, this change would significantly boost support for biodiesel and renewable diesel production in the US.

The EPA is also proposing a 50% reduction in the value of Renewable Identification Numbers (RINs) for fuels produced from imported feedstocks, a move intended to encourage the use of domestically sourced biofuel inputs. This proposal aims to boost domestic biofuel production in the US and reduce reliance on imported biofuel feedstocks. In addition, the 45z clean fuel production tax credit incentive was also extended until 2031. This measure creates financial incentives for producing biofuel created from feedstock sourced in North America, which includes Canada.

Together, these policies are expected to have a notable impact on the global oilseed market. With increased domestic biodiesel demand, the US may increase its reliance on imported feedstocks such as Canadian canola. If the US purchases more Canadian canola, there will be less Canadian crop available for export to other markets, reducing competition for Australia in these markets. In addition, limited crushing capacity in the US soybean processing industry is expected to increase import demand for canola crushed in Canada, which in turn will boost domestic canola crushing in Canada to meet export demand. The EPA intends to finalise this rule by October 31, 2025.

Australian canola import trials underway in China

In late 2020, China suspended imports of Australian canola following the detection of blackleg disease (*Leptosphaeria maculans*) in shipments. Recent developments indicate there is potential for a resumption of trade between Australia and China. A phytosanitary framework addressing China's concerns is near completion, which will pave the way for five trial shipments of Australian canola. Given China is the world's largest buyer of canola, the reopening of trade could offer significant opportunities for Australian canola producers.

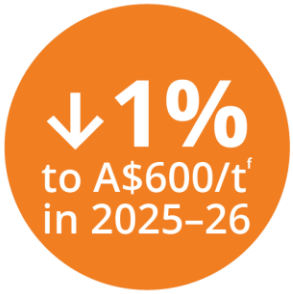
On August 14 2025, China imposed a 78.5% tariff on Canadian canola seed imports. This action is part of an ongoing trade dispute that originated in August 2024, following Canada's introduction of tariffs on Chinese electric vehicles. China, previously a major market for Canadian canola exports (valued at approximately US$3.64 billion in 2024–25), is now effectively closed to Canadian shipments. It is important to note that the final determination on the canola tariff remains pending, and the provisional rate is subject to revision. This development may create an opportunity for Australian canola producers, contingent on the success of the canola trials.

Crude oil prices and impact on oilseed prices

Geopolitical tensions in the Middle East are forecast to contribute to volatility in crude oil prices in 2025–26 (see *Economic outlook*). Fluctuations in oil prices can influence biofuel prices and hence affect oilseed prices. In particular, when crude oil prices increase faster than biodiesel prices, biodiesel becomes a more cost-competitive fuel alternative. This shift drives higher demand for biodiesel, increasing the need for key raw materials, which in turn supports higher oilseed crush volumes and higher oilseed commodity prices.

7 Wine grapes

Tom Killalea



f Australian average farmgate price of wine grapes.

Key points

- Value of Australian wine grape production to fall by 9% to $861 million in 2025–26.
- Value of Australian wine exports to fall by 10% to $2.4 billion in 2025–26.
- Average wine grape prices expected to fall slightly in 2025–26 and remain below long-term average levels.
- Wine grape production for crush to fall by 8% to 1.4 million tonnes in 2025–26.

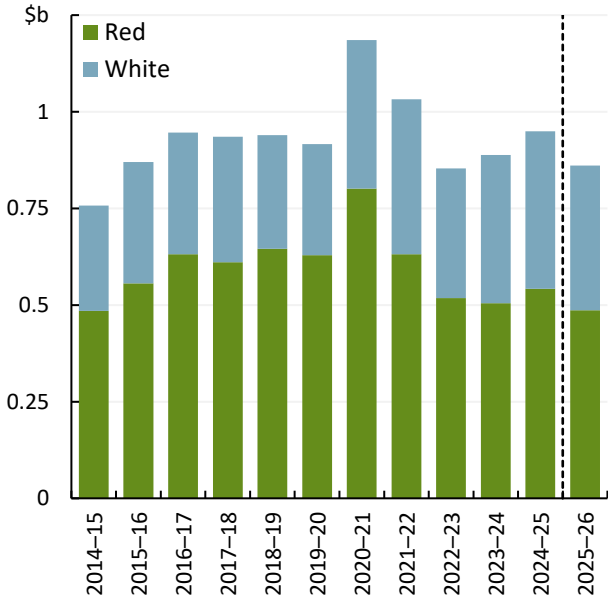
Production values remain below average

The gross value of wine grape production is forecast to fall by 9% to $861 million in 2025–26, driven by falling prices and lower domestic production (Figure 7.1). If realised, this forecast value would be 24% below the 10-year average to 2024–25 in real terms.

Wine grape production for crush is expected to fall in 2025–26 by 8% to 1.4 million tonnes, 5% below the 10-year average. Relatively high-water prices across the southern Murray-Darling basin combined with a dry start to the production season in some regions and a neutral rainfall outlook in Western Australia, southern New South Wales and Victoria, are expected to constrain overall production potential. In addition, falling domestic and international consumption – as well as a greater-than-expected domestic crush of red varietals in 2024–25 – is expected to suppress winemaker demand for grapes in 2025–26, in turn reducing incentives for wine grape production.

- **The value of production for red wine grape varietals** is expected to fall in 2025–26. A reduced crush as well as lower prices caused by softening demand in key markets – such as the United Kingdom (UK), United States (US), the European Union (EU) and China – are expected to drive the fall in the value of red grape production.
- **The value of production for white wine grape varietals** is expected to fall in 2025–26 as prices and production of white grapes moderate slightly from 2024–25 levels. While global demand for wine has softened, demand for Australian white wine has been more resilient, leading to a more subdued fall in white wine grapes compared to red varieties.

Figure 7.1 Gross value of annual wine grape production, by red and white varietals



Note: Data to the right of the dotted line indicates forecast. 2024–25 data may be subject to ABS revision.
Source: ABARES; ABS; Wine Australia

The gross value of wine grape production in 2025–26 is forecast to be 10% ($91 million) lower than the

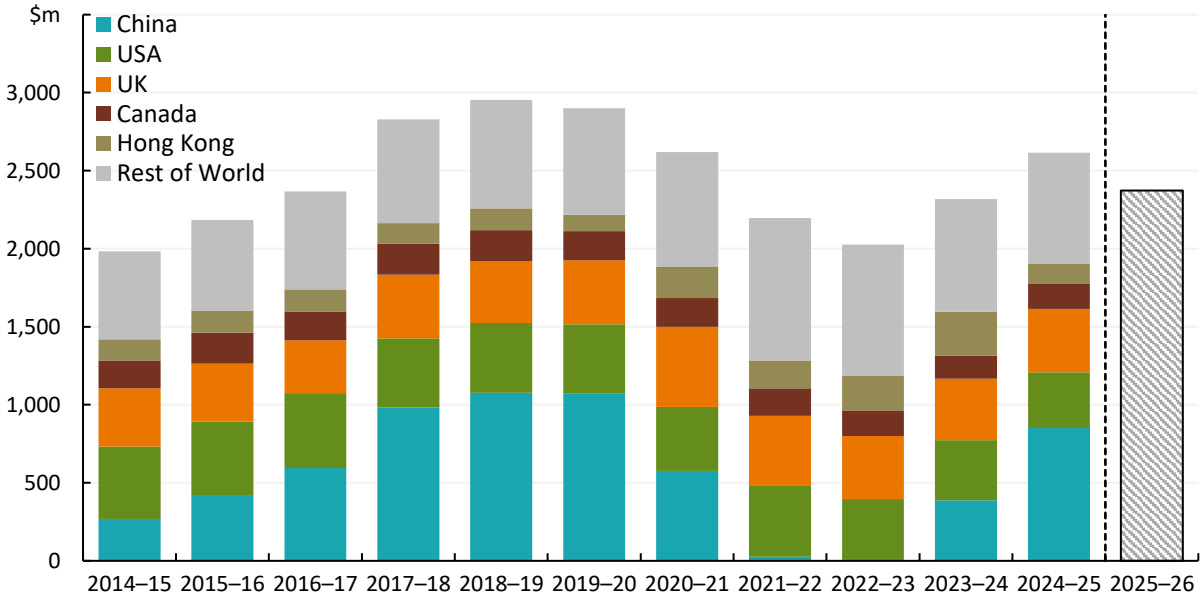
forecast in the *June 2025 Agricultural Commodities Report*. Similarly, the 2024–25 gross value of wine grape production has been revised down 9% ($82 million). This reflects a slight downward revision to production in 2024–25 and a larger downward revision to prices – following industry consultation – across both years.

Export values to moderate with production and prices

Wine export values are forecast to decrease by 10% in 2025–26 to $2.4 billion (Figure 7.2), driven by low global economic growth and falling demand across major export markets, particularly China (see *Economic outlook)*. In addition, there has been a long-term decline in global wine demand as well as softening import demand in Australia's major export markets, driven in part by high wholesaler inventories in the US and cost-of-living pressures across the US, UK and China. Further, recent global economic uncertainty is expected to continue weighing on consumer confidence leading to less discretionary spending in the short term – also reducing wine demand globally.

Wine export values increased by 13% to $2.6 billion in 2024–25, reflecting the return of the Chinese market following the lifting of tariffs on Australia's bottled wine in March 2024. The increase in exports to China was significant, more than offsetting falls in exports to the rest of the world, driven primarily by a reduction in exports to Hong Kong. The value of exports to North America (Canada and US) – Australia's second largest market for commercial wine – declined year-on-year in 2024–25, while exports to the UK remained steady. Although the resumption of premium wine exports to China supported export prices in 2024–25, this is not expected to continue as strongly in 2025–26.

Figure 7.2 Value of Australian wine exports to selected countries



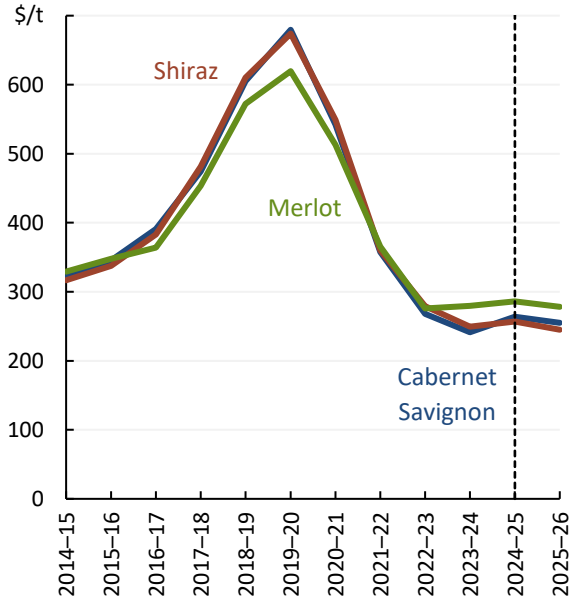
Note: Data to the right of the dotted line indicates forecast. 2024–25 data may be subject to ABS revision.
Source: ABARES; ABS

Prices expected to soften and remain below average

Australian wine grape prices are forecast to fall across inland production regions in 2025–26. Prices recovered somewhat over the last two years due to smaller vintages and increased winemaker demand following the return of the Chinese market in 2024. However, recent data shows demand from China has slowed somewhat in recent months following an initial surge at the end of the 2023– 24 financial year and into the first half of 2024–25. Given the outlook for global economic growth has also deteriorated somewhat, this slowdown is expected to reduce the support for wine grape prices in 2025–26. A relatively large crush in 2024–25 and declining global and domestic

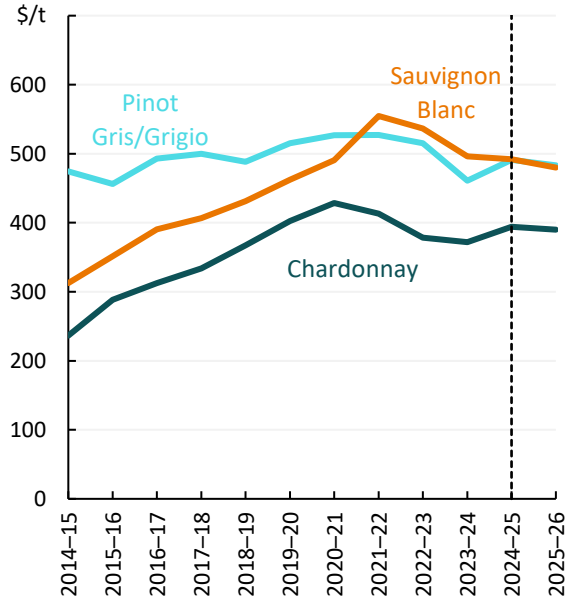
demand for wine are also putting downward pressure on prices. As such, both red and white wine grape prices are expected to remain below 10-year averages in 2025–26 – 29% lower for red varietals and 6% lower for white varietals in real terms.

Figure 7.3 Warm inland region red variety grape prices



Note: Data to the right of the dotted line indicate forecasts. Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: ABARES; Wine Australia

Figure 7.4 Warm inland region white variety grape prices



Note: Data to the right of the dotted line indicate forecasts. Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: ABARES; Wine Australia

Prices for **red varietals** in warm inland regions are forecast to fall in 2025–26 between 3% to 5% for Shiraz, Cabernet Sauvignon, and Merlot grapes (Figure 7.3). Low winemaker demand for grapes – across both premium and bulk markets – is expected to drive the price falls for red varieties. Winemaker demand for red grapes is expected to remain low due to softening international demand for red wine and additional carryover stocks from the relatively large 2024–25 season.

Prices for **white varietals** in warm inland regions are expected to also fall, but by less than reds in 2025–26 (Figure 7.4). Falling domestic demand across more premium cooler, temperate regions as well as easing global consumption of wine in general are both expected to place downward pressure on inland white grape prices.

Wine export prices are forecast to fall by 8% to $3.65 per litre in 2025–26, driven by continued weak demand in key international markets.

Australian crush to fall with softening demand

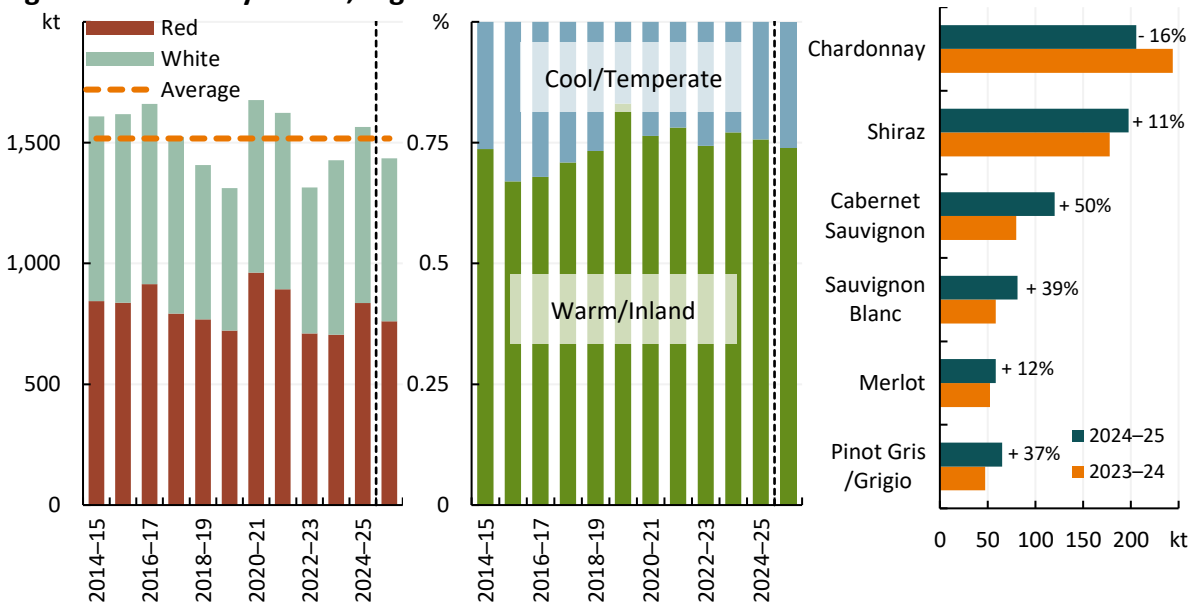
Wine grape production for crush is forecast to fall by 8% to 1.4 million tonnes in 2025–26. This is 5% below the 10-year average to 2024–25 (Figure 7.5). Low water storage levels across major southern catchments as well as a dry start and neutral rainfall outlooks across key producing regions are expected to suppress yield potential in 2025–26:

- Announcements for water allocations for the 2025–26 production year have been low on average to date, and water allocation prices are currently relatively high. This situation is expected to continue into 2025–26, with water storage levels across the southern Murray-Darling basin sitting well below levels recorded this time last year.

- A dry start to winter across cool regions in the southeast of South Australia and temperate zones across both Western Australia and Victoria is limiting soil moisture, increasing the risk of poor shoot growth following dormancy. As these regions are less reliant on irrigation, a neutral spring rainfall outlook – when water requirements increase for vineyards – is also expected to limit yield potential into 2025–26.
- However, if forecast above-average rainfall is realised across the east coast of Australia between August to October then there exists some upside to yield and production potential across both irrigated inland and cooler climate wine regions.

In 2024–25, crush totals within warm inland regions increased across all major varietals except Chardonnay. This is expected to further increase supplies of wine – particularly red wine – amid falling domestic and international demand. Whilst Australia did experience two consecutive vintage crushes below the 10-year average leading into 2024–25, it is expected that some wineries will impose a maximum tonnage cap to their crush capacity by limiting their intake of grapes in the coming season as wine stocks remain high relative to demand.

Figure 7.5 Crush by colour, region and varietal*



Note: Data to the right of the dotted line indicates forecast. Warm/Inland regions refer to Riverland, the Riverina and the Murray–Darling Swan Hill regions. Cool/Temperate regions refer to Barossa Valley, Padthaway, McLaren Vale, Coonawarra, Margaret River, Langhorne Creek, King Valley, Wrattonbully, Tasmania, Adelaide Hills and Yarra Valley. *Varietal for warm/inland regions only.
Source: ABARES; Wine Australia

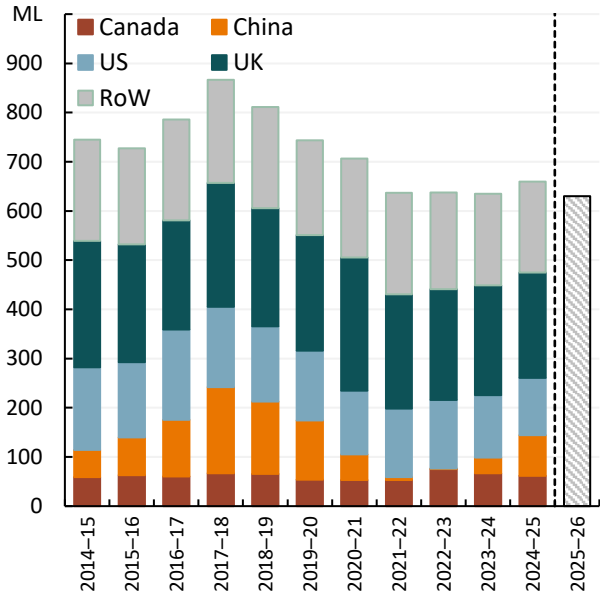
Exports remain below long-term average

Wine export volumes are forecast to fall slightly by 2% to 645 million litres in 2025–26, driven by falling global demand and changing consumption patterns across mature wine markets (Figure 7.6). In 2024–25, increased exports to China partially offset weaker demand in more traditional markets. However, while shipments to China rose year-on-year to 2024–25, volumes remain 39% below the 5-year pre-COVID average. After an initial boost following the removal of tariffs on Australian wine, restocking activity by Chinese importers has now started to slow. Additionally, reduced consumer demand due to financial concerns as well as restrictions on alcohol consumption at Chinese formal and official settings are expected to soften wine imports into 2025–26.

Exports to other established markets – including the United Kingdom, United States and Canada – declined in 2024–25 and remained below long-term average levels. Falling export volumes reflects

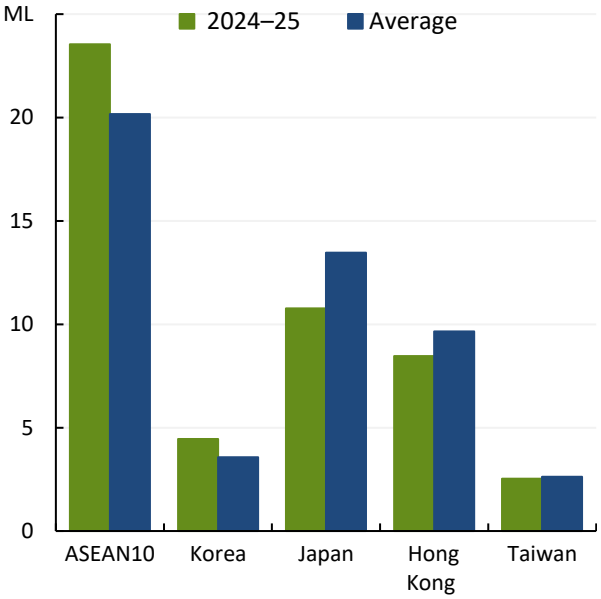
both smaller consecutive crushes limiting available wine for export, as well as the long-term trend of declining wine consumption within Australia's main export markets. A similar pattern was observed across most Asian markets, except for the ASEAN10 countries, which recorded slightly above-average export volumes in 2024–25 (Figure 7.7). Recent growth in these markets follows a post-COVID surge in tourism which is bringing additional wine imports to service holiday makers. Whilst these regions are still likely to see long-term growth in wine consumption, in the near term they are unlikely to replace volumes previously exported to China. Nevertheless, ASEAN markets remain a continued opportunity for Australian exporters to diversify towards.

Figure 7.6 Volume of Australian wine exports to major markets



Note: Data to the right of dotted line indicates forecast. RoW refers to 'Rest of World'. 2024–25 data may be subject to ABS revision.
Source: ABS; ABARES

Figure 7.7 Volume of Australian wine exports to neighbouring Asian markets



Note: ASEAN10 includes Cambodia, Indonesia, Vietnam, Philippines, Malaysia, Thailand, Singapore, Brunei, Laos and Myanmar. Average reflects 10-year long term. 2024–25 data may be subject to ABS revision.
Source: ABS; ABARES

World supply to remain subdued

World wine production is expected to remain mixed in 2025, reflecting varied planting and production outlooks across major wine producing regions. As of 2024, global vineyard area has declined for the fourth consecutive year to approximately 7.1 million hectares, driven by removals across key wine regions. Similarly, the Organisation of Vine & Wine (OIV) estimated that global wine production fell 5% to 225.8 million hectolitres in 2024, the lowest production level recorded since 1961.

In the Southern Hemisphere, lower production levels in key South American wine producing countries – such as Chile and Argentina – are expected to more than offset production gains experienced across New Zealand for the 2024–25 vintage.

- In Argentina, the 2024–25 vintage totalled 1.98 million tonnes, slightly below the 10-year average. Despite steady domestic and export sales, large stock levels remain – approximately 630 million litres of carryover – indicating ample supply that, combined with softening bulk pricing, will continue to place pressure on the market going forward.

- In Chile, the 2024–25 vintage came in 25% below long-term average. With limited stock expected by year-end and vineyard removals impacting future capacity, supply constraints are likely to persist into the 2025–26 season.
- In New Zealand, ideal growing conditions led to good flowering and big yields, with the Ministry for Primary Industries forecasting the 2024–25 vintage at 500 thousand tonnes, a 27% year-on-year increase. This marks another large harvest for Marlborough Sauvignon Blanc, with interest increasing from nearby markets such as China seeking more competitively priced white wines.

In the Northern Hemisphere, vintage expectations for 2024–25 include:

- In California, vineyards are developing normally with average to above-average cluster sizes, but widespread bunch thinning is being used to limit crop size due to continued demand concerns. Despite good growing conditions - vineyard removals, mothballing and minimal maintenance are expected to limit yields.
- Vineyard conditions in southern France improved following the onset of hot and dry conditions from late May 2025. Localised hail, minor flooding, and periods of high humidity were reported across key growing regions. A heatwave in late June and early July raised concerns about potential stress if high temperatures persist, particularly given the early timing of the season.
- After a wet winter and spring, the Iberian Peninsula experienced a late-May heatwave followed by localised hailstorms in early June, causing some but limited damage to vineyards across Spain. Overall, there are expectations of an average harvest in 2025.

World demand continues to soften

World wine consumption is expected to remain subdued in 2025, due to recent economic and geopolitical disruptions, as well as long-term structural factors impacting demand. These include changing consumer preferences, evolving social behaviours and demographic shifts in mature markets (see ABARES March Report). These factors and current economic pressures (see *Economic outlook*) – are placing downward pressure on global wine demand.

Underscoring these shifts are the OIV's recent world wine consumption estimates, which show 214.2 million hectolitres of wine was consumed in 2024, also the lowest volume recorded since 1961. However, a recent Wine Australia report has suggested a premiumisation across mature wine markets is taking place, highlighting that whilst people are drinking less, they are choosing higher-quality wines, highlighting a potential pivot point in global consumption trends.

Opportunities and challenges

Rise of no- and low-alcohol (NOLO) wine

Shifts in global consumer behaviour are reshaping wine consumption patterns, presenting both opportunities and challenges for the Australian wine industry. Broader trends toward health, wellness, and moderation have driven interest in no- and low-alcohol (NOLO) wine alternatives. Despite overall wine consumption declining across mature markets, the NOLO wine segment has emerged as a growth area. Research conducted by Wine Australia points to strong growth potential in the NOLO wine segment, albeit off a small base, especially in mature wine markets across the US, Australia and Europe. For Australian producers there is an opportunity to innovate and diversify into this market to meet evolving consumer preferences. Continued investment in research and production capability, supported by improvements in de-alcoholisation technology, may position

Australia competitively in a global market where demand for traditional styles is softening but interest in health-conscious alternatives is expanding.

Vines coming out across some wine producing regions

Australia's wine industry is confronting a significant structural challenge as declining demand for traditional red wines, particularly Shiraz and Cabernet, coincides with high red wine supplies and rising production costs. In response, De Bortoli has removed over 130 hectares of shiraz vines across their Rutherglen and Riverina operations over the past two years. Likewise, some wineries in Victoria have begun uprooting and burning mature vineyards with similar reports coming out of vineyards in the Riverland too. This difficult response reflects broader industry pressures, with high supplies of red wine in particular reducing profitability of some vineyards. It is expected that vines may continue coming out to address supply issues and adapt to evolving market dynamics, marking a period of adjustment for Australian viticulture.

Update on US tariffs on Australian wine exports

In April 2025, the US government announced a 10 per cent tariff on all Australian goods entering the US, including Australian wine. As the United States accounts for approximately 12% of the total volume and 18% of the total value of global wine imports, these tariffs are expected to have broad effects on markets for Australian wine. Currently, little direct impacts from the tariffs have been realised in Australian wine markets, with exports to the US continuing their ongoing decline in volume and reaching their lowest value in over 10 years in 2024–25. Additionally, Australia maintains relative tariff competitiveness competing with other wine-exporting countries into the US market, with higher rates currently imposed across the EU, New Zealand and South Africa.

Further support to Australia's grape and wine sector

The Government has committed an additional $1.1 million to the existing $3.5 million Grape and Wine Sector Long-term Viability Support Package to address challenges from the red wine oversupply. This funding will support international market access, trade diversification, and research into pest control technologies, improving the sector's resilience and innovation. Additional investment to the $3.5 million includes $550,000 to expand the Australian Wine Industry Technical Conference, promoting knowledge sharing and stronger connections with global trade partners.

8 Horticulture

Tirza Winarta

$19b
Value of production in 2025–26

Horticulture

Higher production volumes and export prices drive horticulture values.

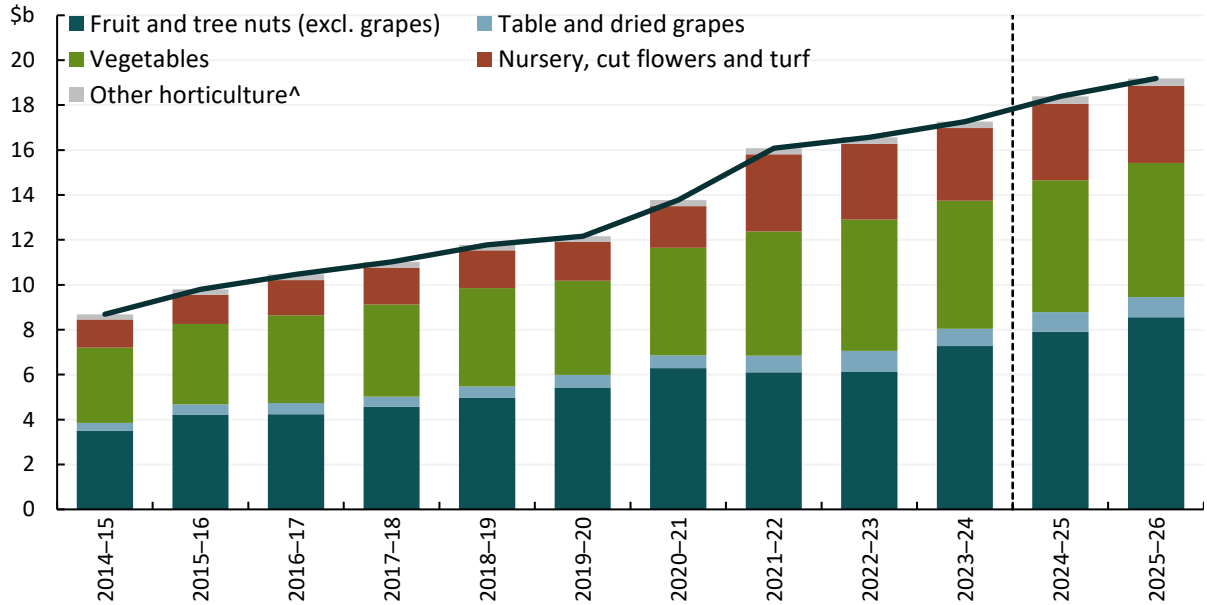
Key points

- Value of horticulture production to reach a record high of $19.2 billion in 2025–26.
- Value of horticulture exports to increase by 8% to $4.7 billion in 2025–26.
- Horticulture export prices to rise in 2025–26, reflecting robust global demand.
- World supply of fruits and nuts to increase as growing conditions improve in major producing countries.

