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Department of Agriculture,  
Fisheries and Forestry



# Agricultural Commodities Report

## March quarter 2025

Research by the Australian Bureau of Agricultural and Resource Economics and Sciences

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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, and average broadacre farm performance.

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.

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# 1 Overview

Grace Anthony

**\$91 b**

Value of production in 2025–26



## Agricultural overview

Value forecast to fall by 1% from \$92 billion in 2024–25.

### Key points