Value of horticulture production to reach a record high

The **value of horticulture production** is forecast to reach a record $19.2 billion in 2025–26, up by 4%, from the previous record of $18.4 billion in 2024–25 (Figure 8.1). The increase in production value is forecast to be driven by both rising production volumes and higher export prices for export-focused commodities. However, low farmgate prices for other commodities are expected to slightly offset the overall horticulture production value. Fruit and nut yields are expected to improve due to an improved rainfall outlook across much of Australia (*see Seasonal conditions*). In particular, yields for tree nut varieties are expected to improve following a challenging season in 2024–25. In addition, previous years' fruit and nut plantings are continuing to enter commercial production, increasing the production capacity. However, relatively high input prices are expected to impact the production potential for some horticulture commodities (see *Economic outlook*).

Figure 8.1 Annual value of Australian horticulture production



Note: Data to the right of dotted line indicate estimates and forecasts. ^Includes mainly coffee, essential oils, spices, tea, vegetables for seed and other miscellaneous horticulture products.
Source: ABARES; ABS; Hort Innovation

The value of horticulture production in 2025–26 is forecast to be approximately $0.2 billion higher than expected in the *June 2025 Agricultural Commodities Report*. This reflects upward revisions to farm gate prices in line with recent data, reflecting stronger-than-expected domestic demand.

Rising export values driven by strong global demand

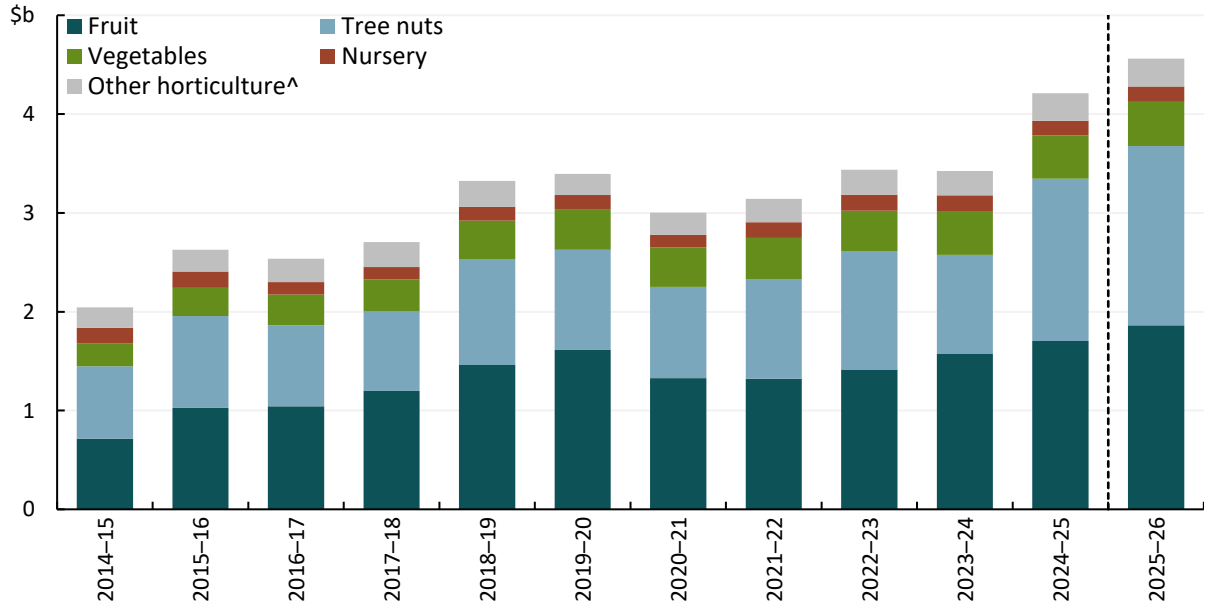
Horticulture export values are forecast to rise, up by 8% to $4.7 billion in 2025–26, driven by higher production volumes and export prices (Figure 8.2). Horticulture export volumes are expected to increase by 6%, in line with increased production capacity and favourable growing conditions.

Horticulture export prices are forecast to continue rising with strong global demand from emerging countries in Southeast Asia and high-value markets in China, Japan and South Korea.

- Despite an assumed slowing in economic growth across most major export destinations, demand for Australian horticulture produce is expected to remain strong, underpinned by a reputation for delivering fresh and premium-quality produce that aligns with consumer preferences.
- Due to expected strong global horticulture prices, specifically for fruits and nuts, the growth rate of horticulture export values (8%) are expected to rise by almost double the rise in the gross value of production (4%) in 2025–26. However, the absolute value change between production and export value remains the same, at $0.2 billion.

The value for horticulture exports for 2025–26 has been revised up by $0.2 billion since the *June 2025 Agricultural Commodities Report*. This upward revision to global export prices of some horticulture commodities, reflects recent price data.

Figure 8.2 Annual value of Australian horticulture exports



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. Fruits include table and dried grapes. ^Includes mainly coffee, essential oils, spices, tea, vegetables for seed and other miscellaneous horticulture products.
Source: ABARES; ABS

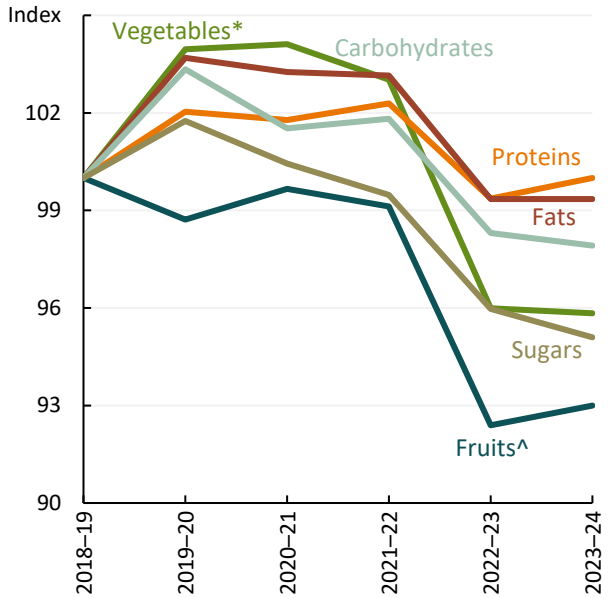
Farmgate prices to fall, while export prices to rise

In 2025–26, the majority of farmgate fruit and vegetable prices are expected to fall, driven by higher production volumes more than offsetting a rise in domestic demand. However, for export-focussed horticulture products (such as almonds, macadamias, table grapes and citrus fruits), farmgate prices are forecast to increase in line with rising export prices.

Consumption of fruits and vegetables dipped after 2020–21, as cost-of-living pressures weighed on household spending (Figure 8.3). Compared to other food categories, the annual decline in fruit and vegetable consumption was more evident, likely driven by higher perceived costs and limited shelf-life, which discouraged frequent purchases (Figure 8.3).

Consumption of fruits and vegetables improved slightly in 2023–24, and is forecast to continue to grow in 2024–25 and 2025–26. Moderating inflation growth and falling interest rates over 2025 are expected to support household consumption (see *Economic outlook*).

Figure 8.3 Apparent consumption of selected foodstuffs

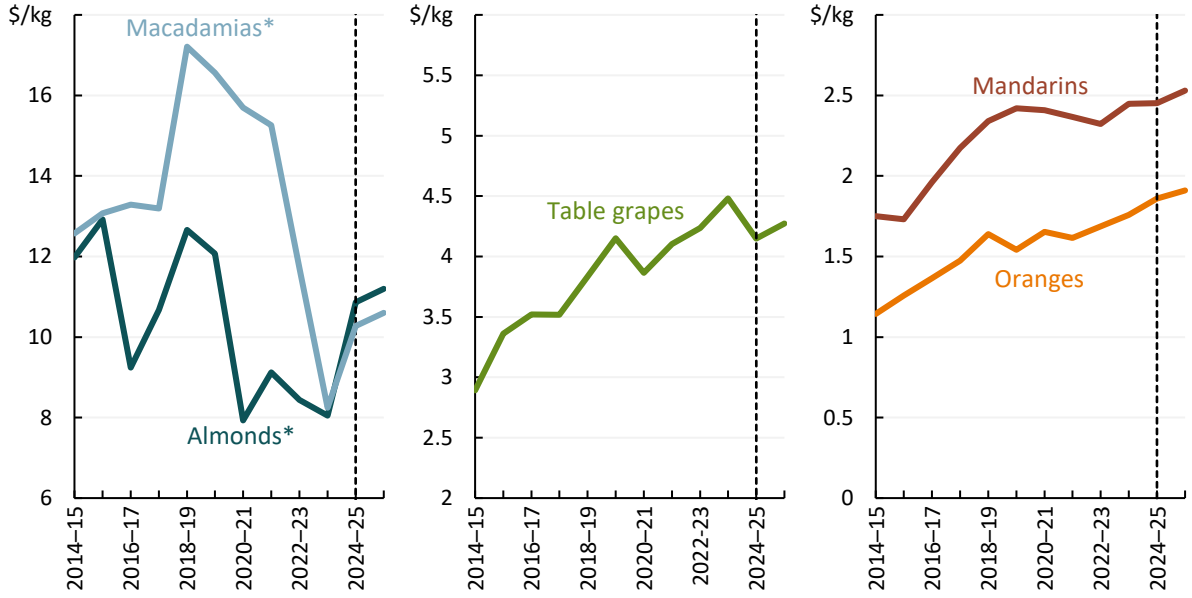


Note: Historical data begins in 2018–2019. Apparent consumption index, per capita per day. Index 100 = 2018–19. ^Fruit products and dishes. *Vegetable products and dishes.
Source: ABS

Strong global demand to support export prices in 2025–26

Horticulture export prices, particularly for export-focused horticulture industries such as almonds, macadamias, table grapes and citrus, are forecast to increase in 2025–26 as world demand rises at a faster rate than world supply (Figure 8.4).

Figure 8.4 Average annual Australian horticulture export prices, selected commodities

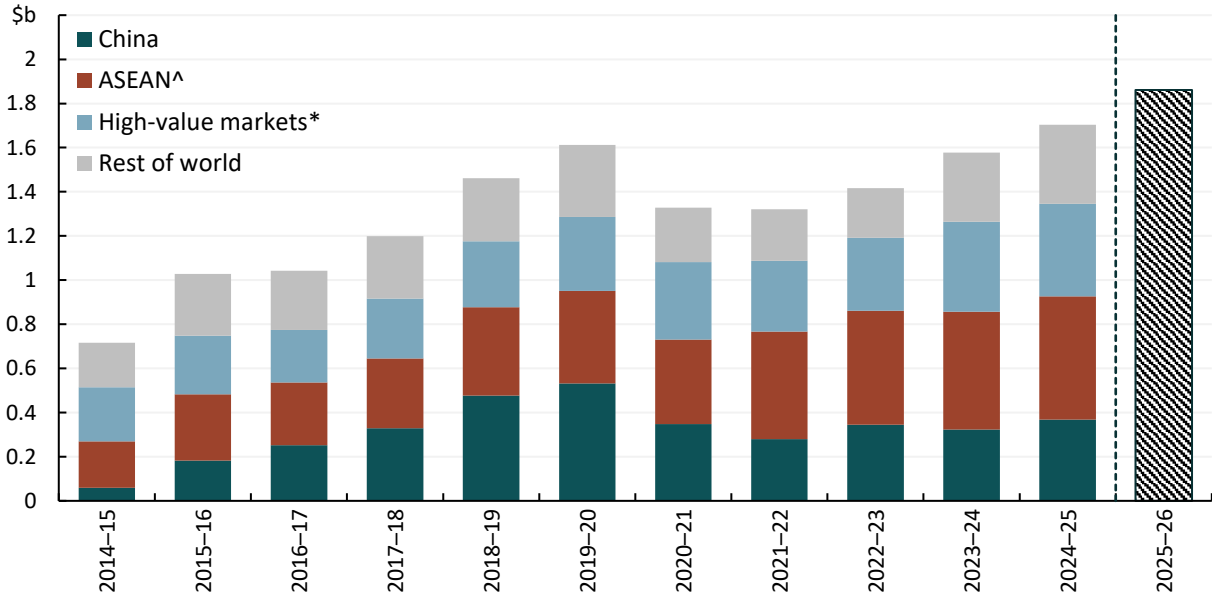


Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. *Kernel weight equivalent.
Source: ABARES; ABS

Rising export prices are being driven by:

- **Almond export prices** are expected to rise by 3% to $11.20 per kg in 2025–26 (Figure 8.4). Growing demand, particularly from China (Australia's largest export destination), is expected to more than offset increasing global supply. Ongoing US-China trade tensions are expected to drive increased demand from China as high tariff charges on Californian almonds increase the relative competitiveness of Australian exports (see *Opportunities and Challenges*). Furthermore, Türkiye is a key importer of Australian almonds. In 2024–25, Türkiye became Australia's second largest export market, surpassing Vietnam, with shelled almond volumes rising by 49%. Strong demand from Türkiye is expected to continue into 2025–26, further supporting almond prices.
- **Macadamia export prices** are expected to rise by 3% to $10.60 per kg in 2025–26, with demand growth expected to outpace supply (Figure 8.4). After prices declined for three consecutive years to 2023–24 – due to increased supply from South Africa, as previous plantings in that country became commercially productive – export prices are expected to recover but remain below the 10-year average in real terms. Australian exporters are also exporting an increasing quantity of kernel macadamias which receive higher prices compared to in-shell macadamias, further supporting total export value. A potential downside risk to this forecast is the 30% tariff imposed by the US on South African exports. As the world's largest producer and exporter of macadamias, South Africa may redirect more nuts into key Australian export destinations such as China and India. At the same time, the US tariff on South African macadamias could create an opportunity for Australian exporters to improve market access to the US market, similar to recent trends observed within the almond industry.
- **Fruit export prices**, such as for table grapes, oranges and mandarins, are expected to rise in 2025–26 due to strong global demand (Figure 8.5).

Figure 8.5 Annual value of Australian fruit exports by destination



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. ^Includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. *Includes Japan, Korea and Hong Kong.
Source: ABARES; ABS

In 2024–25, China remained Australia's largest fruit export destination (Figure 8.5). Despite slowing Chinese GDP growth and subdued household consumption, the value of fruit exports to China is forecast to grow further in 2025–26, supporting global fruit prices. This continued growth reflects China's demand for Australia's fresh and premium-quality produce.

Similarly, demand from emerging countries in Southeast Asia (including Indonesia, Malaysia, Philippines, Thailand and Vietnam) and high-value markets (such as Japan, Korea and Hong Kong) are expected to continue rising in 2025–26, despite slowing global economic growth. In the last decade, exports to these markets grew by an average of 6% and 5% respectively (Figure 8.5). Furthermore, population growth, rising incomes and urbanisation in these markets will continue to support prices.

Australian production and export volumes to rise

Export volumes to track with rising domestic production

Australian horticulture production is forecast to rise in 2025–26, driven by increases in fruit and nut production, as favourable seasonal conditions support higher yields.

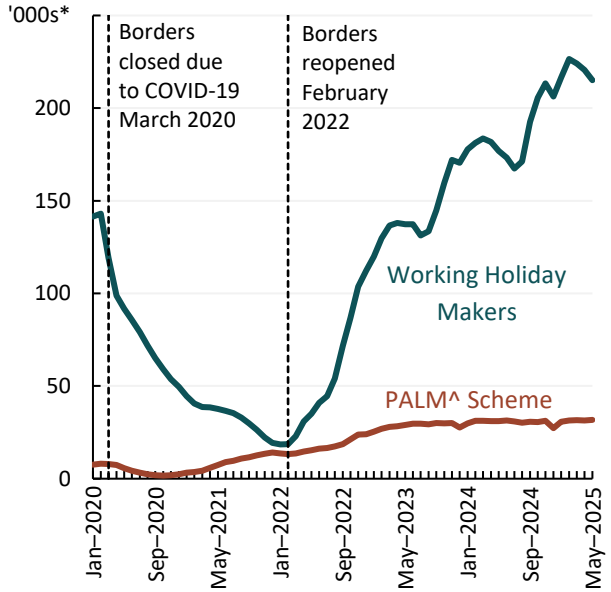
- **Almond production** is forecast to rise by 3% to 160 thousand tonnes in 2025–26. Last season, production was below industry expectations due to unfavourable growing conditions, contributing to a downgraded crop, with lower kernel weights.
- Similarly, **macadamia production** is forecast to rise by 19% to 51 thousand tonnes in 2025–26, rebounding from a challenging season in 2024–25. Weather-related disruptions last season caused orchard damage and crop loss for growers in New South Wales, while Queensland experienced lower than expected yields.
- **Fruit production** is expected to continue rising in 2025–26. Higher production for citrus fruits, such as oranges and mandarins is expected, with more trees maturing along with a more favourable climate outlook that should help minimise disease pressures and support yields. However, table grape production is forecast to remain stable in 2025–26, as growers are beginning to replace traditional varieties with newer types that offer more consistent quality and flavour profiles, which are more appealing to consumers.
- **Vegetable production** is forecast to increase in 2025–26, driven by better growing conditions and higher labour availability.

Rising labour availability has reduced workforce challenges for some horticulture industries

In 2023–24, peak labour use in horticulture increased for a second consecutive year in the wake of eased COVID-19 pandemic travel restrictions (Figure 8.6). This was driven by a rise in overseas contract workers, participating in the Working Holiday Makers (WHMs) program.

However, it should be noted that not all WHMs are employed in horticulture industries following changes to the WHMs scheme on 8 May 2021. Although the number of PALM scheme workers has not risen as much as WHM workers, it has still seen an increase since COVID-19. As a result, difficulties in recruiting workers have reduced, with the increase in labour supply and the reopening of international borders.

Figure 8.6 Overseas workers in Australia, January 2020 to May 2025



Note: Not all Working Holiday Makers are employed and not all work in horticulture. ^Pacific Australia Labour Mobility scheme. Around half of PALM workers are typically employed on horticulture farms. *Thousand visa holders.
Source: Department of Home Affairs

Although input prices have eased, some costs to growers are expected to remain relatively

elevated, which could continue to constrain production (see *Economic outlook*). For example, declining water storage levels at the start of 2025–26 are expected to increase water allocation prices, suggesting that growers will need to find other cost savings avenues to support production.

Box 8.1 Labour remains a key input cost for horticulture

Horticulture production requires intensive labour, making it a key input for the industry. Some growers from ABARES industry liaison have reported that labour costs are rising in some horticultural industries following the increase in the minimum wage from 1 July 2025 through the Horticulture Award. The impact is being mitigated to some extent through improved post-pandemic labour availability, with some growers reporting fewer difficulties in recruiting workers (see *Economic outlook*).

Nonetheless, falling farmgate prices will ensure labour costs remain an important focus for many growers. Some growers report that they are seeking to reduce labour costs and worker demand by changing planting programs to achieve a more even split between harvesting periods.

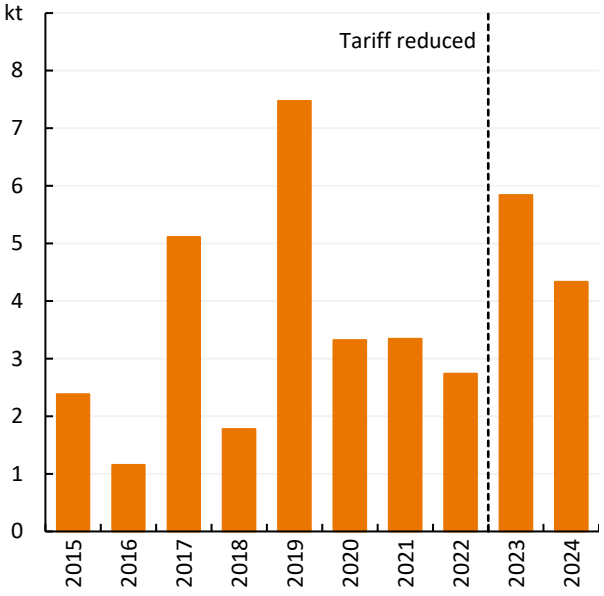
Strong trade relationships to support horticultural exports, especially fruits

Export demand is a key driver of the Australian horticultural industry, with exports valued at $4.2 billion in 2024–25, rising by approximately 6% per annum in the last decade. Among these exports, the majority are fruits (41%) and nuts (39%), making up 80% of total horticultural export value. In comparison, vegetables represent only 10% of total horticultural export value.

Australian horticulture export volumes are expected to rise in 2025–26, consistent with rising domestic production and global demand. A relatively low USD exchange rate (with most horticultural crops trading in USD denominated contracts) is also expected to support demand for Australian exports.

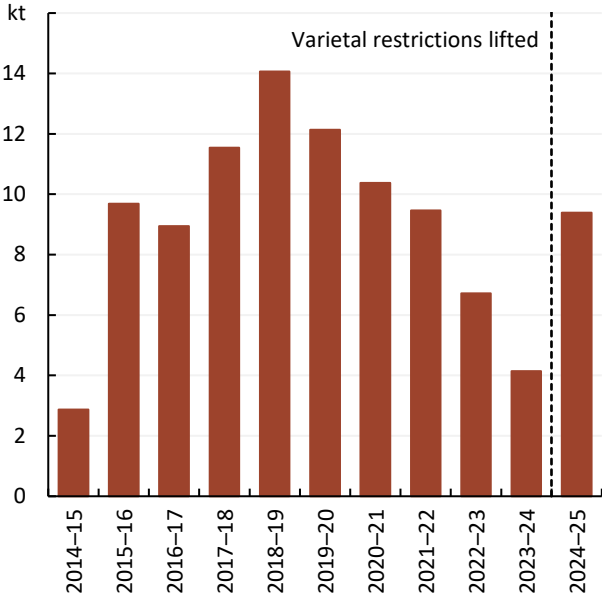
- **Almond export volumes** are expected to rise in 2025–26. Elevated global almond prices, driven by strong global demand, largely from China, are expected to incentivise Australian exporters to increase exports. This should lead to a drawing down in almond inventories accumulated from previous seasons (see *Opportunities and Challenges*).
- **Fruit export volumes** are forecast to increase in 2025–26 alongside rising domestic production and global demand, particularly from Asian markets. Trade agreements with key markets continue to support Australian fruit exports:
  - Citrus export volumes, such as oranges and mandarins are expected to continue growing in 2025–26, supported by the Australia-India Economic Cooperation and Trade Agreement (ECTA) which provided an immediate 50% tariff reduction within an annual quota of 13.7 thousand tonnes for Australian citrus on 29 December 2022. This tariff reduction greatly increased demand from India's large and growing market, and in 2023, citrus exports to India increased by 113%. Although India underutilised the quota in 2024, and full quota usage is not expected in 2025–26, the agreement enhances Australia's export position and may support increased citrus exports to the Indian market (Figure 8.7).
  - In addition, Australian table grape exports to Japan rose by 127% to 9.4 thousand tonnes in 2024–25 following the lifting of varietal restrictions in July 2024. With more varietal choice, exports are forecast to continue increasing in 2025–26 (Figure 8.8).

Figure 8.7 Export volumes of oranges and mandarins to India



Note: Data to the right of the dotted line indicate exports after the tariff reduction was introduced. Data is reported in calendar years.
Source: ABS

Figure 8.8 Export volumes of table grapes to Japan



Note: Data to the right of the dotted line indicate table grape exports to Japan after varietal restrictions were lifted (July 2024).
Source: ABS

World supply to rise driven by strong tree nut production

- **World almond supply** is forecast to grow in 2025–26, driven by an expected large crop in the United States – the world's largest almond producer. California's 2025 harvest is forecast to be the second largest on record, following a similarly strong 2024 season. However, Australian export prices are forecast to rise amidst ongoing US-China trade tensions (see *Opportunities and Challenges*).
- **World macadamia supply** is forecast to rise in 2025–26, with top growing regions, such as South Africa, China and Australia increasing production. Higher yields in South Africa and Australia and increased acreage in China are driving this result.
- **World table grape supply** is forecast to increase in 2025–26, continuing its long-term historical trend. Sustained high global demand and prices into 2025–26 are expected to support further supply growth.
- **World citrus supply**, including oranges and mandarins, is forecast to rebound in 2025–26. Orange production in 2024–25 fell due to unfavourable growing conditions in major producing regions such as China, the European Union, and Egypt. Additionally, mandarin production is expected to maintain its long-term upward trend.

World demand to increase

World demand for horticulture commodities is forecast to increase in 2025–26. Rising incomes and population growth in emerging markets like India and Southeast Asia will continue to drive demand, supporting global fruit and nut prices.

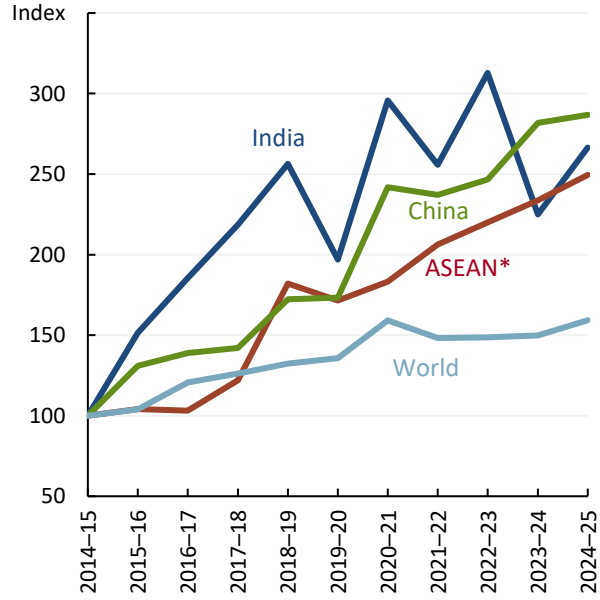
World tree nut demand is expected to continue rising in 2025–26, driven by strong demand for almonds.

- China's consumption of almonds has been increasing by an average of 14% per year in the last decade to 2024–25, driven by changing dietary patterns (Figure 8.9). This is expected to continue into 2025–26, and is likely to expand to other nut varieties, as tree nuts are widely recognised as healthy snack options.
- Similarly, consumption of almonds in India and ASEAN rose (averaging 8% and 9% annual growth, respectively) in the 10 years to 2024–25, with strong demand expected to continue into 2025–26 (Figure 8.9).

World fruit demand, particularly for table grapes and citrus fruits, is expected to increase in 2025–26. Strong demand from Asia driven by population growth and rising incomes, especially from middle class households, are expected to support prices. High-value markets such as China, Hong Kong, Korea and Japan are anticipated to maintain strong demand for premium-quality produce, despite slower global economic growth weighing on consumer confidence and discretionary spending (see *Economic outlook*).

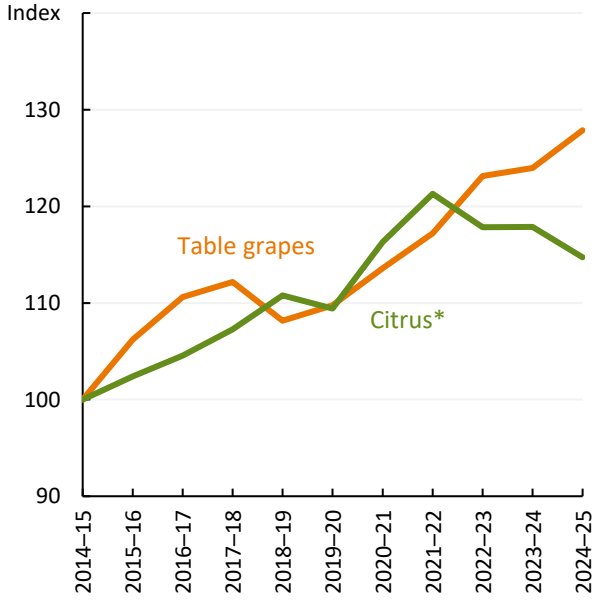
- Average table grape consumption grew by 19% annually in the last decade and is forecast to continue rising into 2025–26 – mainly driven by strong demand from India and ASEAN countries (Figure 8.10).
- Citrus fruit consumption (including oranges and mandarins) is also forecast to rise following a decline observed in 2024–25. Lower consumption in 2024–25, particularly in China, Japan and Korea, was driven by lower global production in key growing regions.

Figure 8.9 Annual global almonds consumption, selected countries



Note: Index 100 = 2014–15. *Includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Source: USDA

Figure 8.10 Annual global table grapes and citrus consumption



Note: Index 100 = 2014–15. *Includes oranges and mandarins.
Source: USDA

Opportunities and challenges

Biosecurity risks to the horticultural industry

The Tomato Brown Rugose Fruit Virus (*Tobamovirus fructirugosum*) (ToBRFV) is an exotic plant disease currently under control in Australia. It was first detected in August 2024 in South Australia with an additional site in Victoria linked to that outbreak. ToBRFV reduces commercial yields of tomatoes, capsicums and chillies by causing physical defects, reducing the quality of fruit.

On 29 May 2025, Australia commenced transition to management, as eradication was no longer considered technically feasible. If ToBRV becomes naturalised in Australia it is likely that growers will face higher production and management costs from an increased incidence of disease outbreaks.

Furthermore, the Potato Mop-Top Virus (*Pomovirus solani*) (PMTV) was first detected in Northwest Tasmania in August 2025. While this virus poses no food safety or health risks, PMTV would likely affect production yields, by damaging the leaves, shoots and tubers of potato plants, as well as distorting the skin and flesh. In 2023–24, Tasmania was the largest potato-producing state, representing 31% of Australia's total potato production. Biosecurity Tasmania is currently working with affected businesses to manage the movement of possible risk material and have commenced additional surveillance and diagnostics. Therefore, these biosecurity risks can present challenges for these horticultural industries.

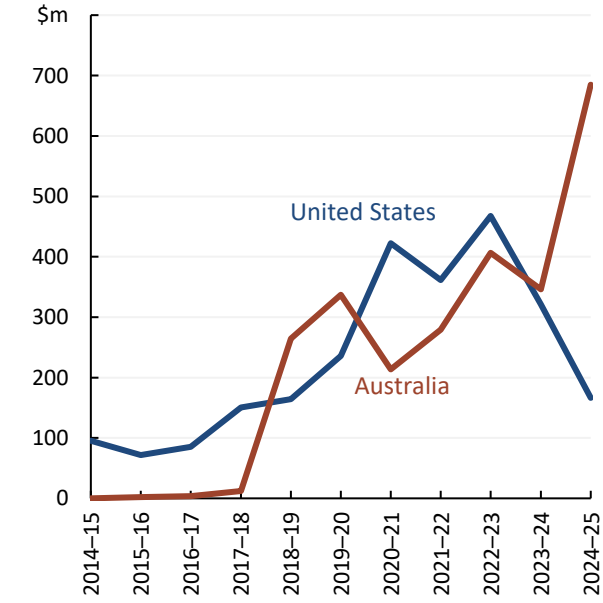
Impacts of US-China trade tensions on the Australian almond industry

Current ongoing US-China trade tensions may boost demand for Australian almonds in the Chinese market, presenting a potential growth opportunity for Australia's almond industry.

The United States is Australia's biggest competitor in the global almond market, accounting for 69% of global export values in 2024–25. By comparison, Australia is the second largest exporter, contributing 10% of global almond export values in 2024–25.

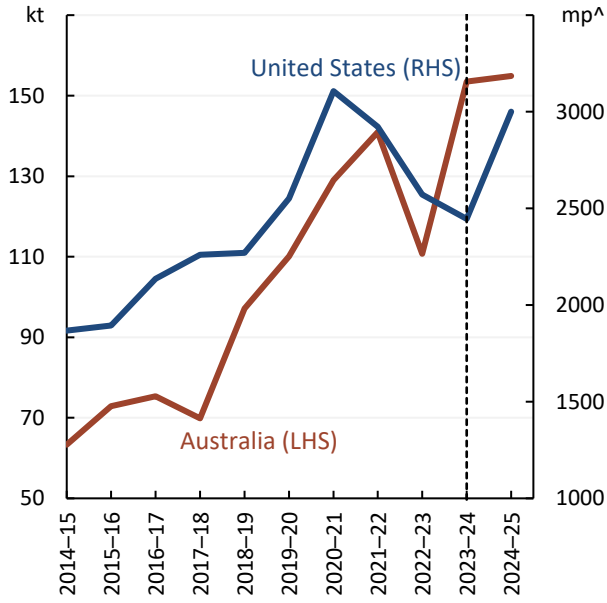
Current US-China trade tensions have resulted in 35% Chinese tariffs on US almond exports. By comparison, Australian almonds have tariff-free access to the Chinese market, supporting Australia's export competitiveness. Furthermore, since 2018–19, Australia's almond market share in China has grown, rising by an average of 77% annually, over the last decade (Figure 8.11). This export growth was driven by a multi-year increase in Australian almond production due to area expansions and favourable growing conditions (Figure 8.12). A stagnant US crop in 2018–19 and lower global supply, supported higher global prices, further increasing the value of Australia's exports to China.

Figure 8.11 Value of Australian and United States' almond exports to China



Note: Converted to AUD dollars.
Source: ABS; UN Comtrade

Figure 8.12 Australia and United States' almond production



Note: Data to the right of dotted line indicates estimates.
Production measured using kernel weight equivalent.
^Million pounds.
Source: ABARES; ABS; Almond Board of California; Hort Innovation

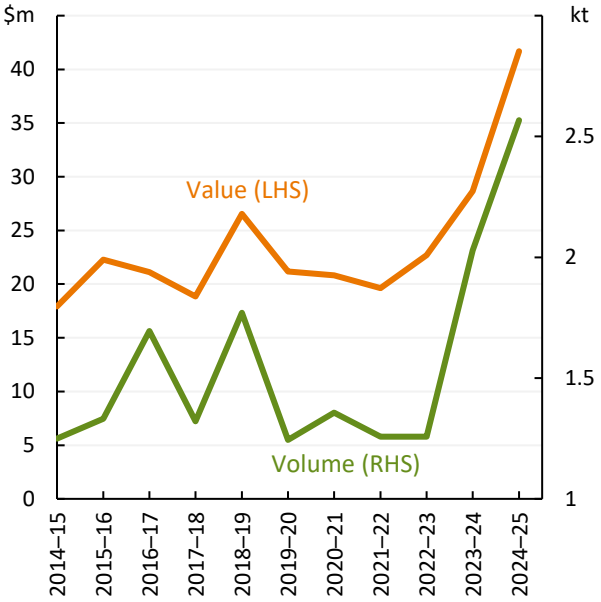
Social media trends boost Australian matcha consumption

Matcha consumption in Australia has been rising, fuelled by viral social media videos and a growing awareness of its health benefits. Matcha is a finely ground powder derived from green tea leaves.

- In 2024–25, the value of Australian green tea imports grew by 45% to $42 million. This was driven by a rise in volumes imported and higher global prices, increasing by 27% and 15% in 2024–25, respectively. (Figure 8.13).

Continued and sustained demand growth, including potential price impacts could incentivise Australian farmers to invest and grow this crop. However, social media trends are often short-lived, presenting a risk to long-term investment decisions.

Figure 8.13 Australian value and volume of green tea imports



Note: Imports of green tea can be an indicator of matcha.
Source: ABS

9 Beef and cattle

Fred Litchfield

Key points

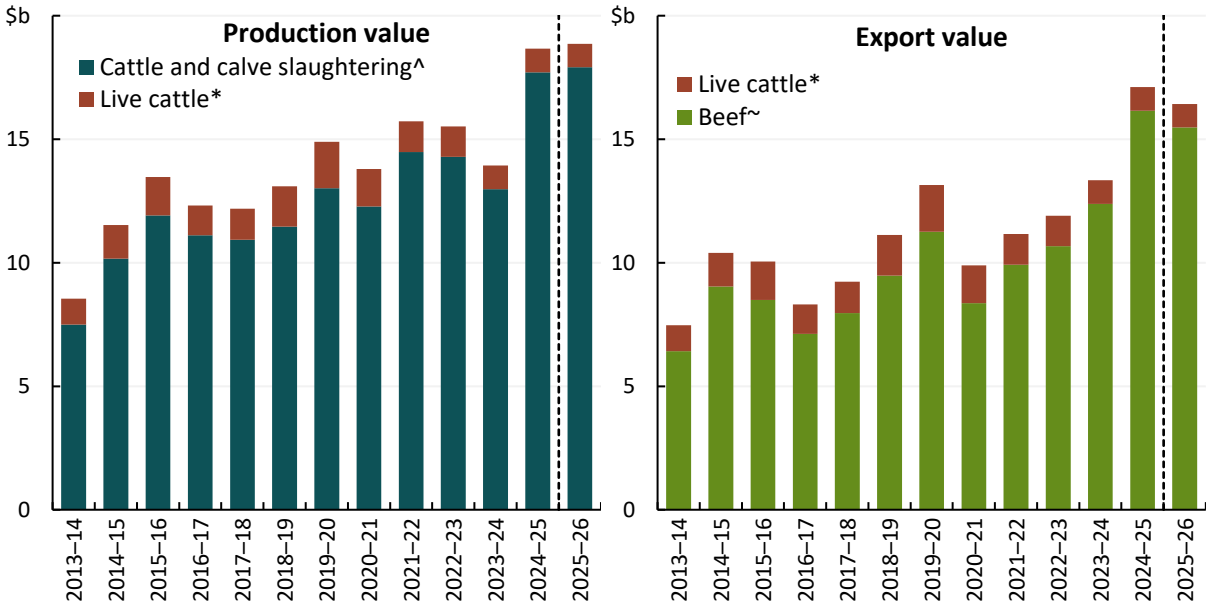
- The gross value of cattle slaughtering and live exports to rise by 1% to a record $18.9 billion in 2025–26.
- The ABARES Saleyard Indicator Price to rise 11% to average 675 cents per kg (carcase weight) in 2025–26.
- Beef production to fall by 9% in 2025–26 reflecting lower slaughter outweighing higher carcase weights.
- The value of beef and live cattle exports to decline by 4% to $16.4 billion in 2025–26.
- Global demand for Australian beef to increase in 2025–26 with relatively strong export market access.

Value of production to reach new record

The **gross value of cattle slaughtering and live exports** is forecast to rise by 1% to a record $18.9 billion in 2025–26 (Figure 9.1). Rising production values reflect higher cattle saleyard prices more than offsetting easing production volume. Saleyard prices are forecast to rise supported by strong export and processor demand as well as restocker momentum in southern areas of Australia.

The gross value of cattle slaughtering and live exports in 2025–26 is forecast to be $1.2 billion higher (7%) than expected in the *June 2025 Agricultural Commodities Report*. This reflects an upwards adjustment to average saleyard prices for cattle reflecting recent developments in export markets and an improved climate outlook for Australia.

Figure 9.1 Annual gross value of cattle slaughtering and live cattle exports



Note: *Includes all bovine animals for feeder/slaughter and breeding purposes. ^Includes dairy cattle but excludes skin and hide values. ~Includes veal and buffalo meat. Data to the right of dotted line indicate forecasts, 2024–25 export data subject to revision by the ABS.
Source: ABARES; ABS

Value of exports to ease with lower export volumes

Despite an expected rising value of production, the **value of beef and live cattle exports** is forecast to ease to $16.4 billion in 2025–26, down 4% from a record $17.1 billion in 2024–25 (Figure 9.1):

- **Beef export values** are expected to fall by 4% to $15.5 billion in 2025–26. Lower Australian beef production due to lower cattle turnoff is expected to outweigh an increase in export prices resulting from strong demand for Australian beef in key markets.
  - Beef export prices are forecast to increase 7% to average $11.2 per kilogram (shipped weight) in 2025–26, up from $10.5 per kilogram in 2024–25 and 7% above the 10-year average in real terms. However, beef export prices are forecast to increase by less than the increase for the ABARES Saleyard Indicator Price for cattle in 2025–26, due to added restocker momentum in domestic markets.
- **Live cattle export values** are forecast to decline by 2% to $941 million in in 2025–26 driven mostly by a decline in the number of live beef feeder/slaughter cattle exports due to more favourable seasonal conditions in northern Queensland.

The forecast value of beef and live cattle exports for 2025–26 is forecast to be $1.2 billion higher (8%) than expected in the *June 2025 Agricultural Commodities Report*. This reflects greater global demand for Australian beef leading to an upwards adjustment to average beef export prices.

Cattle prices to rise with increased saleyard demand

The ABARES Saleyard Indicator Price is forecast to increase by 11% to average 675 cents per kilogram (carcase weight) in 2025–26. Although daily saleyard prices in August 2025 nearly reached 800 cents (carcase weight), the annual-average forecast of 675 cents accounts for expected market volatility over the remainder of 2025–26 (see Box 9.1).

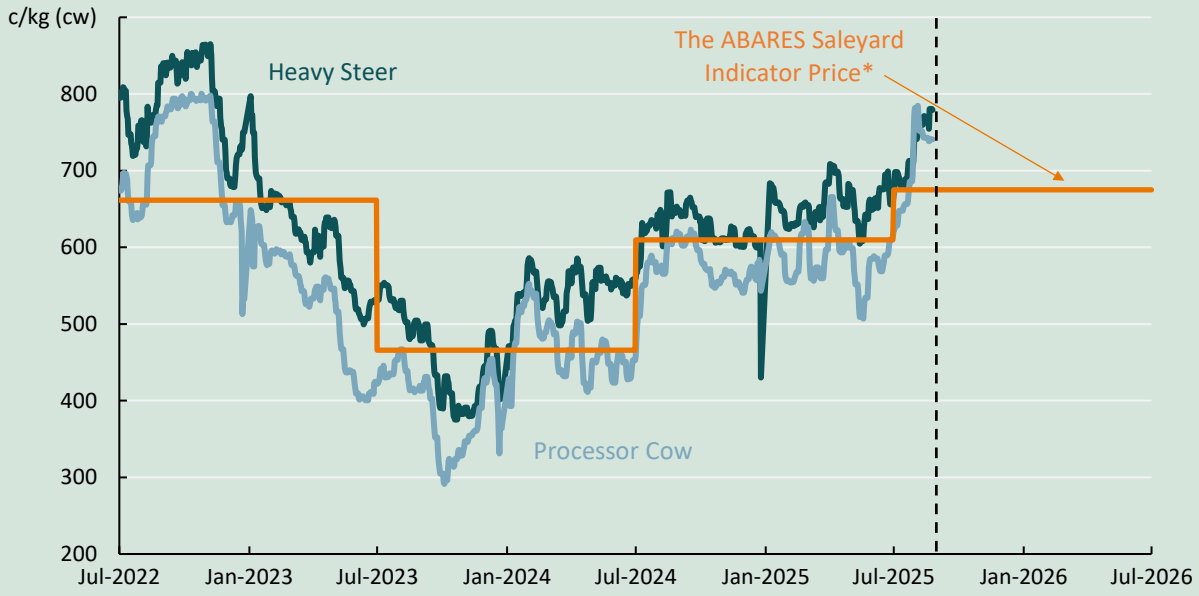
Rising saleyard prices in 2025–26 primarily reflect strong domestic processor demand in response to elevated demand for Australian beef in key export markets. Cattle slaughter is forecast to decline in 2025–26 from record levels in 2024–25 – generating increased competition among processors to maintain high kill rates. In addition, increased restocker demand from cattle producers in southern Australia, due to the favourable climate outlook for spring and summer (see *Seasonal conditions)* is expected to lead to greater buyer competition in many saleyards. Despite the rise, the forecast average annual saleyard price is expected to remain below the peak in 2021–22 and 0.4% above the 10-year average in real terms.

Box 9.1 ABARES cattle price forecast

ABARES forecasts a saleyard price which is a simple average of MLA's National Heavy Steer and Processor Cow indicator prices. Saleyard prices tend to experience significant fluctuation during the year and across saleyards. By comparison, ABARES forecasts saleyard prices as annual averages to smooth out volatility and provide financial year forecasts for the year ahead.

In early August 2025, both the National Heavy Steer and Processor Cow indicators nearly reached 800 cents per kilogram (carcase weight), significantly higher than ABARES forecast year-average price for 2025–26 of 675 cents per kilogram (Figure 9.2). However, saleyard prices are expected to fluctuate over the remainder of 2025–26 as processor competition for cattle is tempered by reduced processing capacity in some southern areas, particularly for mixed sheep-beef processing facilities (see *Sheep meat*).

Figure 9.2 Daily cattle saleyard price indicators and the ABARES Saleyard Indicator Price



Note: *Average of MLA's national Heavy Steer and Processor Cow indicators, carcase weight equivalent. Data to the right of dotted line indicate forecasts.
Source: ABARES; MLA

Australian beef production to moderate in 2025–26

Annual **beef production volume** is forecast to decline by 9% to 2.5 million tonnes (carcase weight) in 2025–26 as lower cattle slaughter outweighs higher carcase weights (Figure 9.3). Driving the decline in slaughter is a forecast lower turnoff rate, particularly in southern Australia given expected improving seasonal conditions (see *Seasonal conditions*). However, continued high cattle availability in Queensland is forecast to partially offset the impact of herd rebuilding in southern regions on total cattle slaughter in 2025–26.

Figure 9.3 Annual cattle slaughter and average carcase weight

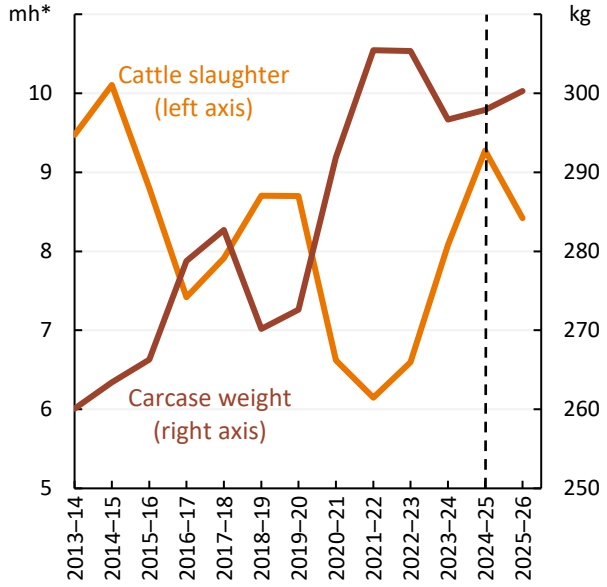
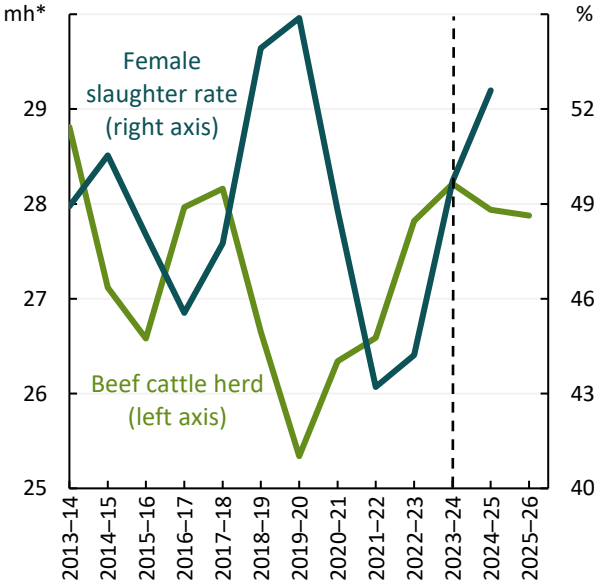


Figure 9.4 Beef cattle herd and average annual female slaughter rate



Note: *million head. Cattle slaughter includes calves. Beef cattle herd at 30 June. Data to the right of dotted line indicate forecasts.
Source: ABARES; ABS

Average carcase weights are forecast to increase with an improved climate outlook for southern Australia and high pasture growth in Queensland. Despite a forecast decline, beef production in 2025–26 is expected to be 13% higher than the 10-year average and the third highest on record.

The **Australian beef cattle herd** is forecast to remain relatively steady in 2025–26 (down 0.2%) at 27.9 million head (at 30 June), 3% above the 10-year average (Figure 9.4). A high female slaughter rate in 2024–25 across Victoria and New South Wales is forecast to have reduced the population of breeding heifers and thus lead to lower total calving in 2025–26. However, this is expected to be broadly offset by favourable climate conditions in most regions, particularly Queensland, allowing for high cow mating and calf branding rates. Victoria and New South Wales accounted for 31% of Australia's total beef cattle herd at 30 June 2024, with Queensland accounting for 48%. In addition, high turnoff of female cattle is expected to be driven by less productive older cows as opposed to more productive young heifers.

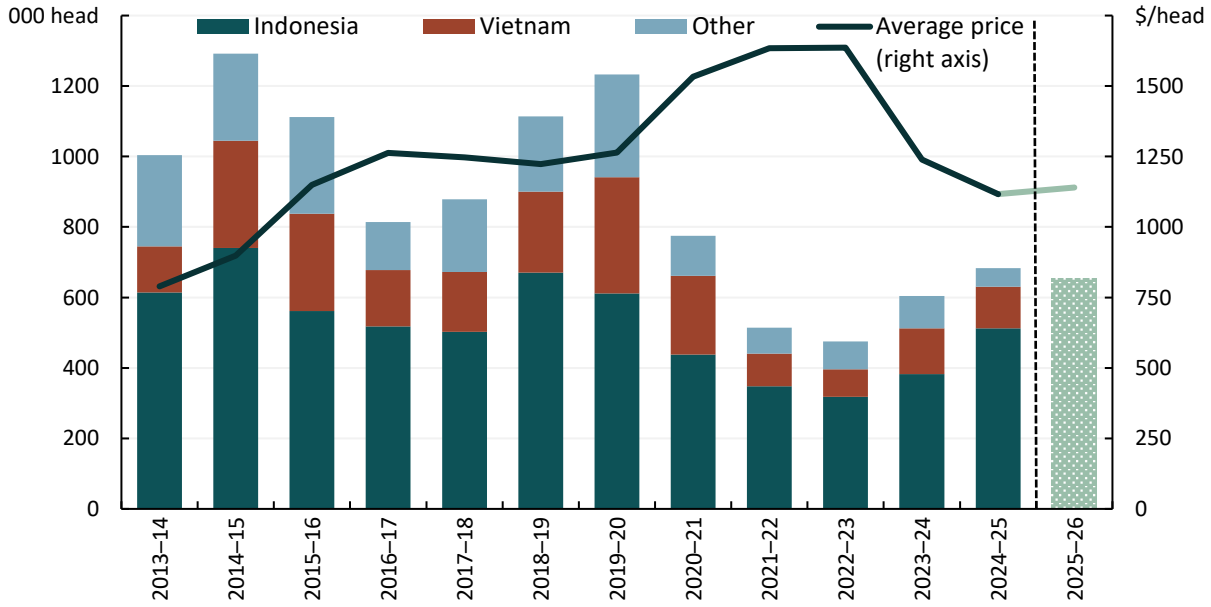
The number of **Australian cattle in feedlots** is expected to increase further in 2025–26 with strong demand from north Asian markets for grain-fed beef and lower feed grain prices in Australia. In 2024–25, an estimated 5% of cattle were on feed in Australia, up from 3% in 2014–15.

Lower domestic beef production is expected to see annual **beef export volume** fall by 10% in 2025–26 to 1.4 million tonnes (shipped weight). Lower per capita domestic beef consumption and strong global demand for Australian products is expected to keep the share of production exported elevated at 79% in 2025–26, up from 75% on average over the previous 10 years. In aggregate, **domestic beef consumption** is forecast to remain relatively steady with population growth offsetting some consumer substitution to poultry meat (see *Pigs, Poultry & Eggs).*

Live cattle export volumes to fall slightly in 2025–26

Live export volumes of beef feeder/slaughter cattle are forecast to decline by 4% in 2025–26 to 655,000 head as high saleyard prices and pasture growth in northern Australia, particularly Queensland, reduce incentives for live export (Figure 9.5).

Figure 9.5 Live beef feeder/slaughter cattle export volumes and average annual price



Note: Data to the right of dotted line indicate forecasts, 2024–25 export data subject to revision by the ABS. Average annual price per head measured free on board (FOB). Total live cattle exports include other smaller categories such as live dairy cattle, breeder beef cattle, buffalo and other bovine.
Source: ABARES; ABS

Beef feeder/slaughter cattle accounted for 85% of the total volume (number of head) of live bovine animal exports (including breeder) in 2024–25 and are an important revenue stream for cattle producers in the Northern Territory and parts of Queensland, particularly in dry years.

Live export volumes of beef feeder/slaughter cattle are forecast to be 20% below the 10-year average in 2025–26, and average export prices 29% below the 10-year average in real terms. Demand for live beef feeder/slaughter cattle from **Indonesia**, which accounted for 71% of Australia's total trade in 2024–25, is expected to remain relatively stable with growth in household consumption roughly offset by greater supply of Indian buffalo meat. Demand for live beef feeder/slaughter cattle from **Vietnam**, which accounted for 21% of Australia's total trade, is forecast to remain relatively subdued due to greater availability of cheaper protein options such as pork.

Robust world demand for beef in 2025–26

World beef demand is expected to rise in 2025–26 driven by population growth and rising per capita protein consumption in emerging markets. In Australia's major export markets (Box 9.2), demand is expected to remain strong despite challenging economic conditions.

United States demand for beef imports is forecast to remain high in 2025–26 reflecting expected lower domestic beef production outweighing pressure on consumption. Growth in aggregate household consumption is expected to face some pressure given subdued economic growth (see *Economic outlook).* US retail sale data for beef has remained strong to date, but beef prices are expected to increase further over 2025–26. Demand for Australian beef is forecast to be supported by favourable market access relative to competitors such as Brazil (see *Opportunities and challenges*).

China's demand for beef imports in 2025–26 is forecast to decline due to challenging economic conditions for household spending (see *Economic outlook)* and an increase in both domestic pork and beef production. However, Australian beef exports are expected to continue to be supported as a significant number of US beef exporters have not had licenses renewed since expiring in March 2025. Australian beef exports to China reached the tariff-free import quota for 2025 in July, with additional exports subject to a 12% tariff for the remainder of the calendar year. However, Australian beef's favourable reputation amongst large sectors of the population is expected to support demand in the face of greater supply from Brazil.

- A downside risk to China's demand for Australian beef exports in 2025–26 is China's Ministry of Commerce's (MOFCOM) global safeguard investigation into beef imports. The investigation outcomes have been delayed until late November 2025 but will examine claims from Chinese industry associations that there is a relationship between a sharp increase in beef import volumes and 'serious damage' to China's domestic industries. The outcome of this safeguard investigation, including the potential imposition of additional safeguard measures on imports, is a key uncertainty for global beef exporters such as Australia in 2025–26.

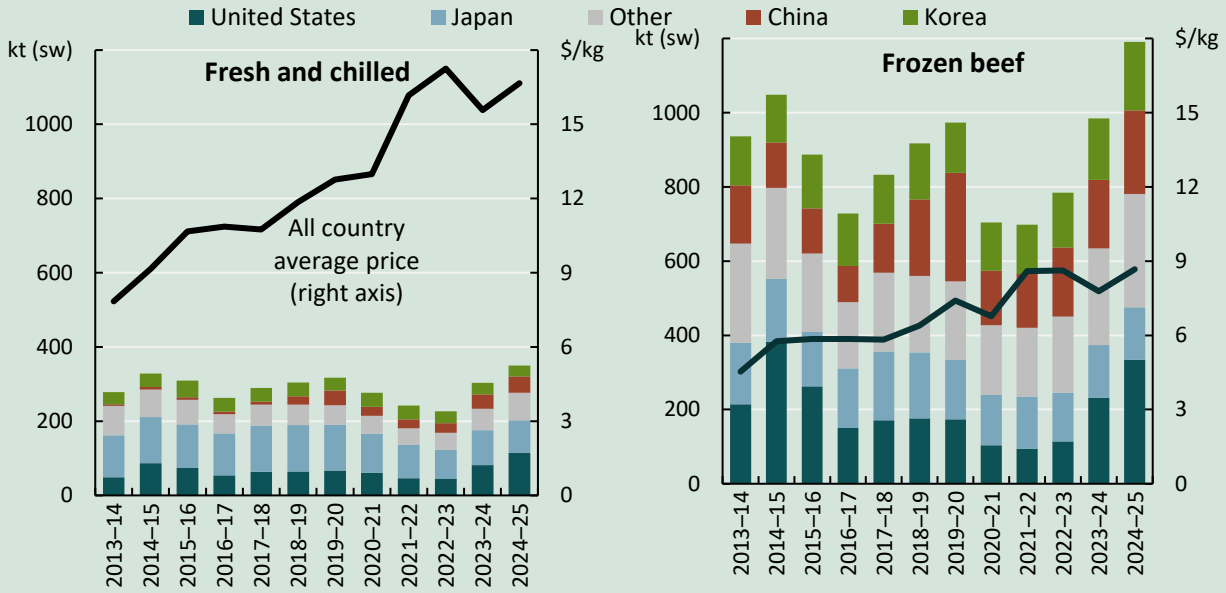
Box 9.2 Strong US demand drives record beef export volumes in 2024–25

The volume of beef exports in 2024–25 reached a record 1.5 million tonnes (shipped weight) driven by both increases in frozen beef and higher value fresh/chilled cuts (Figure 9.6). A record number of cattle in feedlots supported production and exports of high value beef cuts to key markets in North Asia. In addition, frozen beef exports were supported by high processing capacity, trade access and a favourable reputation in growing protein consumption markets.

Australia's beef exports increased to most major destinations in 2024–25 excluding a slight fall in volume shipped to Japan. Notably, record export volumes in 2024–25 were driven by demand from the **United States**, with frozen

beef exports up by 44% to 334 thousand tonnes and fresh/chilled beef exports up by 40% to 114 thousand tonnes. Consistent with strong demand, average export prices to the United States in 2024–25 increased by 16% for frozen beef to $9.8 per kg shipped weight and by 5% for fresh/chilled beef to $17.5 per kg shipped weight.

Figure 9.6 Annual beef export volume by country and all country average annual export price



Note: Includes veal and buffalo meat, kilotonnes shipped weight. 2024–25 export data subject to revision by the ABS.
Source: ABS

Relatively stable world beef supply in 2025–26

World beef supply in 2025–26 is forecast to be relatively stable in major exporting countries with lower supply from Australia and the United States broadly offset by higher supply from Brazil and New Zealand.

United States beef production and exports are expected to fall further in 2025–26 as low cattle availability more than offsets higher carcase weights. Improving seasonal conditions are forecast to lead to greater pasture growth, providing incentives to retain cattle. However, this is expected to be partially offset by high prices leading to some producers keeping turn-off elevated. As the US beef herd transitions to a full rebuilding phase, the lag time between new calves leading to a significant increase in beef production is expected to be at least 2 years.

New Zealand beef exports are forecast to increase driven by a greater cattle herd facilitating higher slaughter in response to higher beef export prices. New Zealand accounts for a smaller share of global beef exports than Australia, but is a key competitor across major export markets.

Brazil is the world's largest beef exporter with shipments forecast to increase in 2025–26 driven by both elevated turn-off and reduced domestic consumption (as consumers substitute towards poultry and other cheaper proteins). As a result, export price premiums relative to domestic prices are expected to continue to lead to processors focusing on export certifications. Brazil was officially declared free from foot and mouth disease by the World Organization for Animal Health in May 2025, with the announcement expected to reduce costs for producers and expand market access for beef exports, although this is not expected to be a major factor in 2025–26.

Opportunities and challenges

Uncertainty regarding US government trade policy

Throughout 2025, the US government has announced several new or increased import tariffs, with some countries including China announcing retaliatory measures (for more detail, see *Overview*). In addition, the US government has recently announced trade deals with countries such as Indonesia, Vietnam and Japan including clauses on livestock products. For beef exporters, these trade policy changes have the capacity to affect demand for Australian beef and global trade flows as:

- The United States is a major competitor in key Australian export markets such as China, Japan and Korea, particularly for high value fresh and chilled beef products.
- Australia competes with major producing and exporting countries such as Canada, Brazil and New Zealand to export beef into the United States.

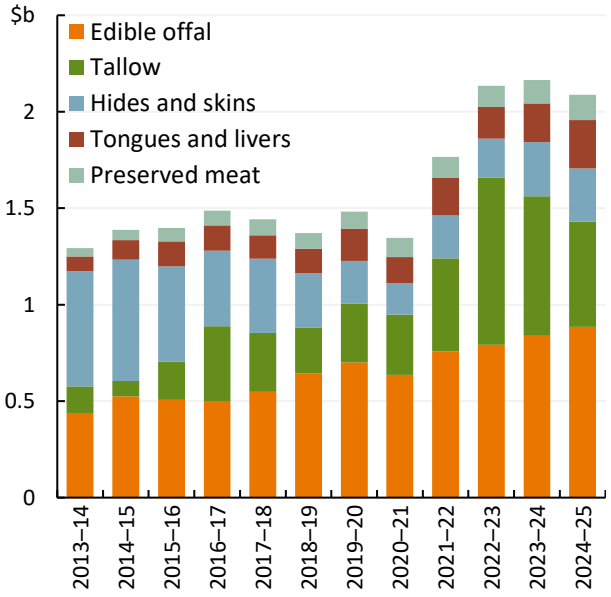
Significant uncertainty remains concerning the implementation, timing, coverage, and magnitude of expanding trade barriers in 2025–26. At the time of writing, Australian beef's competitive position looks to be favourable with a 10% tariff on Australian imports into the United States compared to tariffs of 15% on New Zealand and 76% on Brazil. In addition, Canadian and Mexican exportable supplies are currently constrained by low production and disease restrictions.

Mixed outlook for cattle slaughtering co-products

Australia exported a record high volume of many cattle slaughtering co-products in 2024–25, but lower prices led to a decline in export value (Figure 9.7). A 15% year-on-year increase in total cattle slaughter led to greater production of co-products such as offal, tallow, hides and other cattle-derived meat products. However, lower prices in 2024–25, particularly for hides and tallow, weighed on overall export values.

In 2025–26, exports of cattle slaughtering co-products are expected to moderate in line with lower beef production, however, partially offset by higher export prices for tallow (see *Oilseeds)* and a variety of offal products. Exports of co-products are an important revenue stream for meat processors, particularly during periods of high cattle saleyard prices.

Figure 9.7 Annual export value of selected bovine slaughtering co-products



Note: Hides and skins includes equine products; Tallow includes mixed beef and mutton tallow; Preserved bovine meat includes beef prepared, corned, canned and bottled. 2024–25 export data subject to revision by the ABS.
Source: ABARES; ABS

Beef imports to remain minimal and dominated by New Zealand

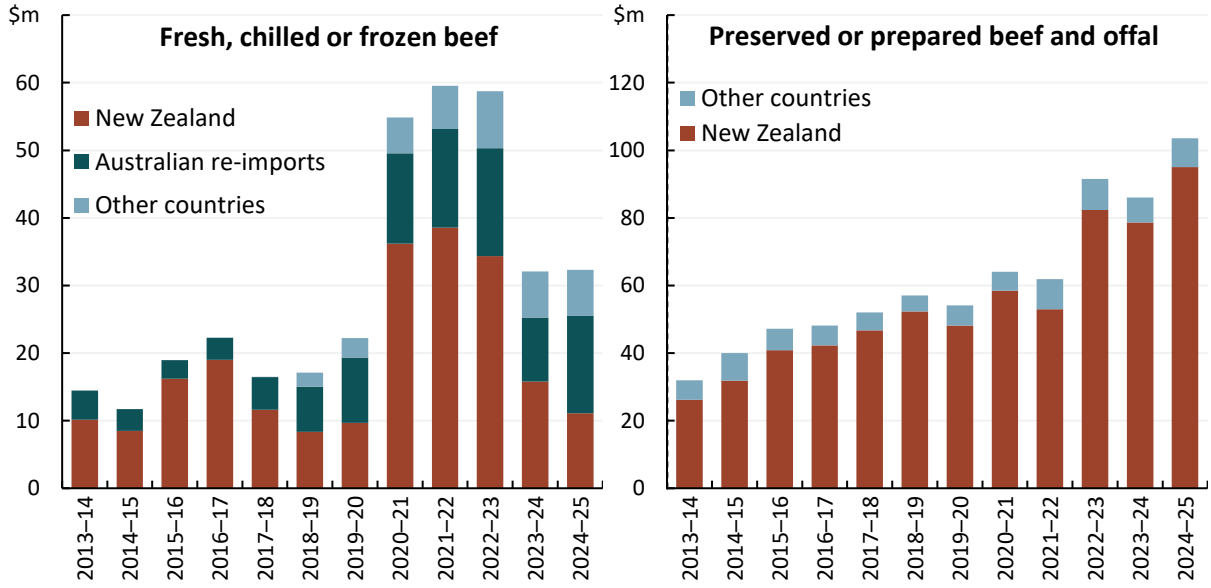
Australia is a major global beef producer, exporting 80% of production in 2024–25, with imports playing a minor role in the domestic supply chain. In 2024–25, Australia imported (or re-imported) $32 million of fresh, chilled or frozen beef and $104 million of prepared and preserved beef and offal. Together this represented less than 1% of the total value of Australia's beef exports in 2024–25. In addition, 11% of the import value were re-imports from export shipments returned to Australia. New

Zealand has traditionally been the largest supplier of beef imports into Australia (Figure 9.8), motived by close geographic proximity.

Due to Australia's high domestic supply, consumer preferences and long freight distance from the United States, imports of US beef are not expected to be significant in 2025–26. In addition, US beef exports are forecast to decline by the USDA in both 2025 and 2026 due to a fall in cattle slaughter.

In July, the Australian Government released a report into beef imports derived from cattle born and raised in Canada or Mexico and legally slaughtered in the United States finding that the biosecurity risks associated with importing fresh (chilled or frozen) beef and beef products derived from bovines born and raised in Canada or Mexico, and legally imported and slaughtered in the United States for export to Australia, can be effectively managed to meet Australia's Appropriate Level of Protection. The United States was added as an applicant country to export beef and beef products to Australia following the publication of the *Beef Review* in 2017, however beef imports to Australia were only permitted if the products were derived from bovines that were kept in the United States. The recent addendum supports the expanded scope inclusion of beef and beef products derived from bovines legally imported into the United States from Mexico and Canada, provided that appropriate control measures are in place to meet Australia's biosecurity requirements.

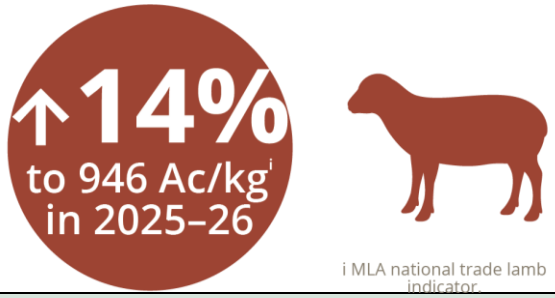
Figure 9.8 Annual Australian beef import value by supplier



Note: Figure 9.8 has been revised. This follows the identification of ABS trade data incorrectly identifying returning Australian beef from the US as of 'US Origin'.
Includes all bovine meat. 2024–25 import data subject to revision by the ABS.
Source: ABS

10 Sheep meat

Fiona Borello



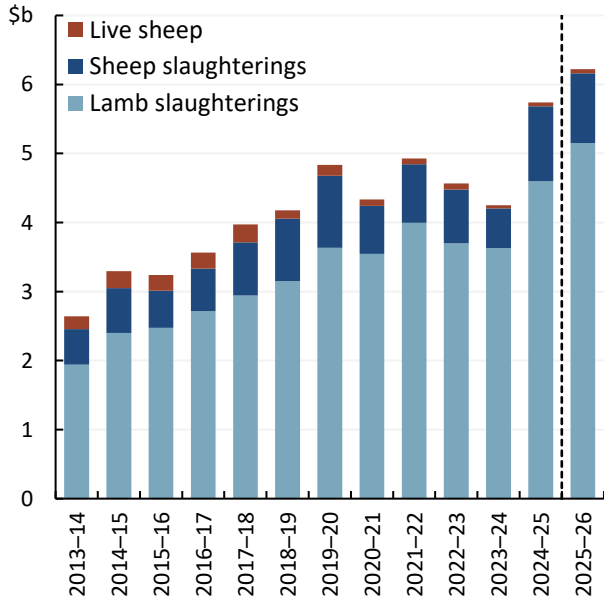
Key points

- Gross value of sheep slaughtering and live sheep exports to rise by 8% to $6.2 billion in 2025–26.
- Lamb and sheep saleyard prices to rise on the back of reduced supply and increased restocker demand.
- Value of sheep meat and live sheep exports to fall by 2% to $5.6 billion.
- Australian production levels to fall as slaughter numbers reduce in 2025–26.
- Global market demand for sheep meat strong amid reduced world supply.

Value of production to rise due to higher prices

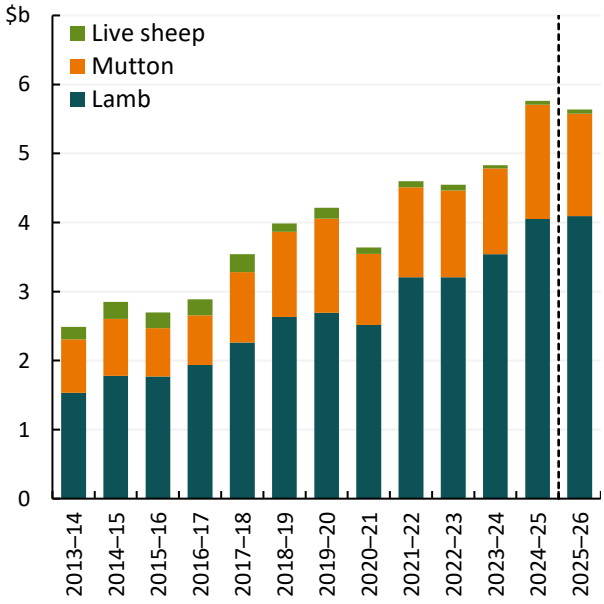
The **gross value of sheep** slaughtering and live sheep exports is expected to rise by 8% to $6.2 billion in 2025–26 (Figure 10.1). Rising production value is a result of higher lamb and sheep prices, which are offsetting a fall in total sheep meat production in 2025–26. Prices are forecast to rise as processors and restockers compete for stock. Demand from processors – in turn driven by robust world demand for sheep meat – is expected to remain relatively strong in 2025–26. Production volumes are forecast to fall as improving seasonal conditions have producers looking to rebuild flocks after both prolonged drought in southern Australian sheep producing areas, and flood conditions in parts of Queensland.

Figure 10.1 Annual gross value of sheep slaughtering and live sheep exports



Note: Data to the right of dotted line indicates forecasts. 2024–25 live export data subject to revision by the ABS.
Source: ABARES; ABS

Figure 10.2 Annual value of sheep meat and live sheep exports



Note: Data to the right of the dotted line indicates forecasts. 2024–25 export data subject to ABS revision.
Source: ABARES; ABS

The gross value of sheep slaughtering and live sheep exports in 2025–26 is forecast to be $200 million (3%) higher than expected in the *June 2025 Agricultural Commodities Report*. This reflects an upwards adjustment to average saleyard prices for lamb and sheep reflecting recent data.

Value of exports to ease with lower export volumes

The **value of sheep meat and live sheep exports** is forecast to decrease to $5.6 billion in 2025–26, down by 2% from an estimated $5.8 billion in 2024–25 (Figure 10.2). The decrease in total export value reflects:

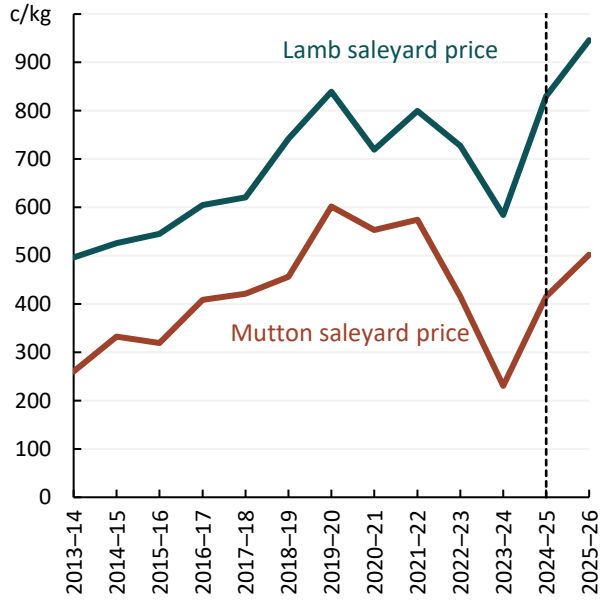
- Lower value of **sheep meat exports** – forecast to fall by 2% to $5.6 billion in 2025–26, driven by falls in total export volumes arising from lower production outpacing higher sheep meat prices.
- **Total sheep meat** (lamb + mutton) export prices –forecast to increase 16% to average $9.8 per kilogram (shipped weight) in 2025–26, up from $8.5 per kilogram in 2024–25 and 3% above the 10-year average in real terms. However, sheep export prices are forecast to increase by less than saleyard prices for lamb and sheep in 2025–26 due to added restocker momentum in domestic markets. Higher **live sheep export values** – forecast to rise by 11% to $62 million in 2025–26 as average prices rise, and numbers exported lift 4%.

The value of sheep meat and live sheep export is forecast to be $960 million higher than expected in the *June 2025 Agricultural Commodities Report*. This reflects an upwards adjustment to lamb export prices and volumes for 2025–26.

Lamb and sheep prices to rise with increased demand

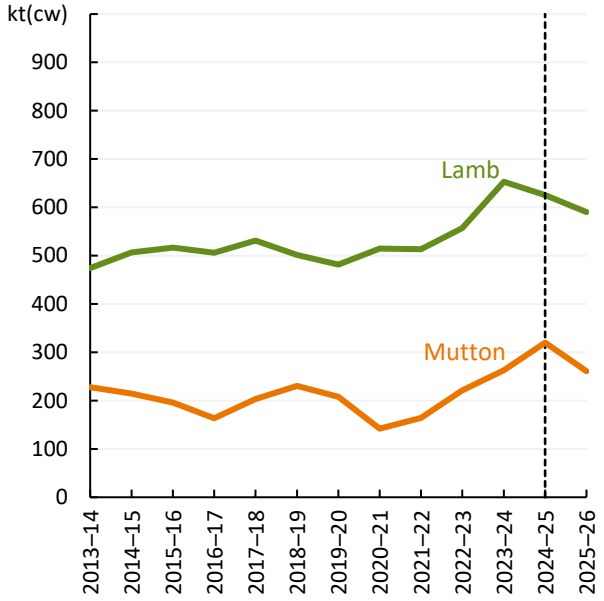
Lamb saleyard prices are forecast to rise by 14% to average 946 cents per kilogram (carcase weight) in 2025–26, up from 830 cents per kilogram in 2024–25 (Figure 10.3). This reflects a longer-term recovery in saleyard demand since 2023–24 and expected strong competition at saleyards between processors sourcing inventory and sheep producers looking to rebuild flocks in 2025–26. Lamb saleyard prices reached record levels in August 2025, however are expected to moderate in the later part of the financial year and over 2025–26 (Box 10.1) be 16% above the 10-year average in real terms.

Figure 10.3 Average annual lamb and mutton saleyard prices



Note: Data to the right of dotted line indicates forecasts. MLA's National Trade Lamb Indicator and National Mutton Indicator.
Source: ABARES; MLA

Figure 10.4 Annual Australian sheep meat production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Mutton saleyard prices are forecast to rise by 21% to average 502 cents per kilogram (carcase weight) in 2025–26, up from 415 cents per kilogram in 2024–25 (Figure 10.3). The expected recovery in mutton saleyard prices reflects both a rise in demand – due to increased processor competition – and a fall in the supply of sheep to saleyards following improved seasonal conditions. While 84% above 2023–24 levels, mutton prices in 2025–26 are forecast to remain 3% below the 10-year average to 2024–25 in real terms.

Box 10.1 Price volatility in lamb and mutton saleyard indicator prices

ABARES lamb and mutton price forecasts are published in annual terms (July – June 12-month average) which smooths out variation in prices within the year (Figure 10.5; Figure 10.6). There tends to be a strong seasonal component to sheep prices as autumn born lambs are sold as trade lambs in spring, and additional peaks and troughs can arise from the onset of challenging or favourable climatic conditions and seasonal outlooks, all of which affect marketing decisions on farms.

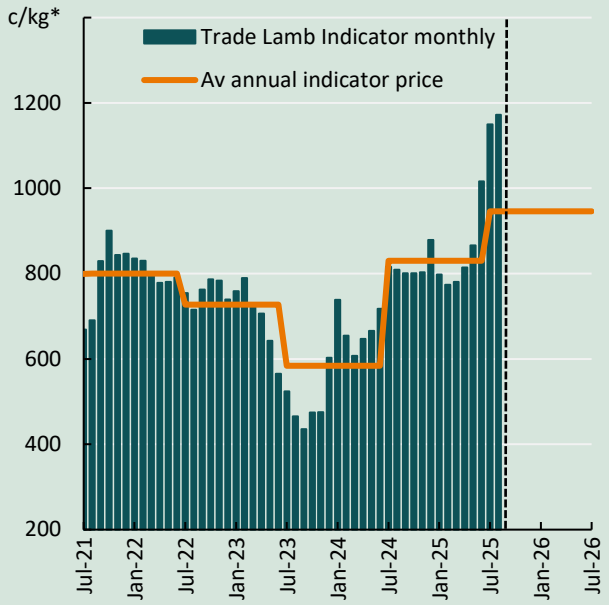
Lamb saleyard price volatility

Strong demand for lamb coupled with reduced global production has seen Australian lamb saleyard prices recently surge to new highs. Lamb saleyard prices increased sharply from April 2025 to August 2025 to around 1,200 cents per kilogram (up 50%) due to a limited supply of lambs on offer. Over the second half of 2025–26, prices are expected to moderate from recent highs as processors reduce throughput in response to falling margins and the forecast limited availability of lambs.

Mutton price volatility

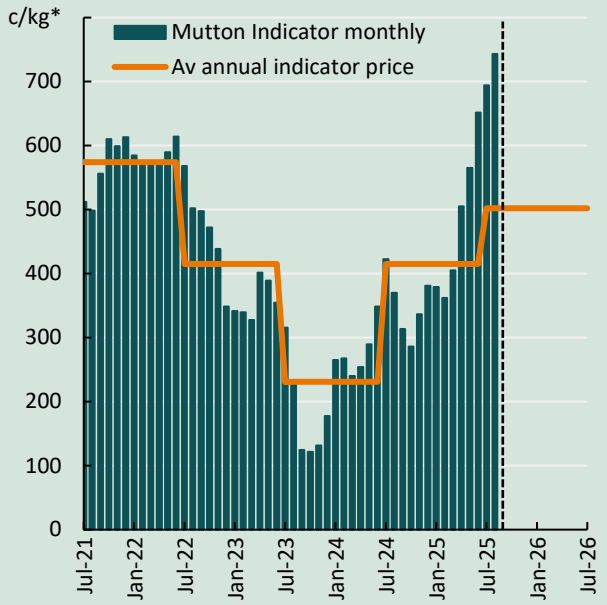
Fluctuations in the mutton price have been even greater than that of the lamb market in recent years, particularly in periods when poor climatic conditions and high supplementary feed prices led to elevated mutton slaughter levels. Relatively low wool prices have also contributed to market fluctuations as producers have increased the share of meat producing sheep breeds in the flock, and reduced numbers of less productive sheep. In 2025–26, mutton prices are being supported by reduced lamb availability, which is leading to increased mutton demand from processors seeking to maintain kill throughput.

Figure 10.5 Price volatility in trade lambs



Note: *cwt. Data to the right of dotted line indicates forecasts.
Source: ABARES; MLA

Figure 10.6 Price volatility in mutton



Note: *cwt. Data to the right of dotted line indicates forecasts.
Source: ABARES; MLA

Sheep meat production and export volumes to fall

The volume of **Australian sheep meat production** is forecast to fall by 12% to 811 thousand tonnes (carcase weight) in 2025–26, driven by lower slaughter numbers for lambs and adult sheep, which is expected to more than offset higher carcass weights:

- **Lamb production** is forecast to fall by 5% to 592 thousand tonnes in 2025–26, because of an expected decline in the number of lambs marked following several years of high adult sheep slaughter. Lamb availability for processing is forecast to be further impacted as sheep producers retain more ewe lambs to rebuild flock numbers.
- **Mutton production** is forecast to fall by 26% to 219 thousand tonnes in 2025–26 as sheep producers retain more ewes on farm as seasonal conditions improve.

The **Australian sheep flock** is forecast to rise by 1% to 65.4 million head in 2025–26 due to reduced turn-off of older sheep and more lambs being promoted to sheep as producers begin responding to improved seasonal conditions. The forecast increase in the national flock is tempered by ongoing high demand from processors, which is expected to slow flock rebuild levels in the short term.

Box 10.2 New ABS Sheep Flock Model estimates expected to be released in late 2025

ABARES sheep flock forecasts are based on ABS 2022 flock estimates. The ABS is currently developing a method to estimate sheep populations, adopting similar stock/flow modelling principles used in experimental cattle herd estimates. The data is scheduled for release in late 2025 with ABARES sheep flock forecasts to be updated when the new estimates become available. For more information, see *Modernising agricultural statistics: Updates on achievements and remaining data gaps* jointly published by ABARES and the ABS.

Domestic sheep meat consumption is expected to be relatively steady in aggregate but decline on a per capita basis in 2025-26 as price sensitive consumers opt for cheaper protein sources.

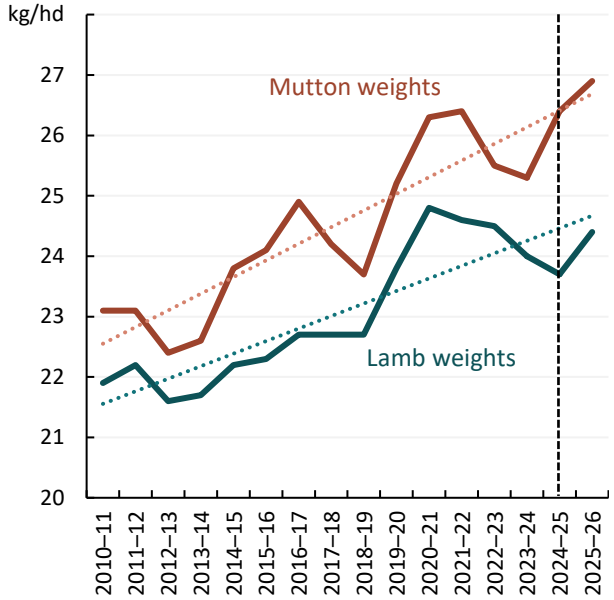
Australian sheep meat export volumes are expected to fall by 15% to 567 thousand tonnes (shipped weight) in 2025–26, reflecting reduced lamb and mutton production. **Lamb export volumes** are

forecast to fall by 7% to 362 thousand tonnes in 2025–26. **Mutton export volumes** are forecast to fall by 26% to 205 thousand tonnes in 2025–26.

Increased carcase weights reduce impact of lower numbers

Carcase weights are expected to be higher year-on-year in 2025–26 due to improved pasture availability, a lower proportion of female sheep and less light lambs being slaughtered. The infusion of improved meat sheep genetics into the national flock has also contributed to an overall lift in average carcass weight in recent years (Figure 10.7). Average lamb weights have lifted from 21.9kg in 2010–11 to a forecast 24.4kg per head in 2025–26. Similarly, mutton weights have increased from 23.1kg to 26.9kgper head over the same period.

Figure 10.7 Average sheep meat carcase weights



Note: Data to the right of dotted line indicates forecast.
Carcase weight in kilograms per head.
Source: ABARES; ABS

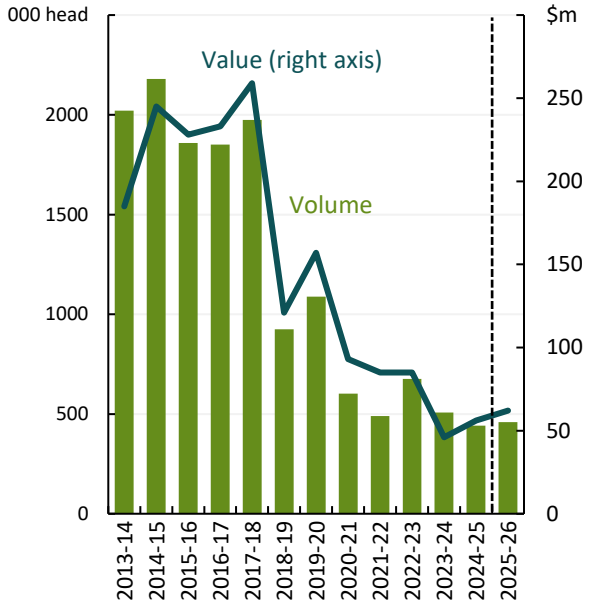
Carcase weights are also being driven higher by growth in the number of sheep on feed as processors look to lot feeding light lambs to secure future kill numbers. Current high lamb prices and relatively low feed grain prices is supporting the profitability of feeding light lambs (under 16kg carcase weight) to heavier, high-value trade lambs. Forecast subdued grain prices (see *Wheat and Coarse grains*) at a time when heavy mutton is paying strong rates is also expected to see producers try to add value to the reduced numbers of adult sheep on offer by increasing weights.

Live sheep trade to remain steady

Live sheep export volumes are forecast to rise 4% to 460 thousand head in 2025–26, from 442 thousand head in 2024–25. Although rising from the 2024–25 level, strong domestic prices for lamb and mutton and elevated domestic slaughter of sheep in Western Australia are expected to continue limiting the live export trade (Figure 1.8). Expectations on the live export trade have been revised up from the *March* and *June 2025 Agricultural Commodities Report* with producers continuing to utilise live exports more than anticipated. Freight disruptions, ship maintenance and availability issues are expected to improve in 2025–26 relative to recent years.

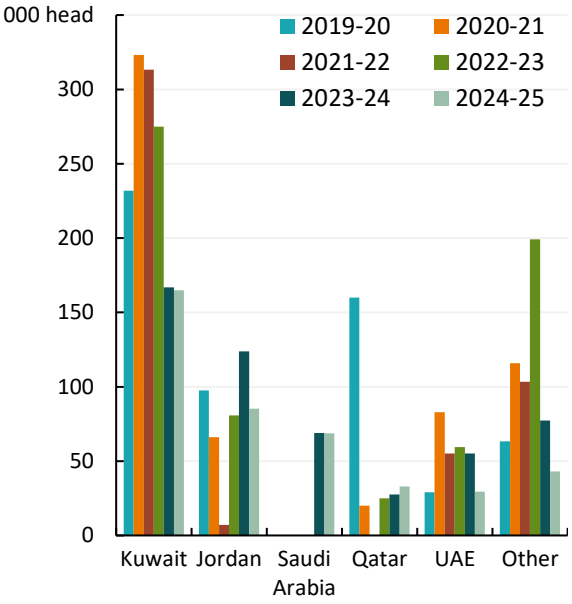
The main markets for Australian live sheep are Kuwait, Jordon, Saudia Arabia, Qatar and the UAE (Figure 10.8).

Figure 10.9 Annual live sheep exports value and volume



Note: Data to the right of dotted line indicates forecast. 2024–25 export data subject to revision by the ABS. Export value measured free on board (FOB).
Source: ABARES; ABS

Figure 10.10 Annual live sheep exports by destination



Source: ABARES; ABS

World demand for sheep meat to remain strong

World sheep meat demand is forecast to remain strong in 2025–26, with sustained demand for lamb and mutton expected from the United States, China, the Middle East and other emerging markets.

United States demand for sheep meat is forecast to remain relatively high, albeit falling slightly year on year in 2025–26, on the back of higher prices and pressure on US household consumption. The United States imported 21% of the total volume (Figure 10.11) and 33% of the total value of lamb exported from Australia in 2024–25 at a value of $1.4 billion. In addition, the United States is a high value market for Australian lamb paying an average value of $16.6 per kilogram (shipped weight) compared to the average lamb export value in 2024–25 of $10.4 per kilogram (shipped weight).

- Low domestic sheep meat production in the United States and continued strength in the US dollar is expected to support demand for Australian lamb exports, particularly in the high-value restaurant trade. However, high lamb prices are expected to result in some product substitution amongst different protein sources in the US, particularly in middle to lower income households. An additional cost in the supply chain is the 10% tariff on sheep meat imports from Australia. However, our main competitor to the market – New Zealand – currently faces US import tariffs of 15%, thus Australian sheepmeat remains at a competitive advantage.

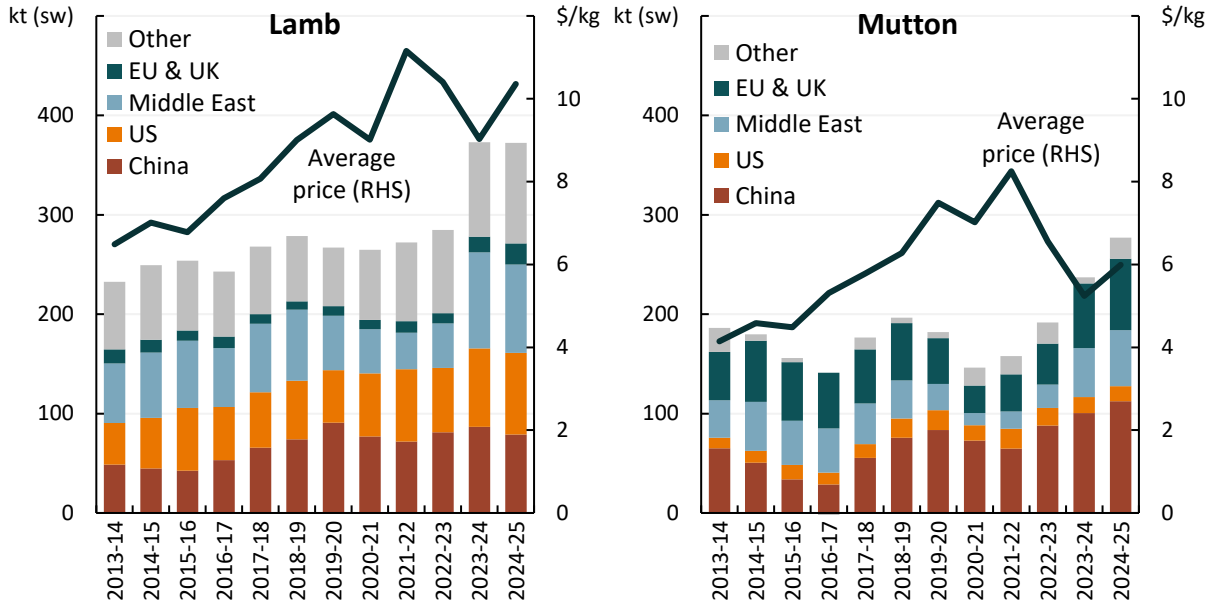
Middle East demand for Australian sheep meat is forecast to increase in 2025–26 due to both rising incomes and an expanding food service sector.

China's demand for sheep meat is expected to remain strong in 2025–26 despite growing domestic mutton production. Imports of mutton are expected to grow while lamb imports fall as consumers look to lower-cost protein sources. China imported 37% of the total value of Australia's mutton exports in 2024–25 with a relatively average unit price of $6.1 per kilogram (shipped weight).

- Whilst China is a vital market for our sheep meat exports, China is largely self-sufficient in sheep meat and goat meat production importing only a small amount of its total supply, equating to 6.6% in 2024.

Strong growth in demand for sheep meat imports from the **United Kingdom (UK) and European Union** in 2024–25 is expected to continue in 2025–26. Australia's combined exports of lamb to the United Kingdom and European Union in 2024–25 had a value of $236 million, and mutton $63 million, up significantly compared to 2023–24 and with relatively high average unit prices across both markets. Strong demand has resulted in 88% of Australia's 2025 calendar year UK World Trade Organisation (WTO) quota being filled by the 31st of July 2025.

Figure 10.11 Annual lamb and mutton export volume by country and average export price



Note: Kilotonnes shipped weight. 2024–25 export data subject to revision by the ABS.
Source: ABARES; ABS

Reduced world supply of sheep meat

World sheep meat supply is forecast to fall in 2025–26 driven by lower production from key global producers including Australia, New Zealand and the United Kingdom.

- **New Zealand** sheep meat production is expected to fall again in 2025–26, primarily because of a fall in sheep numbers. The New Zealand Ministry for Primary Industries expects the sheep flock will continue to decline into the medium term due to land competition, environmental programs, high input costs and low wool prices. As a result, New Zealand sheep meat export volumes are forecast to continue to fall, supporting increased global demand for Australian sheep meat.
- Sheep meat production in the **United Kingdom** is also expected to fall in line with lower sheep numbers. The UK flock fell by 1.6% to 20.9 million head in December 2024, and is expected to continue falling in 2025.

Opportunities and challenges

Trade uncertainty due to tariff and market intervention

The United States and China continue to be among Australia's largest markets for Australian lamb and mutton (Figure 10.11). Disruption in these markets has the potential to reduce Australian export prices and/or volumes, and to harm long term relationships between buyers and sellers. While many lower value sheep meat products could likely be redirected to other markets at similar prices in the

event of trade disruption occurring, some products currently receiving a price premium such as heavy lamb racks into the US would be difficult to shift to alternative markets at a similar price.

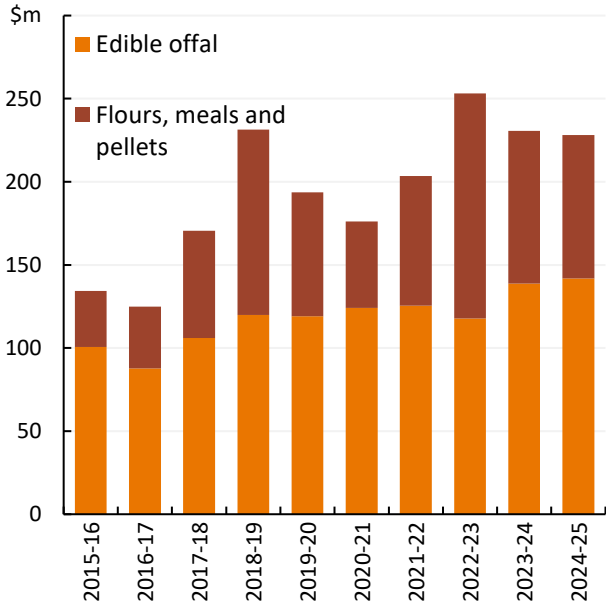
High prices may lead to product substitution over the long term

A subdued economic outlook and relatively high lamb and mutton prices may see customers substitute to cheaper protein alternatives. In the domestic market, lamb is easily substituted for cheaper protein sources such as pork or poultry which are sold at lower unit prices (see *Natural Fibres*).

Mixed outlook for sheep slaughter co-products

Australian exports of sheep slaughter co-products are an important revenue stream for meat processors, particularly during periods of high lamb and sheep saleyard prices. In 2024–25, exports of sheep offal and meat products, skins and tallow were driven by the highest sheep slaughter since the 1970s (Figure 10.12). However, high sheep offal export volumes were offset by lower export prices driven by the large increase in Australian supply. In addition, record volumes of sheep skins (see *Natural Fibres)* was offset by lower average export prices to China. In 2025–26, exports of sheep slaughtering co-products are expected to moderate in line with lower sheep meat production, however, partially offset by higher export prices for tallow (see *Beef and cattle)* and offal.

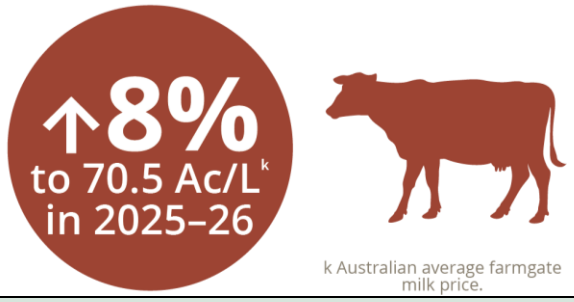
Figure 10.12 Annual export value of selected sheep slaughtering co-products



Note: 2024–25 export data subject to revision by the ABS.
Source: ABARES; ABS

11 Dairy

Holly Beale



Key points

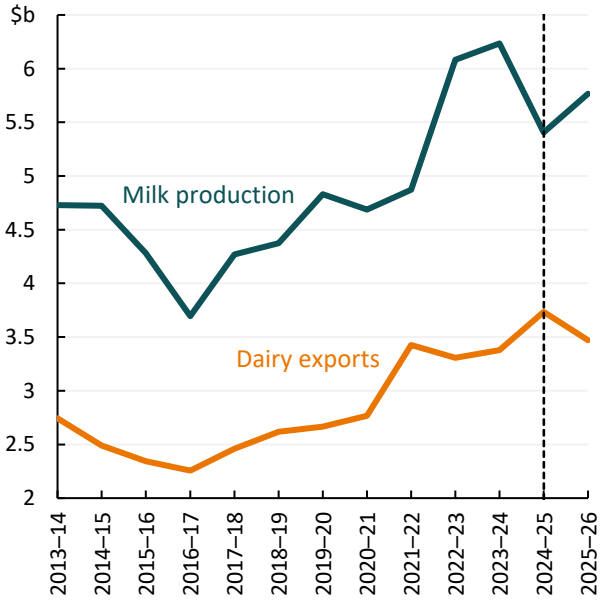
- Gross value of production to rise by 7% in 2025–26 driven by a higher farmgate milk price.
- Value and volume of exports to fall driven by lower domestic milk production.
- Volume of milk production to fall by 1% due to declines in the milking herd.
- Dairy product export prices to fall given increasing global production and subdued global demand growth.

Value of milk production to increase

The **gross value of milk production** is forecast to rise by 7% to $5.8 billion in 2025–26 from an estimated $5.4 billion in 2024–25 (Figure 11.1). The forecast increase in production value is driven by a higher farmgate milk price outweighing an expected decrease in milk production given a smaller dairy herd.

Farmgate milk prices are forecast to rise to 70.5 cents per litre in 2025–26, up by 8% from 2024–25 to be just below the 5-year average in real terms. Prices are expected to rise as milk supply tightens – reflecting a decline in domestic milk production while domestic demand for market milk is expected to remain stable. The forecast value of milk production in 2025–26 has been revised up by $0.2 billion since the *June 2025 Agricultural Commodities Report* driven by slightly stronger than expected farmgate milk prices in recent data.

Figure 11.1 Annual value of milk production and dairy exports



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. Source: ABARES; ABS

Export values to fall

Despite an expected rise in the value of milk production, the **value of Australian dairy exports** is forecast to fall by 7% to $3.5 billion in 2025–26 from record highs in 2024–25 (Figure 11.1). This reflects both falling export volumes and prices across all major exported Australian dairy commodities (Figure 11.1). While lower export volumes are consistent with expected lower milk production, export prices are expected to fall given relatively strong global exportable supply (see *Prices*):

- **Whole milk powder export values** are forecast to fall by 15% to $406 million.
- **Skim milk powder export values** are forecast to fall by 11% to $686 million.
- **Cheese export values** are forecast to fall by 4% to $1.2 billion.

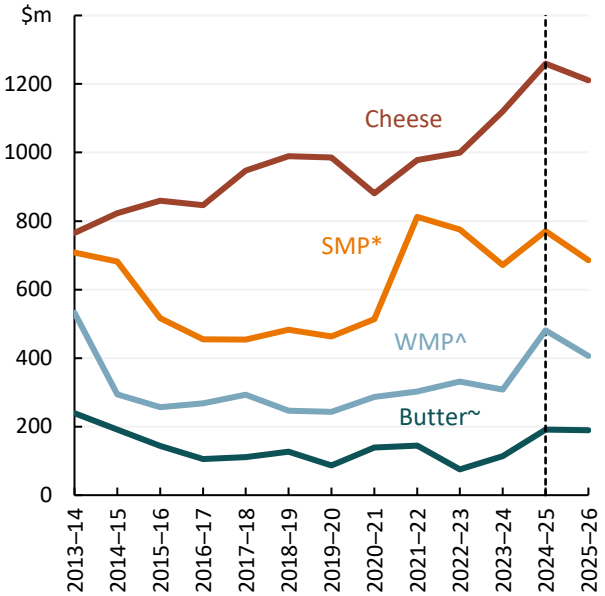
- **Butter export values** are forecast to fall by 1% to $189 million.

Milk powder export values are expected to fall by more than other dairy exports given lower Australian export volumes as well as falling global prices (given increased global production from key powder producers such as New Zealand and subdued demand in key milk powder export destinations).

By contrast, the falls in the export values of high-milkfat products are expected to be less significant due to relatively low production of milkfats in Europe, which is expected to support butter and cheese prices relative to milk powders.

The forecast value of dairy exports in 2025–26 is $0.1 billion higher than the *June 2025 Agricultural Commodities Report*, due to an upwards revision in export prices given recent price data.

Figure 11.2 Annual value of selected Australian dairy product exports



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. *Skim milk powder. ^Whole milk powder.
~Includes ghee, dry butterfat, butter concentrate and butter oil, and dairy spreads.
Source: ABARES; ABS

Domestic prices to rise but export prices to fall

The **Australian farmgate milk price** is forecast to rise by 8% to 70.5 cents per litre ($9.3 per kilogram of milk solids) in 2025–26, as stable domestic consumption, falling milk production and relatively strong export prices in Australian dollar terms increase milk processor competition (Figure 11.3).

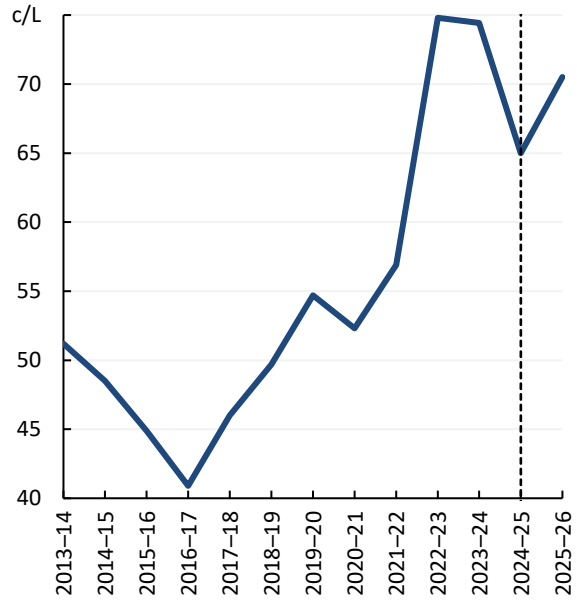
While rising, farmgate milk prices are forecast to remain below the historical highs seen in 2022–23. Processor competition to secure milk volumes in 2025–26 is expected to be lower than in 2022–23, given weaker consumer confidence in overseas markets and lower expected global prices.

The farmgate milk price has been revised up from the 68 cents per litre in the *June 2025 Agricultural Commodities Report* following the announcements of milk prices and step-ups in June and July 2025.

Global export prices are expected to fall in 2025–26 as trade uncertainties and macroeconomic pressures weigh on global demand (Figure 11.4). Low domestic consumption from China, driven by constrained economic growth, is expected to reduce demand for imported dairy. In addition, global supply, driven by production in New Zealand and the United States, is expected to rise.

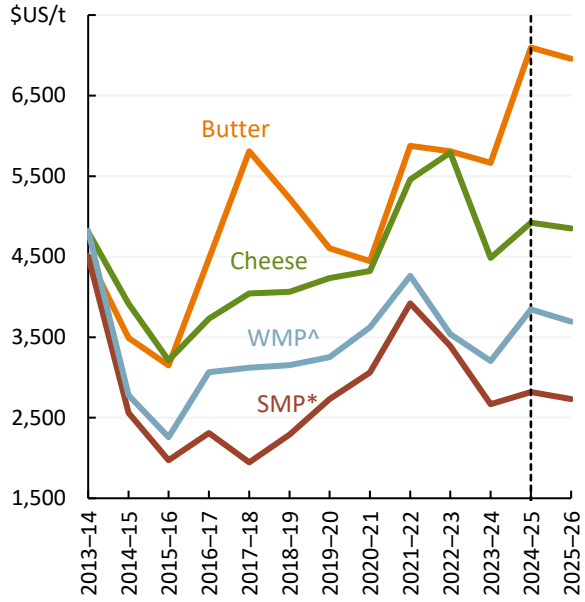
Butter prices are expected to fall only marginally, supported by robust demand for milkfat relative to other milk solids, and continued effects of biosecurity incidents in the northern hemisphere, reducing exportable milk supply. Skim milk powder and whole milk powder prices are expected to see a greater decline, falling by 3% and 4% respectively, with weaker demand from Southeast Asia and China, and greater supply, relative to 2024–25.

Figure 11.3 Average annual Australian farmgate milk price



Note: Data to the right of dotted line indicate estimates and forecasts. Source: ABARES; Dairy Australia

Figure 11.4 Average annual Australian dairy export prices

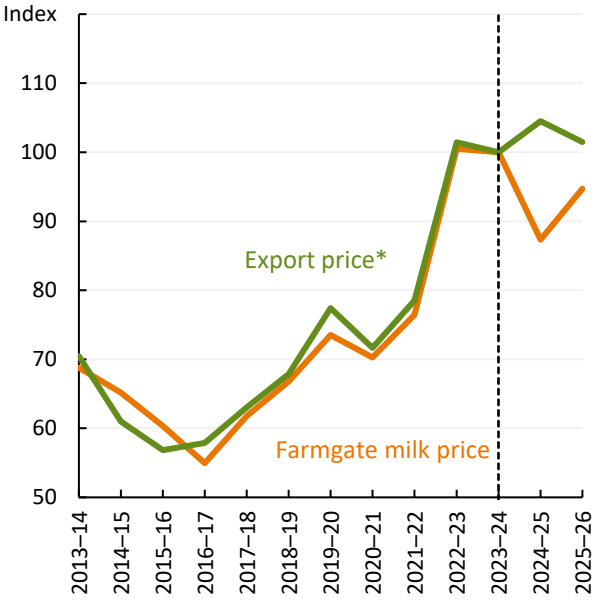


Note: Data to the right of dotted line indicate estimates and forecasts. *Skim milk powder. ^Whole milk powder. Source: ABARES; Dairy Australia

Australian farmgate milk prices are expected to rise despite expected lower dairy product export prices, reversing the trend seen in 2024–25 (Figure 11.5). While a strong relationship typically exists between export and farmgate prices, this relationship diverged in 2024–25 driven by several factors including relatively subdued processor competition to secure domestic milk supply and higher year on year global prices (see Box 5.3 in *December 2024 Agricultural Commodities Report*).

Over 2025–26, some convergence is expected between farmgate and export prices as domestic processor competition for milk rises and export prices moderate as global supply recovers.

Figure 11.5 Annual dairy product export price index and farmgate milk price index



Note: Index 100 = 2023–24. Data to the right of dotted line indicate estimates and forecasts. *Weighted by annual export value product mix.
Source: ABARES; ABS; Dairy Australia

Australian production and export volumes to decline

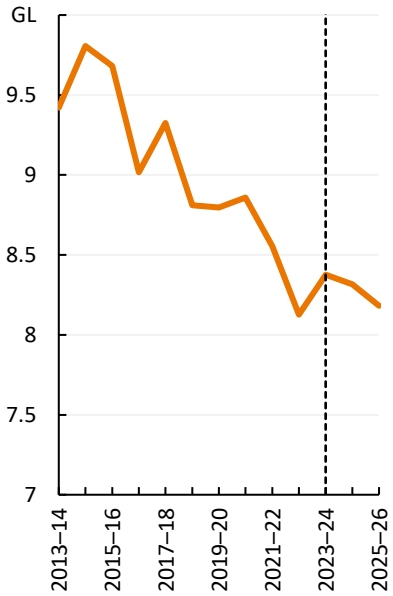
Australian milk production is forecast to decline by 2% to 8.2 billion litres in 2025–26 driven by a lower milking herd which is expected to more than outweigh higher milk yields (Figure 11.6).

Dairy cow numbers are forecast to continue falling as high input costs (including fodder) and land values incentivise continued farm exits (Figure 11.7).

By contrast, milk yields are forecast to increase driven by higher use of supplemental fodder given extreme weather conditions (Figure 11.7; Figure 11.8). Also supporting yields, dry conditions in the southeast are expected to reduce the incidence of wet-weather related health

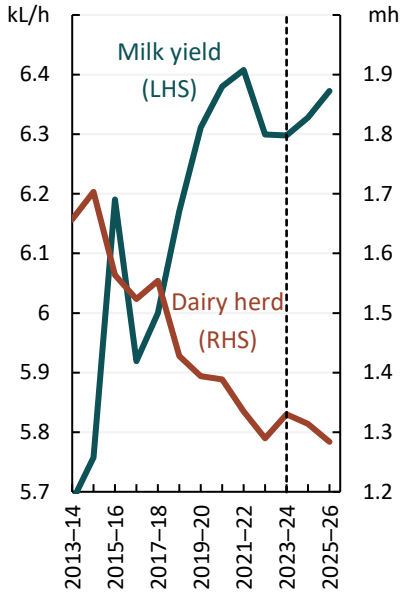
issues such as mastitis. However, high fodder prices, spurred by high demand and challenging production conditions, are likely to make long-term use of fodder unprofitable for many producers.

Figure 11.6 Annual volume of Australian milk production



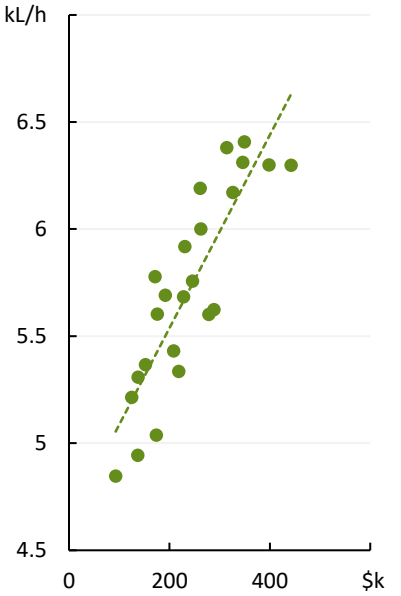
Note: Data to the right of dotted line indicates forecasts.
Source: ABARES; Dairy Australia

Figure 11.7 Annual Australia dairy cow herd and milk yield



Note: Data to the right of dotted line indicates forecasts.
Source: ABARES; Dairy Australia

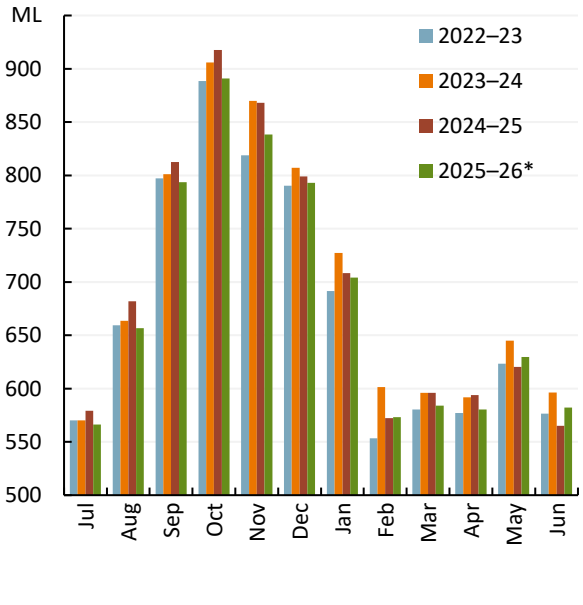
Figure 11.8 Annual milk yield by average fodder expenditure



Note: Average fodder expenditure per year from 2000–01 to 2023–24, in 2024–25 dollars.
Source: ABARES; Dairy Australia.

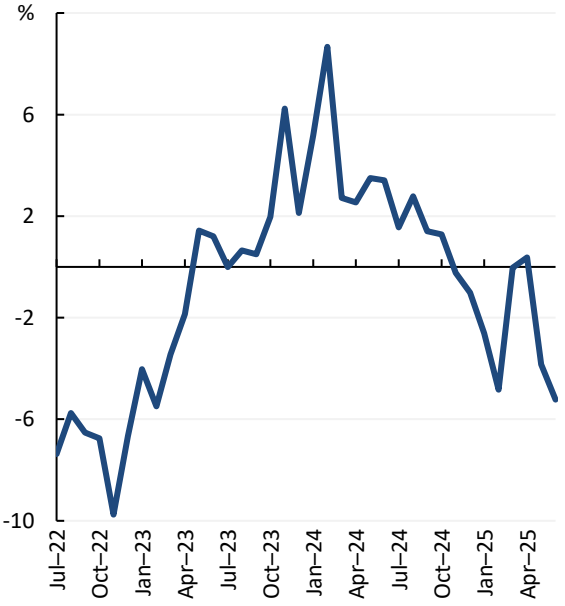
While monthly milk production levels are likely to rise over the start of 2025–26 to October, during peak production season, milk volumes are likely to remain below levels seen last year (Figure 11.9). This is because since November 2024 the year-on-year changes in monthly production volumes have been broadly negative to stable, suggesting a declining pool of deliverable milk (Figure 11.10).

Figure 11.9 Annual Australian monthly milk production



Note: *ABARES forecast based on annual total and historical seasonal patterns.
Source: Dairy Australia, ABARES

Figure 11.10 Year-ended monthly change in milk production volume



Note: Non-seasonally adjusted.
Source: Dairy Australia

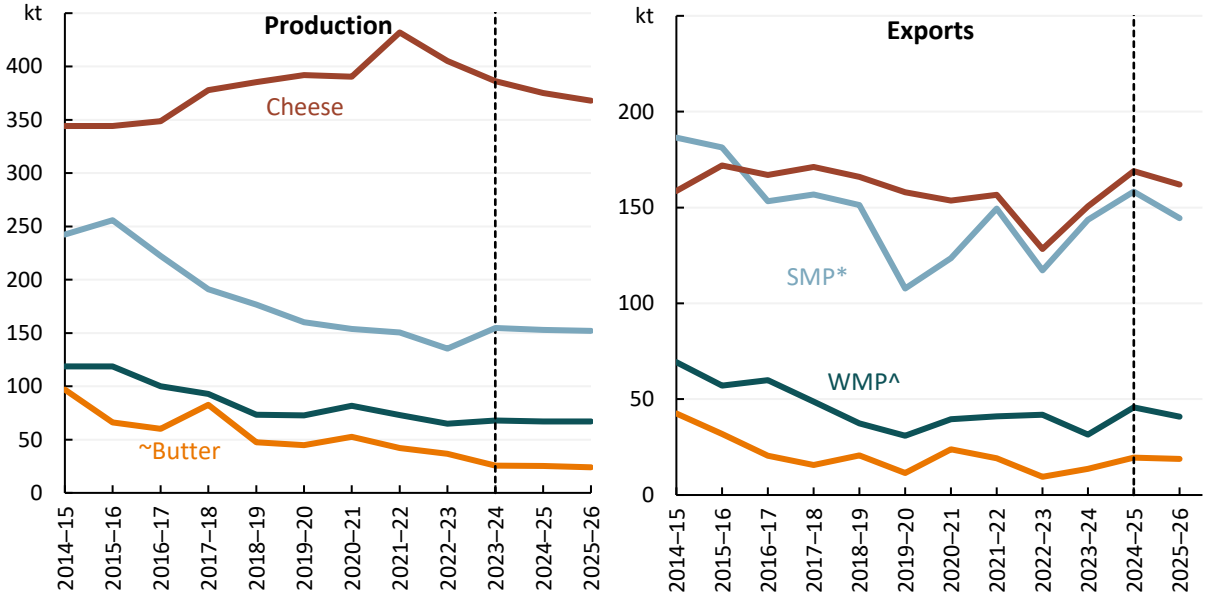
Export volumes to fall by more than milk and dairy product production

Dairy product production is forecast to fall by 1% in 2025–26, broadly in line with expected falls in milk production in 2025–26. At the same time, domestic demand – both for fresh milk and dairy products – is expected to remain stable, thus reducing the milk available to manufacture for dairy product exports.

In addition, while dairy product imports from New Zealand have previously supported Australian export volumes, high New Zealand farmgate prices are expected to weigh on incentives to import in 2025–26 (see Box 11.1). **Dairy product export volumes** are expected to fall by more than production, declining by 3% to 654 kilotonnes in 2025–26, reflecting falls across most major Australian dairy product exports (Figure 11.11):

- While **cheese production** is expected to fall by 0.5%, cheese **export volumes** are expected to fall by 4% to 162 kilotonnes in 2025–26.
- **Skim milk powder production** is expected to fall marginally. High export prices on co–products from the production of skim milk powder (products made with milk fats such as cream) are expected to continue to incentivise production. Skim milk powder **export volumes** are expected to decline by 9% to 144 kilotonnes in 2025–26 driven by falling global demand for low-milkfat products as well as rising global supply.
- **Whole milk powder production** is expected to fall by 5%. Whole milk powder **export volumes** are expected to fall by 11% to 41 kilotonnes in 2025–26. Economic headwinds in key export destinations are expected to slow demand of milk powder.
- **Butter production and export volumes** are expected to remain stable. Relative to other dairy product exports, butter export volumes are expected to be supported by robust prices and tighter global supplies. In turn, this is encouraging changes to domestic producer product mixes. (*see Prices*).

Figure 11.11 Annual volume of Australian dairy product production and exports



Note: Data to the right of dotted line indicates forecasts. 2024–25 data may be subject to ABS revision. *Whole milk powder. `Excludes processed cheese. ^Skim milk powder. ~Includes the butter equivalent of butter oil, butter concentrate, dry butterfat and ghee.
Source: ABARES; ABS

Box 11.1 New Zealand imports have supported Australian dairy product exports

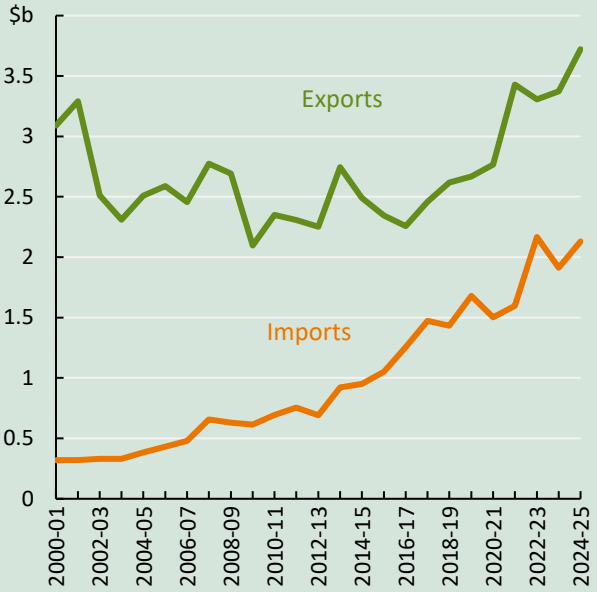
Dairy products imports – especially from New Zealand – have supported Australian supply of exportable dairy products in recent years.

While Australian milk production has trended downwards over the last 2 decades, aggregate domestic milk and dairy product consumption has remained broadly stable (although per capita consumption has fallen slightly).

Amidst this backdrop, imports allow the dairy industry to maintain an exportable supply. This was most evident in 2022–23, when a combination of a historically high Australian milk price and low domestic production saw imports of dairy products increase by 23% year-on-year (Figure 11.12).

Similarly, high import volumes from New Zealand supported Australian dairy supply and exports in 2024–25. Relatively high export prices for major commodities such as butter and falling Australian production created incentives for Australia to import. This was despite the New Zealand farmgate milk price being higher than Australia's in Australian dollars.

Figure 11.12 Value of annual Australian dairy product trade



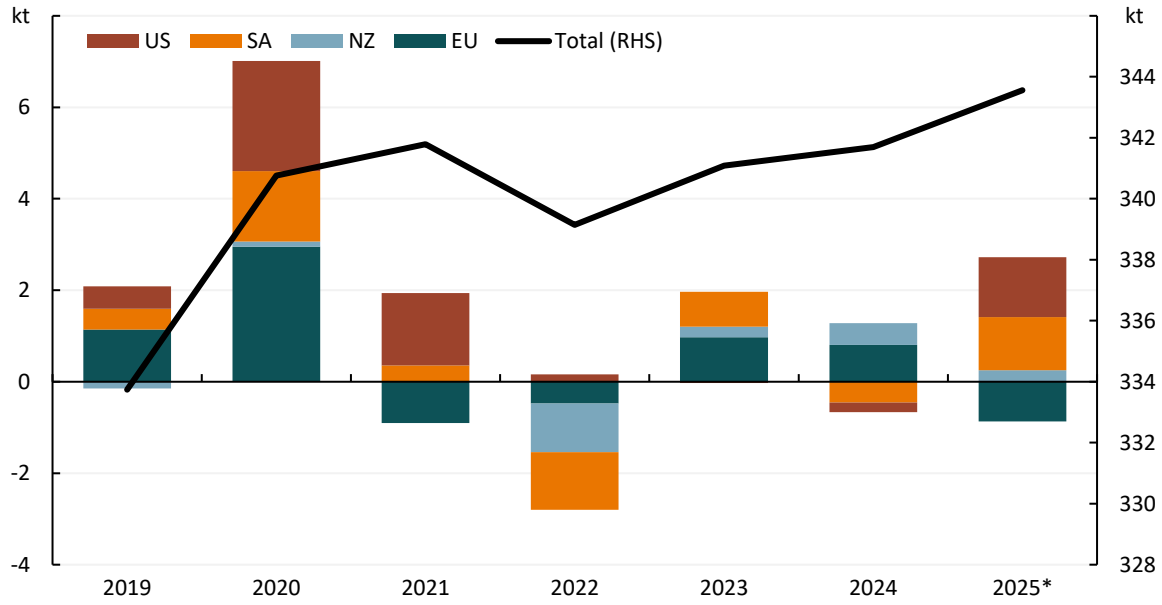
Note: Import value measured as CIF and exports as FOB.
Source: ABS

World supply

World milk production is expected to increase in 2025–26 with higher New Zealand and US production forecast to more than offset slight declines in Australia and the European Union (Figure 11.13).

- **New Zealand** milk production is expected to grow slightly in 2025–26, supported by average weather conditions, growth in cattle numbers and expanding farm land area. New Zealand's Ministry for Primary Industries reported in June 2025 that management practices that reduce environmental emissions are supporting positive industry conditions which are likely to support the dairy cattle herd over the medium term.
- **United States** milk production is expected to rise in 2025–26, with rising dairy cattle numbers and yields supported by lower dairy cow slaughter and a declining number of reported High Pathogenicity Avian Influenza (HPAI) outbreaks in the US cattle herd. Neutral ENSO conditions in the first half of 2025–26 are expected to support normal production outcomes in the United States.
- **European Union** milk production is expected to decline driven by both a reduced dairy herd and lower yields, as disease pressures – including Lumpy Skin Disease – spread to major dairy producing regions such as France and Italy. In addition, environmental regulations continue to weigh on dairy cow numbers and may disincentivise growth in the dairy herd.

Figure 11.13 Change in annual milk production for major dairy exporting regions



Note: Calendar years. SA–South America, includes Argentina and Brazil. EU–European Union. NZ–New Zealand. US–United States *Forecasts for milk production (both total and country level) are USDA forecasts.
Source: USDA

World demand

World demand for dairy products is expected to rise in 2025–26, but at a slower rate than world supply as a result of subdued economic growth in key importing countries (see *Economic outlook*). Slowing GDP growth globally, a related subdued China outlook, and continued trade uncertainties are expected to impact growth in demand globally.

China's demand for dairy products is expected to be subdued in 2025–26 due to recent strong domestic production and softening consumer demand for discretionary goods given slowing GDP growth. Low domestic milk prices are expected to make imports less price competitive, reducing import demand. However, tariffs on US dairy products could support demand for dairy from non-US markets.

In contrast, domestic policy and rising GDP growth are expected to support dairy product demand in **Indonesia**. Continuation of the Free Nutritious Meals programme is expected to encourage demand for imported dairy products and support a higher per capita consumption of dairy domestically.

Demand for dairy products in **Japan** is expected to remain stable, with higher disposable income likely to maintain demand for discretionary products despite falling GDP growth.

Opportunities and challenges

Biosecurity incidents resolving in Northern Hemisphere but remain a threat

Bluetongue virus remains a concern in Europe, with continuing impacts across many countries in the European Union as well as in the United Kingdom. While the outbreak of Foot and Mouth Disease (FMD) in Germany has resolved, recent additional outbreaks in Hungary and Slovakia have occurred, creating a biosecurity threat for neighbouring countries. In the United States, one new confirmed cases of HPAI have been reported since August 1, 2025 (as of 27 August 2025).

If these biosecurity events continue to reduce in magnitude, this would likely reduce pressures on cattle herds that have been constraining yields. It would also likely increase the exportable supply of

dairy products out of the United States and European Union – two of the world's largest dairy exporters – placing downwards pressure on world dairy product prices.

Tariffs continue to weigh on market sentiment

Throughout 2025, the US government has announced several new or increased import tariffs, with some countries including China announcing retaliatory measures (for more detail, see *Overview*). In addition, the US government has recently announced trade deals with countries such as Indonesia, Vietnam and Japan including clauses on dairy and other agricultural products. For dairy exporters, these trade policy changes have the capacity to affect demand for Australian dairy and global flows as the United States is a major competitor in key Australian dairy export markets such as China.

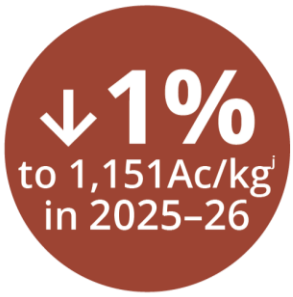
Significant uncertainty remains concerning the implementation, timing, coverage, and magnitude of expanding trade barriers in 2025–26. While global uncertainty and any changes to global demand present a downside risk for discretionary consumption items like dairy products, Australia's access to key emerging economy markets – such as in Southeast Asia – is likely to support the competitiveness of and demand for Australian dairy exports.

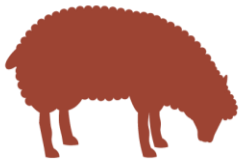
Changes to Indonesian import quotas

As part of a national policy movement to increase domestic food security, the Indonesian Government abolished cattle import quotas from June 2025, with a related target of importing 1.2 million dairy cattle and more than 800,000 beef cattle over the next 5 years. However, the details of the policy implementation are still being finalised via new Indonesian cattle import permits. The policy is expected to drive additional demand for live breeder cattle from Australia due to close geographical positioning and established market access. A higher population of breeder cattle is likely to support Indonesian dairy herd growth and milk production.

12 Natural fibres

Yilei Ma





j Eastern Market indicator price, clean equivalent.

Wool

Wool prices to remain low with ongoing weakness in global demand.

e Cotlook 'A' index.

Cotton

Cotton prices to fall as global stocks rise.

Key points

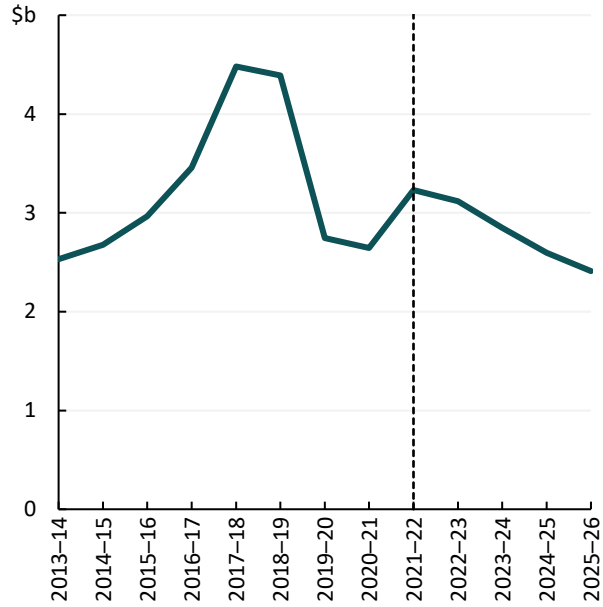
- Value of wool and cotton production to fall by 7% and 18% in 2025–26.
- Value of wool and cotton exports to fall by 7% and 1% in 2025–26.
- Eastern Market Indicator of wool price to fall by 1% to 1,151 cents per kilogram in 2025–26.
- Cotlook A Index of cotton prices to fall by 2% to 78 US cents per pound in 2025–26.

Value of wool and cotton production to fall in 2025–26

The **value of wool production** is forecast to fall by 7% to $2.4 billion in 2025–26, from an estimated $2.6 billion in 2024–25, reflecting both lower wool prices and lower production (Figure 12.1). Shorn wool production is expected to fall with a decline in the number of sheep shorn, more than offsetting higher wool yields. Other wool production (fellmongered and wool exported on skins) is also expected to fall in 2025–26 as sheep turnoff and slaughter eases from high levels in 2024–25. Lower prices largely reflect ongoing weakness in global wool demand. The value of wool production for 2025–26 is broadly consistent with the *June 2025 Agricultural Commodities Report*.

The **value of cotton production** is forecast to fall by 18% to $2.5 billion in 2025–26, from an estimated $3.1 billion in 2024–25, driven by lower Australian prices and lower Australian production (Figure 12.2). Lower prices reflect global supply rising faster than demand. Lower Australian production is expected to be driven by reduced water availability in key production regions. The value of cotton production for 2025–26 is forecast to be approximately $50 million higher than the *June 2025 Agricultural Commodities Report*, reflecting upward revisions to production.

Figure 12.1 Gross value of annual wool production



Note: Data to the right of dotted line indicate estimates and forecasts. Production value of shorn, fellmongered and wool on skins.
Source: ABARES; ABS

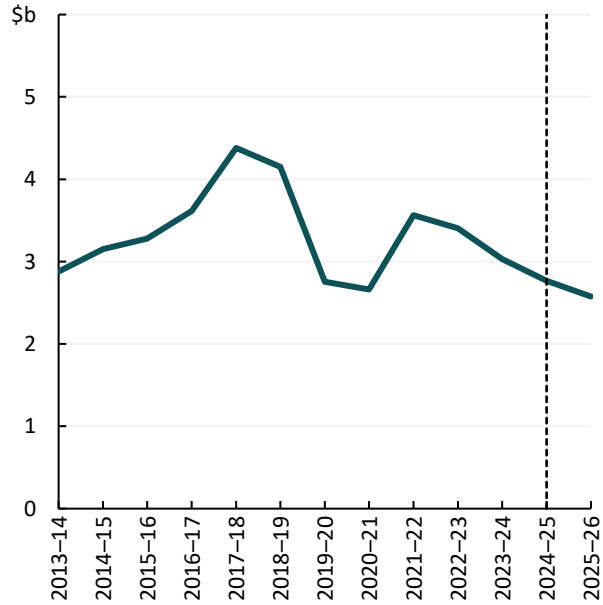
Figure 12.2 Gross value of annual cotton production

Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Value of wool and cotton exports to fall in 2025–26

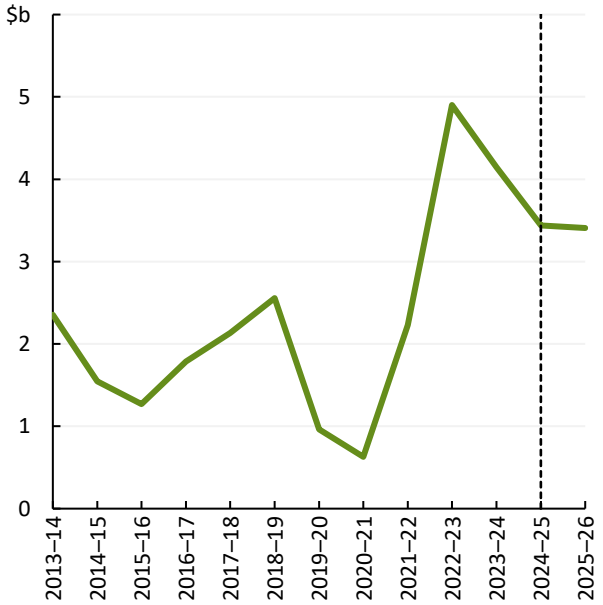
The **value of wool exports** is forecast to fall by 7% to $2.6 billion in 2025–26, driven by lower export volumes and lower export prices (Figure 12.3). Lower export prices are driven by falling export demand while lower export volumes reflect lower domestic production. The value of wool exports for 2025–26 is forecast to be broadly consistent with the *June 2025 Agricultural Commodities Report*.

Figure 12.3 Value of annual wool exports



Note: Data to the right of dotted line indicate forecasts. Includes greasy, semi processed and wool on skins all converted to greasy equivalents.
Source: ABARES; ABS

Figure 12.4 Value of annual cotton exports



Note: Data to the right of dotted line indicate forecasts.
Source: ABARES; ABS

The **value of cotton exports** is forecast to fall by 1% to $3.4 billion in 2025–26, as lower export prices are expected to more than offset higher export volumes (Figure 12.4). Export volumes are forecast to

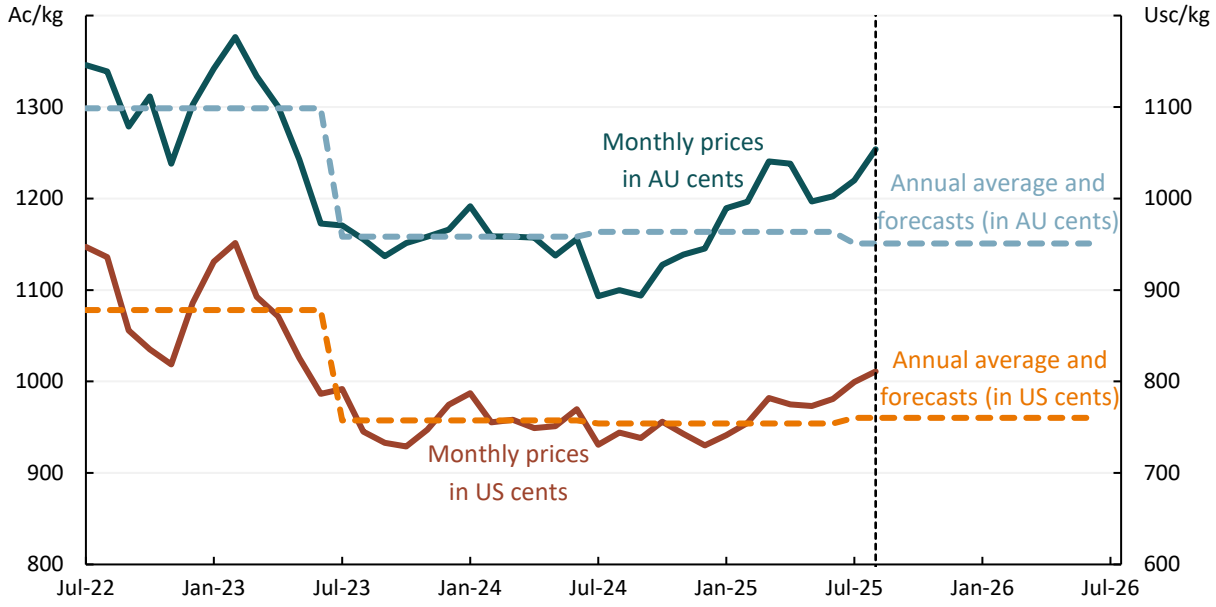
increase in 2025–26 following relatively high production in 2024–25 and carryover of stocks, while lower prices reflect subdued world cotton demand. The value of cotton exports for 2025–26 is forecast to be approximately $100 million lower than the *June 2025 Agricultural Commodities Report*, reflecting lower export prices.

Natural fibres prices to fall in 2025–26

Lower wool price as world demand to fall in 2025–26

The **Australian wool price**, as measured by the Eastern Market Indicator (EMI), is forecast to fall by 1% to average 1,151 Australian cents per kilogram in 2025–26, largely because of ongoing weakness in the global demand for wool (Figure 12.5; Figure.12.6). Local wool prices have been rising since September 2024, partly supported by a lower Australian dollar exchange rate against the US dollar (Figure 12.5). However, a slightly appreciated Australian dollar exchange rate in 2025–26 is expected to lead to lower prices in Australian dollars. Over the remainder of 2025–26, economic uncertainty around international trade and tariff policy is forecast to further weigh on world demand and local wool prices—China is the world's largest producer and consumer of woollen garments but also a major exporter, particularly to the United States (*see Economic outlook*).

Figure 12.5 Monthly and annual average Australian wool prices

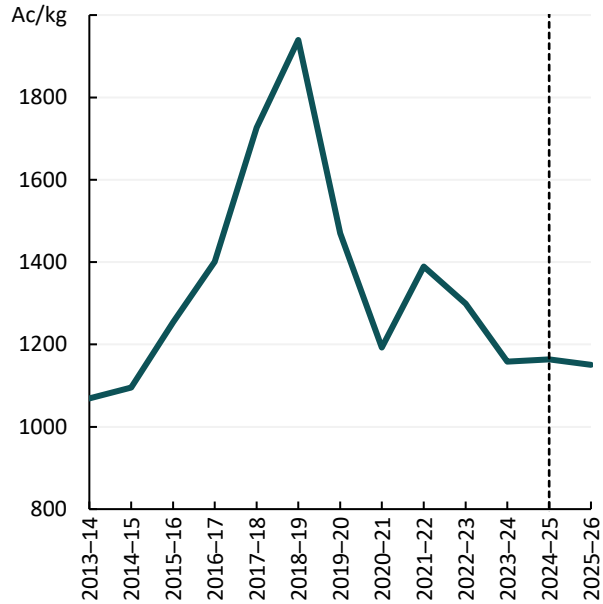


Note: Data to the right of dotted line indicate forecasts.
Source: ABARES; AWEX

Cotton price to fall as global stocks rise in 2025–26

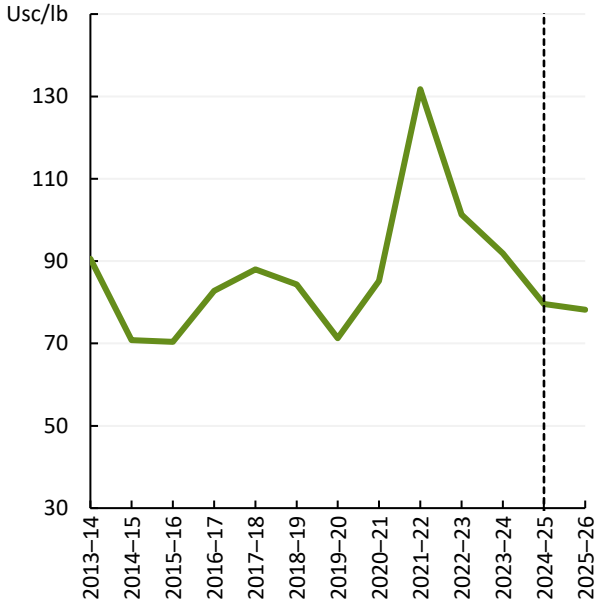
In 2025–26, the **world cotton price**, as measured by Cotlook 'A' Index, is forecast to fall by 2% to US 78 cents per pound, as high world supply more than offset a marginal rise in world demand (Figure 12.7). A marginal rise in world demand reflects higher demand in Bangladesh and Vietnam more than offsetting lower cotton demand in China. Despite a slight rise, world cotton demand is forecast to remain relatively low at 5% below 2020–21 levels, a result of continued competition from synthetic fibres (see Box 12.2), moderate economic growth and a volatile global trade environment. World stocks are expected to remain high, due to higher stocks carried over from 2024–25 and higher production in Brazil. Australian cotton prices are expected to fall in line with global cotton prices.

Figure.12.6 Average annual wool prices (Eastern Market Indicator)



Note: Data to the right of dotted line indicate forecasts.
Source: ABARES; AWEX

Figure 12.7 Average annual cotton prices (Cotlook A Index)



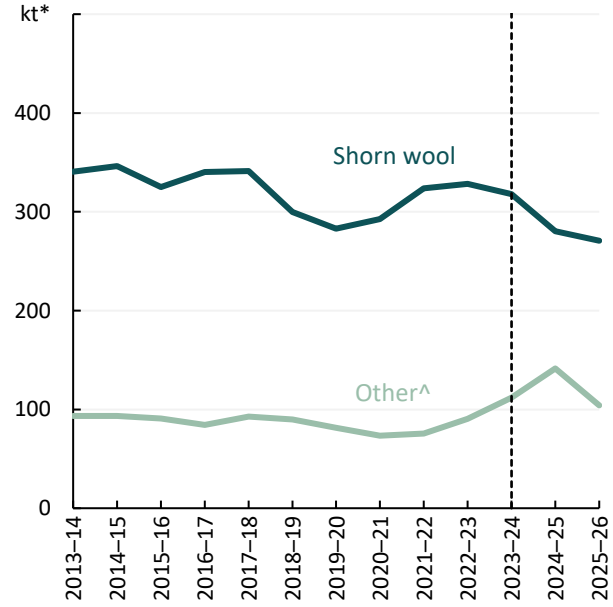
Note: Data to the right of dotted line indicate forecasts.
Source: ABARES; Cotlook

Mixed production and export outlook in 2025–26

Wool production and export volumes to fall in 2025–26

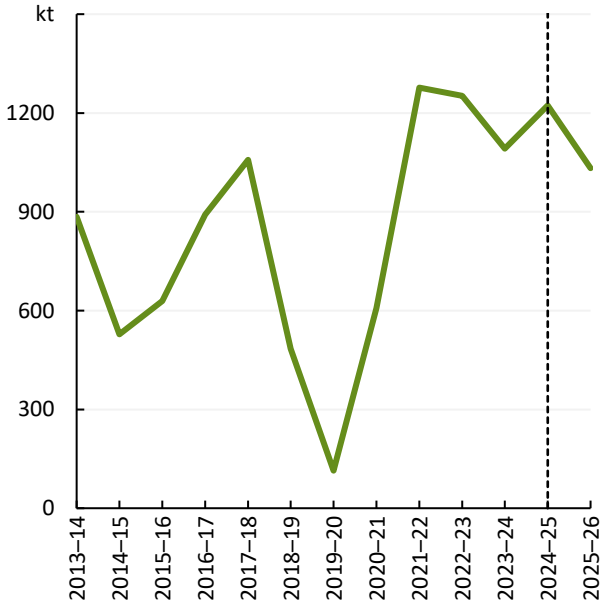
In 2025–26, **total wool production** is forecast to fall by 11% to 375 thousand tonnes, which is 8% below the 10–year average to 2024–25.

Figure 12.8 Annual volume of Australian wool production



Note: Data to the right of dotted line indicate estimates and forecasts. *Greasy equivalent. ^Includes fellmongered and wool on skins based on ABARES estimates.
Source: ABARES; ABS; AWPFC

Figure 12.9 Annual volume of Australian cotton production



Note: Data to the right of dotted line indicate forecasts.
Source: ABARES; ABS; Cotton Australia

Shorn wool production is expected to fall by 3% to 271 thousand tonnes, as a lower number of sheep shorn more than offsets slightly higher wool yields following an improvement in climate conditions expected for southern Australia (Figure 12.8). The number of sheep shorn is forecast to

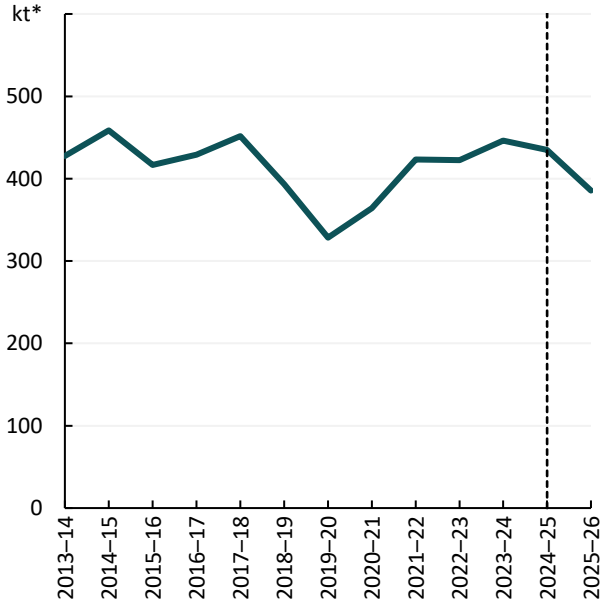
fall in 2025–26 with a lower opening flock following high sheep slaughter in 2024–25 and an ongoing shift away from Merinos towards meat–oriented sheep breeds. In addition, high lamb and sheep prices are expected to incentivise some wool producers to reduce flock size and expand other agricultural enterprises in 2025–26.

Other wool production, including fellmongered and wool exported on skins, is also forecast to fall, as sheep and lamb turn–off is expected to fall from record levels in 2024–25 (Figure 12.8). **Total wool export volumes** (greasy equivalent) are forecast to fall by 11% to 386 thousand tonnes in 2025–26, reflecting lower production and subdued world demand (Figure 12.10).

Cotton production to fall while export volumes rise in 2025–26

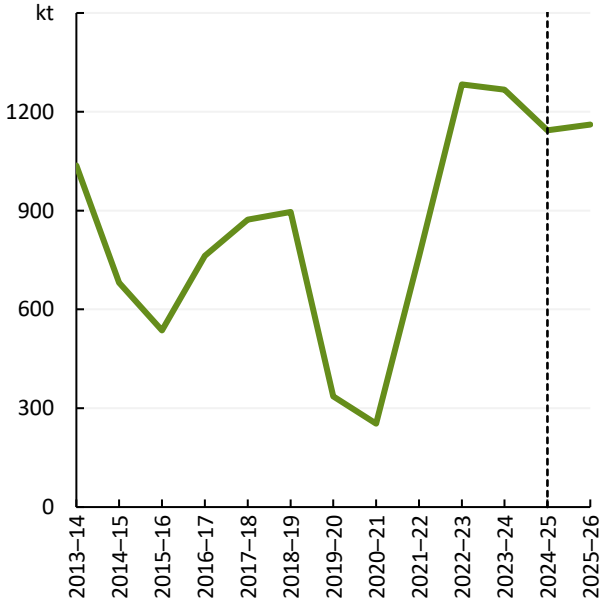
In 2025–26, **Australian cotton production** is forecast to fall by 16% to 1 million tonnes (Figure 12.9), largely reflecting lower irrigated cotton planting. Lower irrigated cotton production is driven by reduced water availability and higher water prices in southern parts of New South Wales. For example, general security water allocations in the Murrumbidgee were 0.25 ML per share in July 2025, compared to 0.6 ML per share at the same time last year (see NSW DPI). High water availability in other parts of New South Wales and most Queensland production regions is expected to support above–average irrigated cotton production. A favourable rainfall outlook is expected to keep dryland cotton production relatively stable in 2025–26. Cotton export volumes are forecast to rise by 1% to 1.2 million tonnes, reflecting high carry–over stocks from 2024–25 (see Box 12.1) (Figure 12.11).

Figure 12.10 Annual volume of Australian wool exports



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. *Greasy equivalent, including shorn, fellmongered and wool on skin.
Source: ABARES; ABS

Figure 12.11 Annual volume of Australian cotton exports



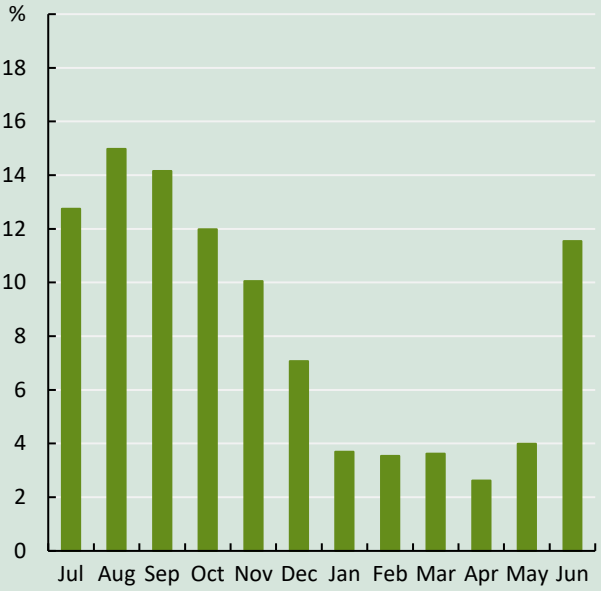
Note: Data to the right of dotted line indicate forecasts.2024–25 data may be subject to ABS revision.
Source: ABARES; ABS

Box 12.1 Australian cotton production, exports and stocks

As Australian cotton is typically harvested between January and July, the new season crop usually becomes available for export from the latter half of the financial year. As a result, between July and December, cotton exports are largely sourced from the previous season's production.

Australian export volumes (and export prices) are typically higher between June and November, as most cotton producers are located in the Northern Hemisphere (with the exception of Brazil) and northern hemisphere crops are not available for export during this time. Australian export volumes gradually fall from December onwards as more cotton becomes available globally and much of the Australian crop has been exported. Approximately 71% of Australian cotton exports were shipped between July and December over the five financial years to 2023–24 (Figure 12.12).

Figure 12.12 Share of monthly cotton export volumes



Note: cotton lint exports, five-year-average to 2023–24.
Source: ABS

This suggests around 70% of annual exports are carryover stocks whereas production in current financial year accounts for around 30% of exports. As such, cotton export volumes can rise in a year when production is low.

Demand for natural fibres to remain low in 2025–26

World demand is expected to fall for wool and rise slightly for cotton in 2025–26. Demand for both of these natural fibres is expected to remain subdued because of slower economic growth and ongoing competition from synthetic and cellulosic (semi–synthetic) fibres (see Box 12.2).

Wool demand expected to fall

Weak demand from key markets including China, United States and other advanced economies for woollen products is forecast to generate a decline in global wool demand in 2025–26:

- **China** is forecast to remain a key export market for Australian wool, a global processing centre and a major consumer of woollen products. However, slowing population growth and a modest economic outlook is expected to see falling demand for woollen products from China's domestic market in 2025–26 (*see Economic outlook*). In addition, below average economic growth in advanced economies is expected to see lower demand for exports of Chinese woollen products, particularly from the United States due to high import tariffs for textiles and garments from China. This is expected to further weigh on China's demand for raw wool.
- **European** demand for raw wool is likely to remain subdued. Italy is a key export market for fine and superfine Australian wool, accounting for 5% of total export value in the five years to 2024–25 (and 2% of total volume). Demand for fine and superfine wool is expected to remain low as moderate global growth is likely to limit overall household income and drive lower discretionary spending. However, European demand for woollen products has recovered from recent lows and is likely to continue improving in 2025–26.

World cotton demand to rise slightly

In 2025–26, **world cotton demand** is expected to rise slightly but remain somewhat subdued, as low import demand from China is partially offset by higher demand in emerging markets, including Vietnam and Bangladesh:

China's imports of cotton are expected to remain low in 2025–26, driven by lower demand for finished cotton products, both domestically and globally, and higher domestic cotton production. Falling domestic demand reflects a weaker economic outlook, falling household income and slowing population growth. In addition, falling global demand reflects continuous shifts in cotton milling away from China to emerging markets. Adding to this challenge, China currently faces a 34% tariff on garment exports to the US (Executive Order 14298), and has imposed tariffs on imports of US cotton. For Australian exporters, China's high tariff on US cotton imports is likely to improve competitiveness, however demand for Australian cotton may fall if Chinese garment exporters are unable to find new markets.

Vietnam's cotton consumption is expected to rise by 3% to 1.7 billion tonnes in 2025–26, driven by rising mill use. Vietnam recently signed a trade deal with the US that removed import tariffs on US cotton and reduced tariffs on Vietnam's exports to the US. The start of 2025 has seen a rising US cotton import into Vietnam in the first half of 2025 and could see a shift in Vietnam's demand for cotton towards the US and away from Australia in 2025–26.

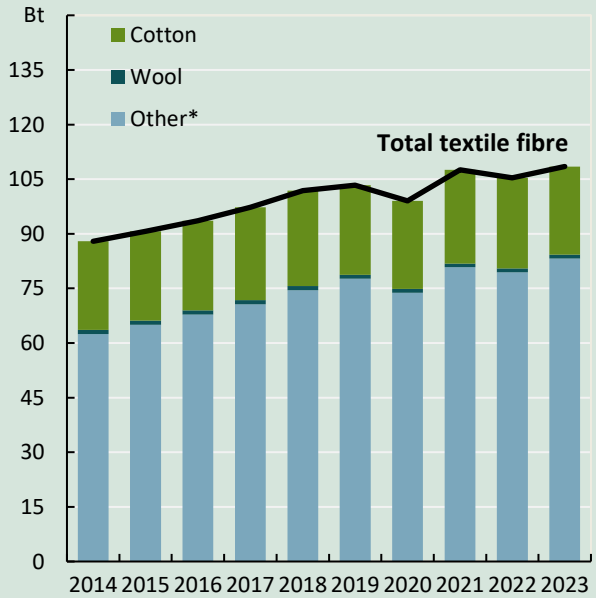
India's cotton consumption is expected to remain stable and domestic production is expected to fall in 2025–26. Elevated domestic prices are expected to incentivise cotton mills to source raw cotton from international markets such as Australia, rather than domestically. However, substantial increases in mill consumption in India are currently limited by a 50% tariff on garment exports to the US, which is likely to lower growth in demand for finished cotton products.

Bangladesh's cotton consumption is expected to rise slightly in 2025–26, reflecting rising mill use for textile exports. Domestic demand is expected to remain modest, as economic growth is expected to slow in 2025 before recovering in 2026.

Box 12.2 World textile fibre consumption

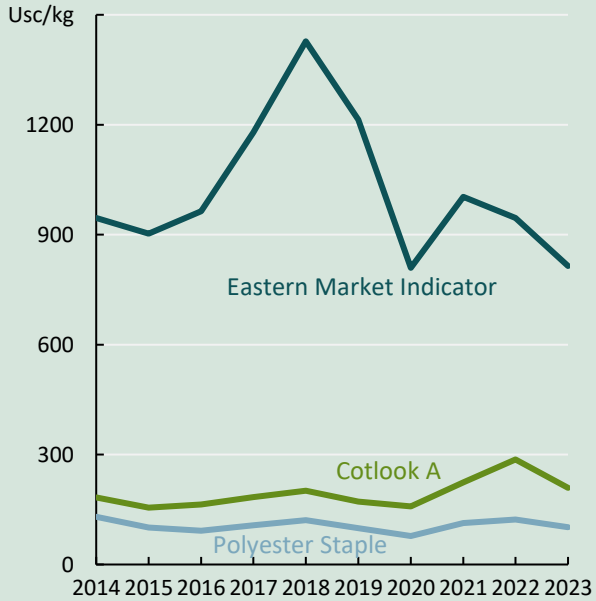
World textile fibre consumption is estimated to have grown by 5% to 108 billion tonnes from 2019 to 2023 (Figure 12.13). All of the growth is attributed to synthetic and cellulosic (semi–synthetic) fibres, such as polyester. Cotton consumption fell by 2% and wool consumption remained relatively unchanged.

Figure 12.13 World textile fibre consumption



Note: *Other fibres include synthetic and cellulosic fibres, excluding olefin and filter tow.
Source: World Textile Demand 2024, International Cotton Advisory Committee.

Figure 12.14 Major fibre prices



Source: AWEX; Cotlook; World Textile Demand 2024, International Cotton Advisory Committee.

During the same period, wool prices (Eastern Market Indicator) fell by 33% to 815 US cents per kilogram while cotton prices (Cotlook 'A' Index) and Polyester Staple prices rose by 22% and 3%, respectively (Figure 12.14). Falling wool prices reflect weak discretionary spending and shifts from premium materials to cheaper alternatives. Rising cotton prices over this period reflect supply chain disruptions as global cotton consumption fell. By contrast, polyester prices remained relatively stable amongst growing global demand. Synthetic and cellulosic fibres are expected to continue weighing on global demand for both cotton and wool in 2025–26.

World wool and cotton supply to vary

World wool supply is expected to fall in 2025–26, driven by lower wool production in Australia and New Zealand:

- **Australian** wool production is expected to fall, largely reflecting a lower number of sheep shorn, and ongoing shifts on farms away from merino sheep to meat/mixed breeds, cropping or other enterprises. As the world's largest wool exporter (accounting for 65% of global wool trade value on average since 2015), lower Australian wool production is expected to drive lower world wool supply in 2025–26, particularly for medium and fine wool.
- **New Zealand** wool production is expected to fall slightly in 2025–26, as sheep numbers are constrained by structural shifts in land use and fewer breeding ewes (see *Sheep meat*). Softer global demand is also expected to reduce incentives to produce medium and fine wool. New Zealand wool accounted for 10% of global trade value in wool between 2015 and 2024.

World cotton supply is expected to remain stable in 2025–26, reflecting higher carryover stocks and lower world production. Higher carryover stocks reflect production growth outpacing that of consumption in 2024–25. Lower cotton production is expected overall in 2025–26, with declines in Australia, India and the United States more than offsetting higher production in Brazil:

- **United States**' cotton production is expected to fall in 2025–26, reflecting reductions in planting area and lower yields due to dryness in the Southwest.
- **Brazil**'s cotton production is expected to rise in 2025–26, as low exchange rates continue to support export prices and expansion of planting areas.
- **India's** cotton production is expected to fall in 2025–26, driven by a reduction in area planted, mainly because of competition from other crops with higher returns.

Opportunities and challenges

New project expands Australia's cotton processing capacity

A recently opened cotton gin near Katherine in the Northern Territory led to the Territory's first cotton being shipped from Darwin in late 2024. The new ginning facility provides an option for Northern Territory cotton growers to process their cotton without transporting it to Queensland. This reduces the cost of transport and may support expanded production in the Northern Territory and Western Australia.

Traceability and sustainability credentials may support wool demand

Australia's existing wool traceability systems mean the Australian wool industry is well positioned to satisfy demand from consumers to trace the sustainability of their purchases and to establish animal welfare credentials of products. The Australian wool industry is continuing to work with European Union on the Product Environmental Footprint (PEF) to ensure that the credentials of Australian wool are appropriately reflected relative to synthetic products in Europe and other premium markets.

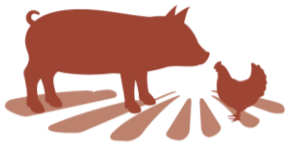
Wool scouring facility to close in Geelong

A wool scouring facility in Geelong is expected to have closed in August 2025. Upon closure, there is no longer a wool processing mill in Victoria. The closure is reported to be followed by a transfer of activity to facilities in Adeleide, which will be the only wool processing centre in Australia. The closure and transfer reportedly reflect falling wool production, rising operational costs as well as environmental waste concerns.

13 Pigs, poultry and eggs

Jasminca Hung

$6b
Value of production in 2025–26



Pig and poultry

Strong demand leading to higher lean meat production volumes.

Key points

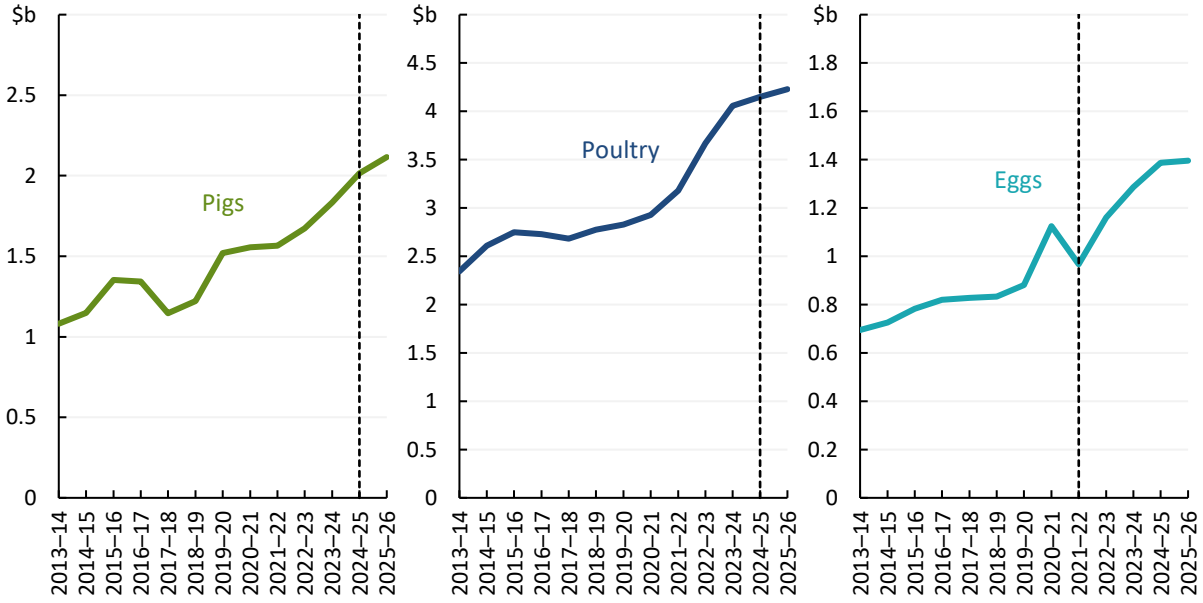
- Value of pig slaughtering to increase by 5% in 2025–26 to $2.1 billion.
- Value of poultry slaughtering to increase by 2% in 2025–26 to $4.2 billion.
- Value of egg production to increase by 1% in 2025–26 to $1.4 billion.
- Pig and poultry meat consumption to increase by 1% to 82kg per person in 2025–26.

Value of production reaches record high in 2025–26

The gross value of Australian pig and poultry slaughtering is forecast to remain elevated and reach a record high of $6.3 billion in 2025–26, supported by rising domestic production. Rising domestic production of pig and poultry meat is being supported by increased domestic demand, which in turn is being driven by a combination of population growth and consumer substitution towards pig and poultry meat given relatively higher prices for beef and sheep meat (see *Economic outlook)*.

The gross value of pig slaughtering is forecast to rise to a record $2.1 billion in 2025–26, up by 5% from $2.0 billion in 2024–25, a result of increased production and higher prices (Figure 13.1). Consumer demand for fresh pork is expected to remain strong in 2025–26, and demand from cured meat and smallgoods is expected to rise, with higher import prices driving increased competition for Australian pork.

Figure 13.1 Annual gross value of pig and poultry slaughtering, and egg production



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

The gross value of poultry slaughtering is forecast to rise to a record $4.2 billion in 2025–26, up by 2% from $4.1 billion in 2024–25, due to increased slaughter numbers and higher average weight per bird. (Figure 13.1) Easing feed grain prices are expected to lower feed costs and support increased production in 2025–26. Average unit value of poultry slaughtering is expected to fall in 2025–26, partially offsetting the effects of increased production volume on industry value.

The gross value of pig and poultry slaughtering in 2025–26 is largely consistent with the *June 2025 Agricultural Commodities Report*, with minor upward revisions to the gross value of pig slaughtering and poultry production volume.

Value of egg production to rise as production recovers

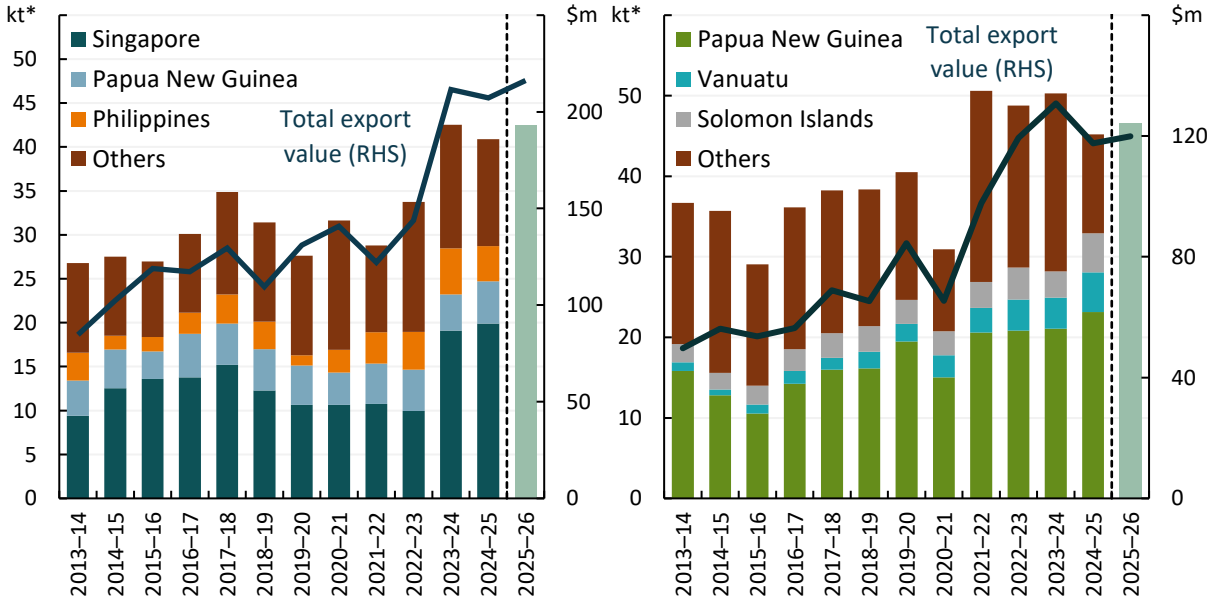
The gross value of Australian egg production is forecast to increase by 0.6% to $1.4 billion in 2025–26 driven by higher production, which is expected to outweigh a decline in egg prices. (Figure 13.1) On 13 June 2025, *Australia officially declared the eradication of H7 high pathogenicity avian influenza (HPAI)* in poultry in Victoria. Following this successful eradication, the volume of Australian egg production is forecast to increase by 7% in 2025–26 compared to 2024–25. Australian egg prices are expected to fall by 6% on average due to the increase in availability of eggs and lower feed grain prices.

Export value and volume continue to grow

The **gross value of pig and poultry meat exports** is forecast to rise by 3% to $336 million in 2025–26, up from $325 million in 2024–25, as higher production leads to an increase in exportable supply (Figure 13.2). Most Australian pig and poultry meat is sold domestically, with exports accounting for a small share (approximately 4%) of production volume.

The volume of Australian **pig meat exports** is forecast to grow by 4% to 43 thousand tonnes (shipped weight) in 2025–26, up from 41 thousand tonnes in 2024–25. Australian pig meat exports are expected to continue their recent growth amid a stagnant global supply of pig meat, with *increased production in Brazil and the US being offset by ongoing ASF outbreaks in China and the European Union*. In 2024–25, Australia's top three pig meat export destinations – Singapore, Papua New Guinea and the Philippines – accounted for 70% of total pig meat export volume.

Figure 13.2 Annual value and volume of Australian pig (left) and poultry meat (right) exports



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. *Shipped weight.

Source: ABARES; ABS

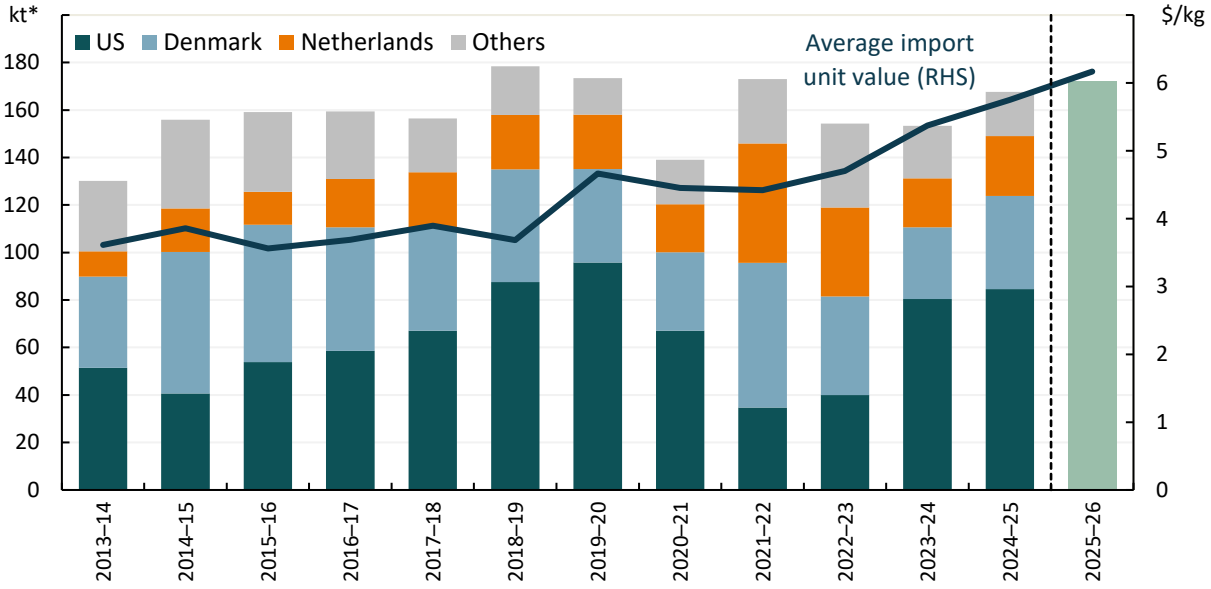
Similarly, the volume of Australian **poultry meat exports** is forecast to grow by 3% to 47 thousand tonnes (shipped weight) in 2025–26, up from 45 thousand tonnes in 2024–25, driven by higher production volumes and strong demand for Australian poultry meat, particularly in the Pacific Islands.

Imports continue to grow with demand

Pig meat imports to fill domestic supply gap

In 2025–26, the value of **pig meat imports** is forecast to increase by 5% to $1.1 billion, driven by an ongoing gap between domestic supply and demand for pig meat, and relatively high global prices. Australia's biosecurity laws prohibit imports of fresh pig meat, and accordingly domestic consumption of fresh pig meat is entirely serviced by domestic production. However, with global prices of pig meat typically lower than Australian prices, many smallgoods manufacturers rely on imports of processed pig meat for making smallgoods such as ham, bacon and salami. The volume of pig meat imports is forecast to continue to grow slightly in 2025–26, increasing by 1% to 172 thousand tonnes (shipped weight).

Figure 13.3 Volume of Australian pig meat imports from major trading partners



Note: Data to the right of dotted line indicate forecasts. 2024–25 data may be subject to ABS revision. *Shipped weight.
Source: ABARES; ABS

In 2025–26, pork import prices are expected to remain relatively high and to continue rising because of higher pig meat prices in key exporting countries such as the United States, Denmark and the Netherlands. The average price of pork imports (unit value) increased significantly in 2024–25, to be 13% above the 10-year average in real terms (Figure 13.3). Higher import prices are expected to reduce the cost competitiveness of imported pig meat and hence drive smallgoods manufacturers to compete more for domestic pork supply. The forecast increase in Australian pork import prices in 2025–26 is supported by recent and forecast trends in key exporting countries:

- **United States** pig meat export prices are forecast to increase, reflecting strong domestic demand driven by declining beef production and higher chicken prices.
- **Denmark** is expected to prioritise exports to *neighbouring European countries with ongoing ASF outbreaks*, such as Germany and Poland.

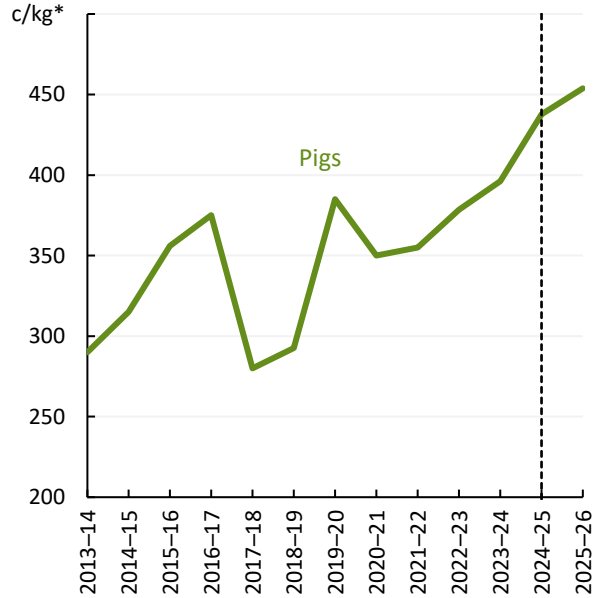
- **The Netherlands** is experiencing *a structural change in the pig herd and a declining pig population*, largely because of policies to meet the country's nitrogen emissions target.

Robust demand to support elevated prices in 2025–26

National average over-the-hook pig prices are forecast to rise to 454 cents per kilogram (carcase weight) in 2025–26, up 4% from 438 cents per kilogram in 2024–25 (Figure 13.4). Prices are expected to rise in 2025–26 with demand growth for Australian pork outweighing a forecast increase in supply.

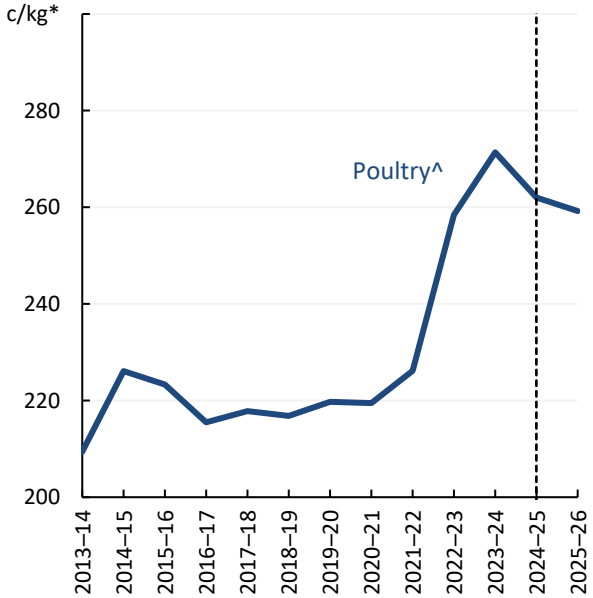
Average unit value of poultry slaughtering is forecast to fall to 259 cents per kilogram (carcase weight) in 2025–26, declining by 1% from 262 cents per kilogram in 2024–25. Easing feed grain prices and increased production are driving unit values slightly lower, despite continued strong demand for poultry, particularly chicken (Figure 13.5).

Figure 13.4 National average over-the-hooks pig price



Note: Data to the right of dotted line indicate forecasts.
*Carcase weight
Source: ABARES; ABS, Australian Pork Limited

Figure 13.5 Average unit value of poultry slaughtering

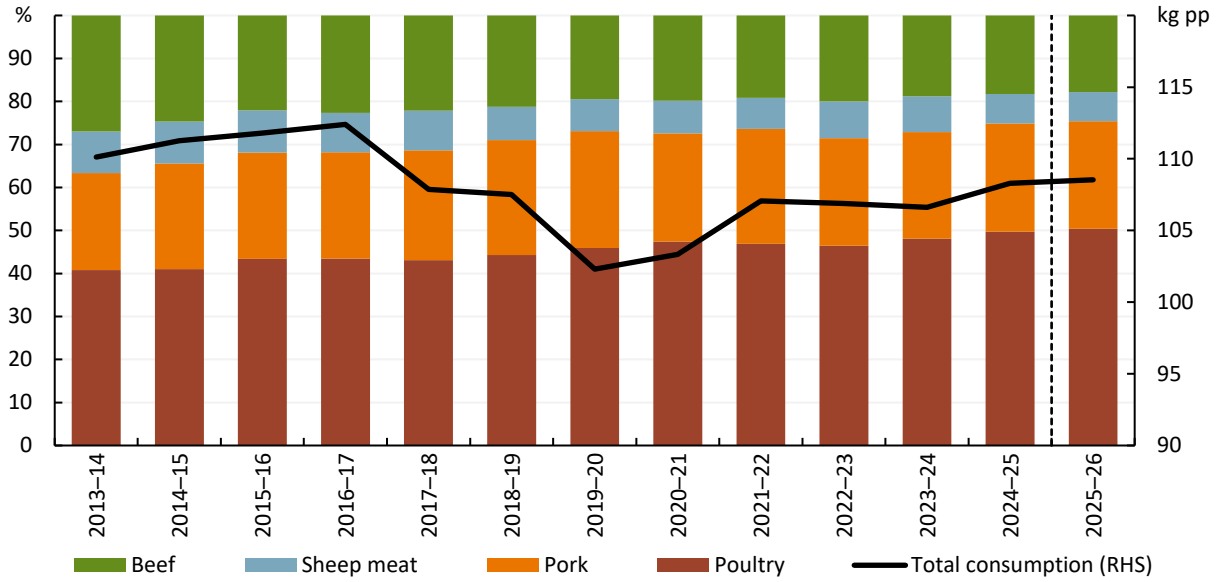


Note: Data to the right of dotted line indicate forecasts.
*Carcase weight ^Includes chicken, duck, turkey and other poultry
Source: ABARES; ABS

Feed grain prices account for a large portion of input costs in pig meat, poultry and egg production. With more favourable seasonal conditions forecast in major grain cropping regions for 2025–26, feed grain and imported protein meal prices are expected to ease slightly to support increased production. Lower feed costs allow for increased production and lower costs in the supply chain.

Poultry consumption per capita is forecast to grow by 2% to 55kg in 2025–26, supported by ongoing demand for fresh poultry meat, and increasingly by a diverse range of products in the secondary processed products sector such as crumbed and marinated chicken pieces (Figure 13.6). Following a 5% increase in consumption to 54kg per capita in 2024–25, consumers and businesses are expected to continue to opt for chicken meat as main source of animal protein because of its ease of preparation, lower unit costs, and versatility across products. In addition, a forecast increased in Australian beef and sheep meat prices in 2025–26 is expected to reduce the domestic competitiveness of red meat relative to pig meat and poultry.

Figure 13.6 Annual share of Australian meat consumption per capita by type and total meat consumption per capita, 2014–15 to 2025–26



Note: Data to the right of dotted line indicates forecasts. *Per capita consumption is measured by dividing estimated apparent consumption by the Australian population. Estimated apparent consumption measured as domestic disappearance (production plus imports, less exports).
Source: ABARES; ABS

Production to grow supported by easing feed grain prices

Pig and poultry meat production are forecast to increase by 3% to 2.1 million tonnes (carcase weight) in 2025–26, driven by higher slaughter numbers and an increase in average slaughter weight:

- Australian pig slaughter is forecast to increase slightly to 5.8 million head, supported by higher number of piglets per sow and productivity gains in animal nutrition and husbandry.
- Australian chicken slaughter is forecast to increase by 2% to 768 million head driven by lower feed costs, increased productivity and processing capacity.

Opportunities and challenges

Biosecurity remains a key ongoing risk for pigs, poultry and eggs industries

Disease outbreaks have the potential to be extremely disruptive to Australia's pig and poultry industries, likely resulting in increased animal mortality, lower productivity, higher prices for consumers, and higher costs for containment:

- **African Swine Fever (ASF)** continues to create significant uncertainty for pork producers and consumers globally, and is a significant biosecurity risk to Australia's pork industry. Currently, the European Union is experiencing ongoing ASF outbreaks (in addition to environmental policy changes) that are expected to limit supply increases in 2025–26.
- **Japanese encephalitis virus (JEV)** remains a significant risk to Australia pig production following a February 2025 outbreak in two piggeries in southern Queensland. JEV is a zoonotic disease spread by mosquitoes that can cause reproductive issues in pigs, such as abortions and stillbirths, and possible infertility in boars.
- **Avian influenza viruses** remain a significant risk to Australia's poultry and egg industries. Despite Australia officially declaring the eradication of H7 high pathogenicity avian influenza (HPAI) in poultry, there remains a risk of future outbreaks, including from the introduction of the high

pathogenic H5 strain via migratory birds returning to Australia from regions with the virus. The increasing shift towards free-range meat and egg production systems increases the likelihood of exposure to wild bird populations, and as such comprehensive biosecurity practices remain essential.

Australian Chicken Meat Industry Review

On 28 March 2025, the Hon Julie Collins MP, Minister for Agriculture, Fisheries and Forestry, announced that ABARES has been commissioned to lead an independent review into the relationship between growers and integrated producers in the Australian chicken meat supply chain. The review will examine whether there is evidence of market failure within the industry, and if so, any applicable actions that could be introduced to address identified issues. ABARES has conducted extensive stakeholder engagement across all parts of the chicken meat industry and across all jurisdictions between April and July 2025. ABARES will provide an interim report based on submissions and evidence examined for stakeholder review and comment in September 2025, with a final report delivered to government for consideration as soon as practicable thereafter.

14 Farm performance forecast

Sean Bellew, Patrick Mulcahy and Mihir Gupta

Key points

- National average broadacre farm profit to increase by $11,000 in real terms in 2025–26, from $152,000 to $163,000.
- Cropping farm profits to remain strong, despite easing crop prices and higher costs.
- Livestock farm profits to rise, supported by higher prices and increased capital value for 'stocks on hand'.
- Favourable conditions to support strong agricultural outcomes for Queensland, New South Wales and the Northern Territory.
- After exceptionally dry conditions in 2024-25, South Australia and some parts of Western Australia and Victoria show improvements in seasonal conditions and farm profit, but downside risk remains.

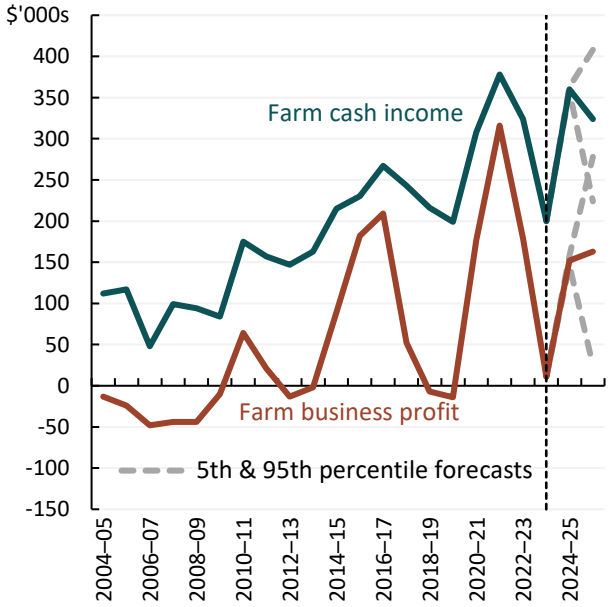
Average broadacre farm business profits varied in 2024-25

Average broadacre farm business profit varied significantly between regions in 2024–25, driven by the mixed climate conditions across Australia (Map 14.2). Favourable climate conditions in Queensland, the Northern Territory, northern New South Wales and parts of Western Australia drove high farm profits in these regions. In contrast, poor rainfall, low soil moisture, and limited pasture growth in South Australia, western Victoria, southern New South Wales and southern Western Australia, along with below average mutton and wool prices drove low farm profits in these regions.

Farm business profits to rise in 2025–26

Average broadacre farm business profit is forecast to increase by $11,000 in real terms, from $152,000 in 2024–25 to $163,000 per farm in 2025–26. Farm profits will be supported by improvements in cropping revenue and rising livestock prices which are contributing to an increase in the value of 'stocks on hand' (see *Definitions and farm survey data*). Farm business profits remain high in northern Australia, for much of Queensland, the Northern Territory and northern parts of Western Australia. Farm profits are forecast to rise in South Australia, Victoria and southern New South Wales in 2025–26, with climate conditions improving after being

Figure 14.1 Average annual broadacre farm cash income and farm business profit



Note: Values in 2024–25 Australian dollars. Data to the right of the dotted line indicates estimates and forecasts. For forecast methodology, see *Background and methods.*
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

exceptionally dry in 2024–25. However, downside risk remains if forecast rainfall does not eventuate, particularly for areas of southern NSW (see *Seasonal conditions*, Table 14.1 & Figure 14.1).

Average broadacre farm cash income (total cash receipts less total cash costs) is forecast to decrease by $36,000 in real terms, from $360,000 in 2024–25 to $324,000 per farm in 2025–26. **Total cash receipts** are falling slightly, driven by the decrease in livestock sales. **Total farm costs** are expected to rise slightly in 2025–26. Rain fell at a crucial time in the winter growing season for key cropping regions in Southern Australia, Western Australia, and Victoria and is driving higher crop production and resulting in a forecast increase in fertiliser and chemical use. This increased input use, alongside rising prices, is seeing rising costs. Higher livestock prices are also contributing to increased livestock purchase costs (included in other costs in Figure 14.2).

Overall, in 2025–26 the gap between farm business profit and farm cash income is expected to narrow (Figure 14.1), with rising livestock prices and growing herd size, significantly increasing the capital value of 'stocks on hand'.

Forecasts for farm performance in 2025–26 are highly dependent on weather and price forecasts. The forecast range in Figure 14.1 reflects uncertainty about future weather conditions. This uncertainty, driven by limited observed climate data, results in a wide forecast range for 2025–26.

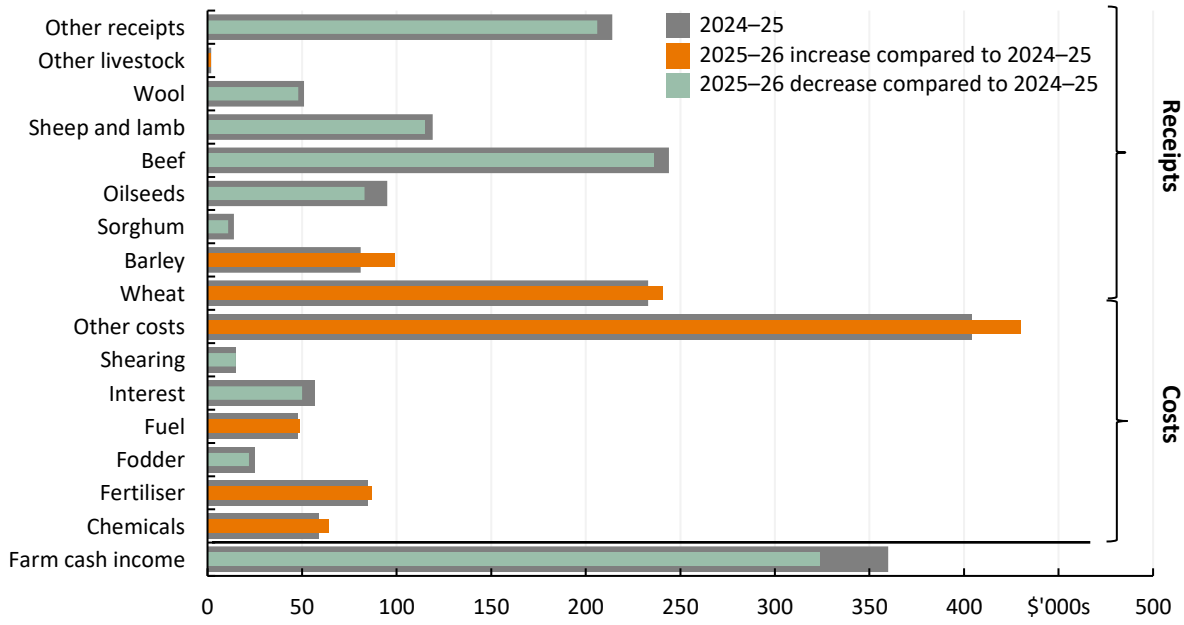
Table 14.1 Average broadacre farm financial performance forecasts

Performance measure^	2023-24 Observed	2024-25 Predicted	2025-26 Forecast*	2025-26 Lower estimate**	2025-26 Upper estimate**
Total cash costs	688,000	693,000	717,000	707,000	725,000
Total cash receipts	889,000	1,053,000	1,041,000	982,000	1,091,000
Farm cash income	200,000	360,000	324,000	224,000	408,000
Farm business profit	**11,000**	**152,000**	**163,000**	**25,000**	**278,000**

Note: ^2024–25 Australian dollars. *Mean forecast; **lower (5th percentile) and upper (95th percentile) bound estimates.; for forecast methodology, see *Background and methods.*

Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Figure 14.2 Average broadacre farm costs and receipts, 2024–25 and 2025–26



Note: Values are reported in real terms (2024–25 Australian dollars). Values reported in the *Agricultural Overview* are in nominal terms.

Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Cropping remains profitable, while livestock farms improve amidst challenges

Broadacre cropping farms are forecast to have another profitable year, with average farm business profit increasing by $25,000 in real terms from $708,000 in 2024–25 to $733,000 in 2025–26 (Table 14.2). In Queensland and New South Wales, while cropping farm profits are forecast to ease due to easing crop prices, profits remain high with favourable seasonal conditions driving strong production. Strong realised rainfall has come at a crucial time for cropping farms in Victoria, South Australia, and southern Western Australia. Further rainfall in the winter cropping season will be critical, as crop development is 3-4 weeks behind average in many regions (see *Wheat*). Given the exceptionally dry conditions in 2024-25, there is downside risk in these states if forecast rain does not eventuate.

Average broadacre livestock farm profitability is also forecast to improve in 2025–26:

- Beef farms **average** profits are forecast to increase in 2025–26 by $15,000 in real terms from $6,000 in 2024–25 to $21,000 in 2025–26 (Table 14.2), with rising cattle prices (driven by strong global demand) and favourable seasonal conditions in northern Australia, supporting herd sizes and an increase in the value of 'stocks on hand'. Nevertheless, average farm cash income for beef farms is expected to decrease by $34,000 in real terms from $178,000 in 2024–25 to $144,000 in 2025–26 (Table 14.3), as reduced beef sales weigh on revenue in real terms, coupled with higher prices for beef stock purchases (see *Beef and cattle*).
- **Sheep farms** average profits are forecast to increase by $15,000 in real terms from -$29,000 in 2024–25 to -$14,000 in 2025–26 with rising prices and favourable seasonal conditions leading to restocking and growth in herd sizes and hence an increase in the value of 'stocks on hand'. Number of sheep sold are forecast to decrease, driven by restocking of herds in South Australia and Victoria, where destocking has occurred in recent years following dry conditions (see *Sheep meat*). Overall, sheep farms are expected to face their fourth consecutive year of negative profits, as low real wool prices, relatively high input costs and average pasture growth continue to weigh on profitability (see *Sheep meat*; Table 14.2).

Table 14.2 Average broadacre farm business profit, by industry

Industry^	2023–24 Observed	2024–25 Predicted	2025–26 Forecast*	2025–26 Lower estimate**	2025–26 Upper estimate**
Cropping	260,000	708,000	733,000	207,000	1,166,000
Cropping and livestock	-103,000	146,000	121,000	-11,000	228,000
Livestock – Sheep	-80,000	-29,000	-14,000	-43,000	6,000
Livestock – Beef	-16,000	6,000	21,000	-22,000	69,000
Livestock – Mixed	-49,000	28,000	48,000	-2,000	85,000
All broadacre farms	**11,000**	**152,000**	**163,000**	**25,000**	**278,000**

Note: ^2024–25 Australian dollars. *Mean forecast; **lower (5th percentile) and upper (95th percentile) bound estimates. For forecast methodology, see *Background and methods.*

Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Table 14.3 Average broadacre farm cash income, by industry

Industry^	2023–24 Observed	2024–25 Predicted	2025–26 Forecast*	2025–26 Lower estimate**	2025–26 Upper estimate**
Cropping	680,000	1,041,000	1,017,000	573,000	1,384,000
Cropping and livestock	133,000	350,000	294,000	201,000	373,000
Livestock – Sheep	51,000	130,000	104,000	98,000	111,000
Livestock – Beef	76,000	178,000	144,000	121,000	173,000
Livestock – Mixed	110,000	236,000	182,000	168,000	198,000
All broadacre farms	**200,000**	**360,000**	**324,000**	**224,000**	**408,000**

Note: ^2024–25 Australian dollars. *Mean forecast; **lower (5th percentile) and upper (95th percentile) bound estimates. For forecast methodology, *Background and methods.*

Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Farm profits improving across Australia with less regional variation in 2025–26

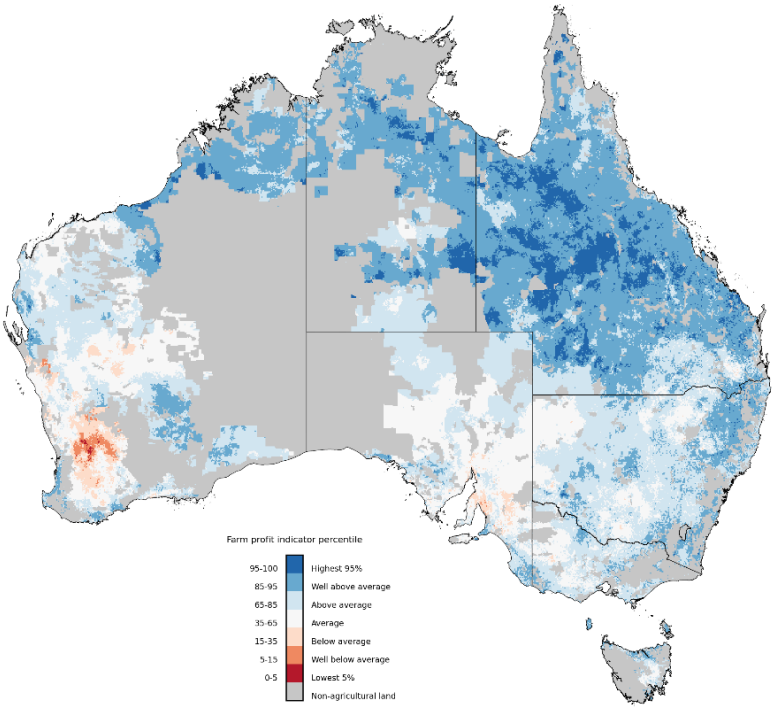
Broadacre farm profitability is forecast to be average or above average across much of Australia in 2025–26. Map 14.1 and Map 14.2 show the effect of climate and prices on broadacre farm business profits of current farms compared to the last 33 years, for financial years 2025–26 and 2024–25 (for detailed methodology, see Background and methods).

Much of South Australia, Victoria, and southern Western Australia are forecast to experience average and above average profits in 2025–26 driven by improving seasonal conditions (Map 14.1). In 2024–25 these regions experienced exceptionally dry conditions leading to low farm profits (Map 14.2; Table 14.4). Parts of South Australia, Victoria and southern Western Australia are still expected to face average to below average conditions in 2025–26, particularly for livestock producers and may continue to face challenges (Map 14.1).

Favourable climate conditions and strong beef prices are driving above average broadacre farm profit forecasts for much of northern Australia. The effect of rising beef prices in 2025–26 can be seen in central Queensland and Northern Territory (Map 14.1), where farm profits have increased to well above average from above average levels in 2024–25(Map 14.2). Cropping profits are forecast to remain strong in southern Queensland and New South Wales, with high production overcoming easing prices.

The improving climate conditions in parts of the country that experienced unusually dry conditions last year has reduced the overall regional variation in farm profits comparing 2024–25 to 2025–26 (Map 14.1; Map 14.2; Table 14.4).

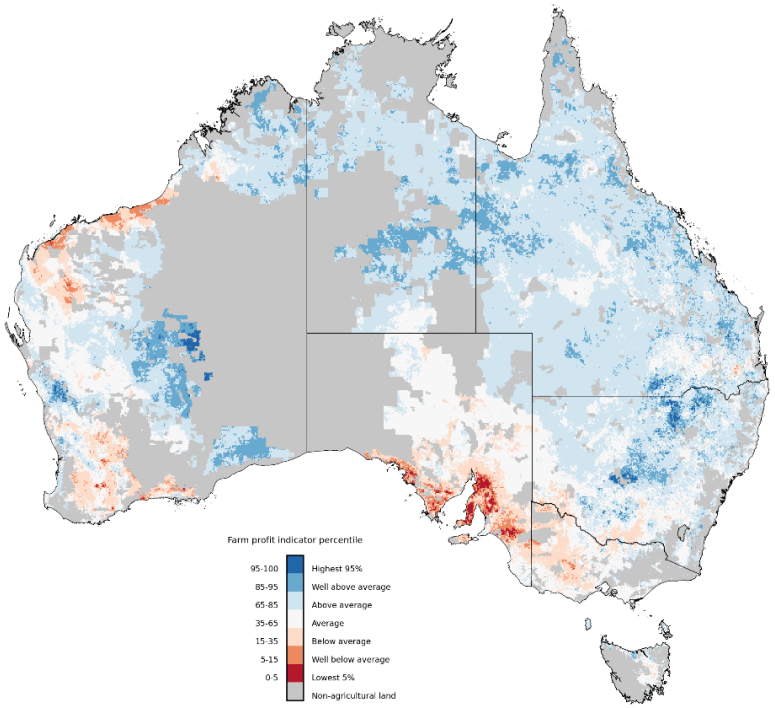
Map 14.1 Broadacre farm business Profit Indicator (impact of climate and prices on farm profitability), 2025–26



Note: The percentile ranges cover the forecast profitability of broadacre farms in 2025–26 based on forecast climate conditions and prices and current farm characteristics. They are calculated compared to simulated farm performance over the past 33 years, based on historical climate conditions and prices. For detailed methodology, see *Background and methods.*

Source: ABARES *farmpredict*; AADI

Map 14.2 Broadacre farm business Profit Indicator (impact of climate and prices on farm profitability), 2024–25



Note: The percentile ranges cover the forecast profitability of broadacre farms in 2024–25 based on observed climate conditions and commodity prices, and current farm characteristics. They are calculated compared to simulated farm performance over the past 33 years, based on historical climate conditions. For detailed methodology, see *Background and methods.*

Source: ABARES *farmpredict*; AADI

Table 14.4 Average broadacre farm cash profit, by state

State/Territory	2023–24 Observed	2024–25 Predicted	2025–26 Forecast*	2025–26 Lower estimate**	2025–26 Upper estimate**
New South Wales	-46,000	224,000	161,000	40,000	259,000
Victoria	15,000	22,000	60,000	-53,000	131,000
Queensland	78,000	128,000	115,000	19,000	226,000
South Australia	67,000	69,000	246,000	21,000	437,000
Western Australia	5,000	323,000	387,000	24,000	775,000
Tasmania	-80,000	16,000	7,000	-22,000	28,000
Northern Territory	786,000	911,000	1,055,000	28,000	1,923,000
Australia	**11,000**	**152,000**	**163,000**	**25,000**	**278,000**

Note: ^2024–25 Australian dollars. *Mean forecast; **lower (5th percentile) and upper (95th percentile) bound estimates. For forecast methodology, see *Background and methods.*
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Background and methods

Definitions and farm survey data

Broadacre farm data in this chapter are drawn from ABARES' Australian Agricultural and Grazing Industries Survey (AAGIS). AAGIS covers broadacre farms with an estimated value of agricultural operations (EVAO) greater than $40,000 per year.

Values are reported in 2024–25 dollars derived using the ABS Consumer Price Index and future expectations from the RBA.

Key definitions:

- Farm cash income – the difference between total cash receipts and total cash costs.
- Farm business profit – farm cash income plus build-up in trading stocks, less depreciation and the imputed value of the owner-manager, partner(s), and family labour.
- 'stocks on hand' (build-up in trading stocks) – closing value of all changes in the inventories of trading stocks during the financial year. It includes the value of any change in herd or flock size or in stocks of wool, fruit and grains held on the farm.

For detailed historical and forecast farm survey data see: Farm Survey Data. For more information on ABARES' farm survey program see: Farm surveys and analysis.

Forecast Range

AADI and ABARES *farmpredict* forecasts presented in this chapter use the Bureau of Meteorology's August Seasonal Outlook 2025 and ABARES September 2025 Agricultural Commodities Report historical and forecast price data as exogenous inputs.

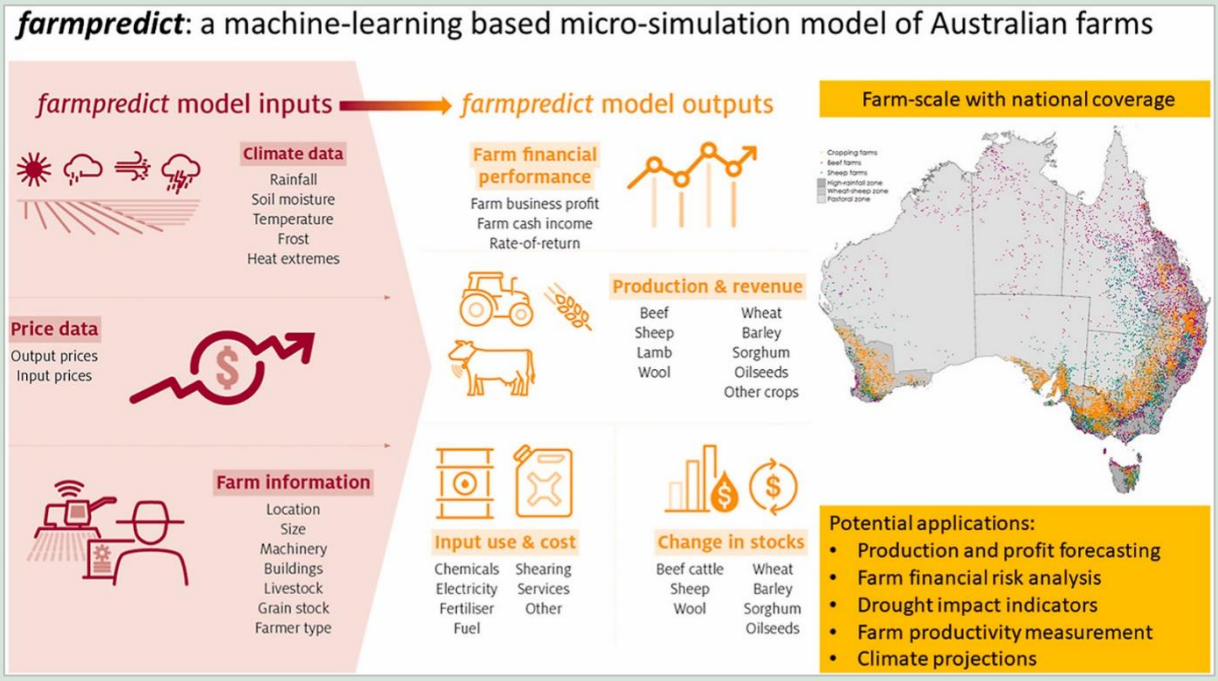
The farm performance forecast uses rainfall and temperature forecasts derived from the Bureau of Meteorology's ensemble seasonal weather forecasts from the ACCESS-S2 model and a range of other spatial and agricultural data. Forecasts that go beyond the current range of the Bureau of Meteorology's ACCESS-S2 based ensemble forecast (around 6 months), combine the ensemble forecast with a 'climatological' forecast (based on historical observed data). The forecast average (ensemble mean) and the lower and upper range of this forecast ensemble (5th and 95th percentiles) are presented in this report.

ABARES farmpredict model

ABARES *farmpredict* is a statistical microsimulation model of Australian broadacre farm businesses based on historical data from ABARES' farm survey program (**Figure** 14.3). The *farmpredict* model can simulate physical and financial outcomes for Australian farm businesses given prevailing climate conditions and commodity

prices. *Farmpredict* applies machine learning methods to derive predictions – at an individual farm business level – of the production of outputs, the use of inputs and changes in farm stocks conditional on commodity prices, fixed inputs, climate conditions and other farm characteristics. The model then applies accounting rules to derive estimates of receipts, costs, changes in stock holdings, and profits in accordance with farm survey definitions. Full technical details of the model are provided in Hughes et al. (2022).

Figure 14.3 ABARES farmpredict model



Note: For more information, see: ABARES *farmpredict* model.
Source: ABARES.

The Australian Agricultural Drought Indicators (AADI)

Scope

The AADI project is a collaboration between CSIRO and ABARES being undertaken for the Department of Agriculture, Fisheries and Forestry (DAFF), with the goal of developing a drought monitoring and forecasting system. AADI links weather and agricultural data with a range of scientific and economic models to measure and forecast the effects of climate variability and drought on agricultural outcomes.

A working AADI prototype is in operation on a monthly cycle: all indicators are updated at the beginning of each month given observed weather data to the end of the previous month and the latest Bureau of Meteorology weather forecasts.

Development of the AADI is ongoing. Projected national broadacre farm profit percentiles presented in this chapter use AADI initial monthly outputs which have been linked to ABARES *farmpredict*.

Data

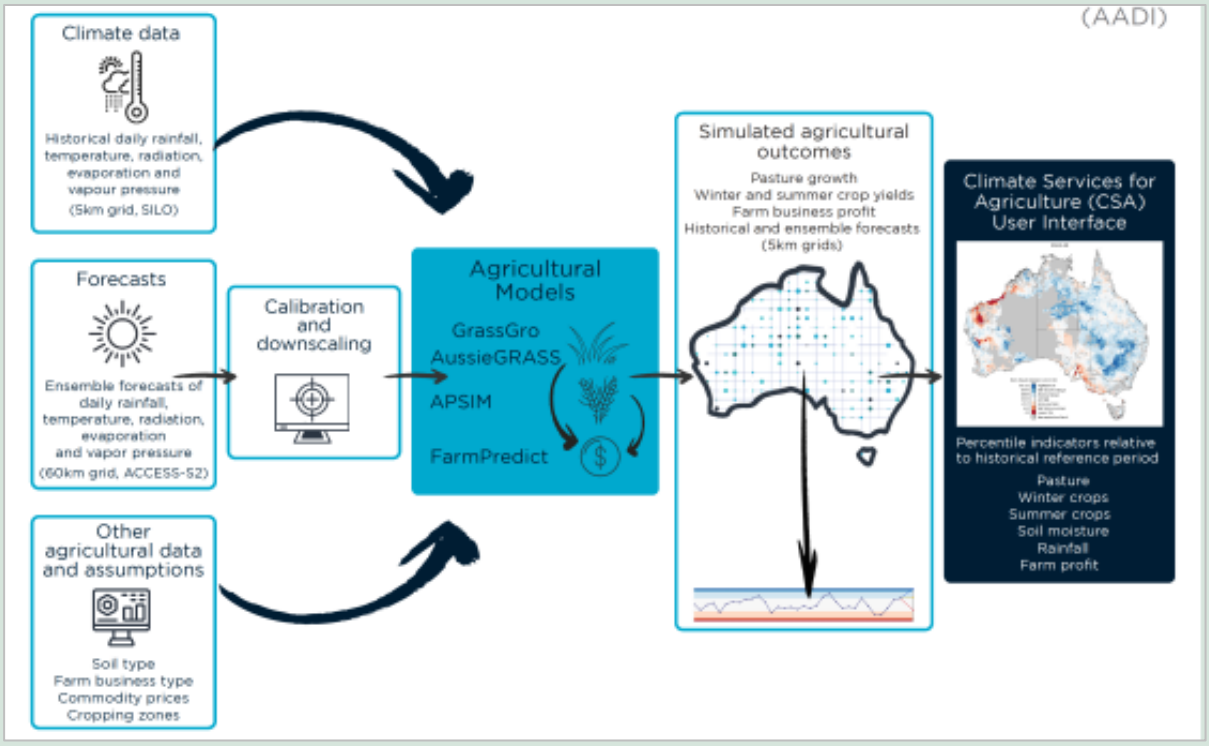
The AADI prototype operates on a 0.05-degree (approximately 5km) grid, drawing on the Bureau of Meteorology's historical gridded climate data, seasonal weather forecasts from the ACCESS-S2 model and a range of other spatial and agricultural data scaled to the same 0.05-degree grid.

These historical and forecast climate data are taken as inputs to a range of scientific and economic agricultural models (Figure 14.4). Given data and assumptions on the types of soil, pasture, agricultural activity and farm businesses prevailing at each grid cell, these models translate climate data into various agricultural outcomes. Examples include:

- Pasture growth via the AussieGRASS system and the GrassGro model
- Winter and summer crop yields via APSIM
- Broadacre farm business profits via the *farmpredict* model

Forecasts of farm performance are estimated for 'current' farms using the current 'fixed' characteristics of farms (such as size, enterprise mix, capital inventory, and technology).

Figure 14.4 Overview of the Australian Agricultural Drought Indicators prototype



Note: For more information, see: The Australian Agricultural Drought Indicators Project
Source: ABARES

Outputs

AADI projects profits for current broadacre farms across Australian 'agricultural zones' (which excludes areas with no agricultural activity). **Average broadacre farm profits** are calculated by applying the *farmpredict* model to simulate farm outcomes using exogenous forecasts for climate conditions and prices, as well as forecasts for biophysical outcomes from CSIRO scientific models. The profitability of farms in the forecast year is then compared to simulated historical profitability over the last 33 years.

Historical broadacre farm performance of current farms is simulated using historical climate conditions and commodity prices and current farm characteristics. Farm characteristics are held constant over the entire period, which allows for a more realistic comparison between projected profits in the forecast year and simulated profits from historical years. Forecast year profitability is ranked relative to simulated historical profitability outcomes for each grid cell.

AADI produces two distinct measures of forecast broadacre farm profitability:

- The **Profit Indicator** uses both historical climate conditions and prices as exogenous inputs to calculate farm profitability (includes both price and climatic effects on farm profitability).
- The **Drought Indicator** uses climate conditions as an exogenous input; prices are fixed at 2021–22 levels (isolates the impact of climatic conditions on farm profitability).
- For both the Profit and Drought Indicators, forecast year projected broadacre farm profits are presented as percentile outcomes relative to simulated historical outcomes using the groupings: 'Highest' (95-100th percentile), 'Well above average' (85-95th percentile), 'Above average' (65-85th percentile), 'Average' (35-65th percentile), 'Below average' (15-35th percentile), 'Well below average' (5-15th percentile), and 'Lowest' (0-5th percentile).

Abbreviations

$m	million dollars (Australian)
£	pound sterling
¥	yen
€	euro
A$	dollar (Australian)
ABARE	Australian Bureau of Agricultural and Resource Economics
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AFMA	Australian Fisheries Management Authority
ANZSIC	Australian and New Zealand Standard Industrial Classification
ASMC	Australian Sugar Milling Council
AWEX	Australian Wool Exchange
b	billion (Australian)
BAE	Bureau of Agricultural Economics (now ABARES)
BRS	Bureau of Rural Sciences (now ABARES)
c	cent (Australian)
CBA	Commonwealth Bank of Australia
cif	cost, insurance and freight
CIS	Commonwealth of Independent States
CL	Chemical Lean
CME	Chicago Mercantile Exchange - Chicago Board of Trade
cw	carcase weight
DAWR	Department of Agriculture and Water Resources (now Department of Agriculture, Fisheries and Forestry)
DFAT	Department of Foreign Affairs and Trade
DM	deutschmark
doi	digital object identifier
ECU	European currency unit
EMI	Eastern Market Indicator
EU	European Union
EVAO	estimated value of agricultural operations
FAO	Food and Agriculture Organization of the United Nations
fas	free alongside ship
fob	free on board
fot	free on truck
GDP	Gross Domestic Product
GL	gigalitres (1,000,000,000 litres)
GST	Goods and Services Tax

$m	million dollars (Australian)
ha	hectare (2.471 acres)
IGC	International Grains Council
IMF	International Monetary Fund
ITC	International Trade Centre
kg	kilogram (2.20462 pounds)
kL	kilolitre (1,000 litres)
kt	kilotonne (1,000 tonnes)
L	litre (1.761 pints)
lb	pound (454 grams)
m	million (Australian)
m3	cubic metre (1.307 cubic yards)
ML	megalitre (1,000,000 litres)
MLA	Meat & Livestock Australia
Mt	megatonne (1,000,000 tonnes)
na	not available
NAFTA	North American Free Trade Agreement
nec	not elsewhere classified
nei	not elsewhere included
nfd	not further defined
no.	number
NT	Northern Territory
org	organisation
RBA	Reserve Bank of Australia
Rep.	Republic
sw	shipped weight
t	tonne (1,000 kilograms)
UN	United Nations
US$	dollar (United States)
USc	cent (United States)
USDA	United States Department of Agriculture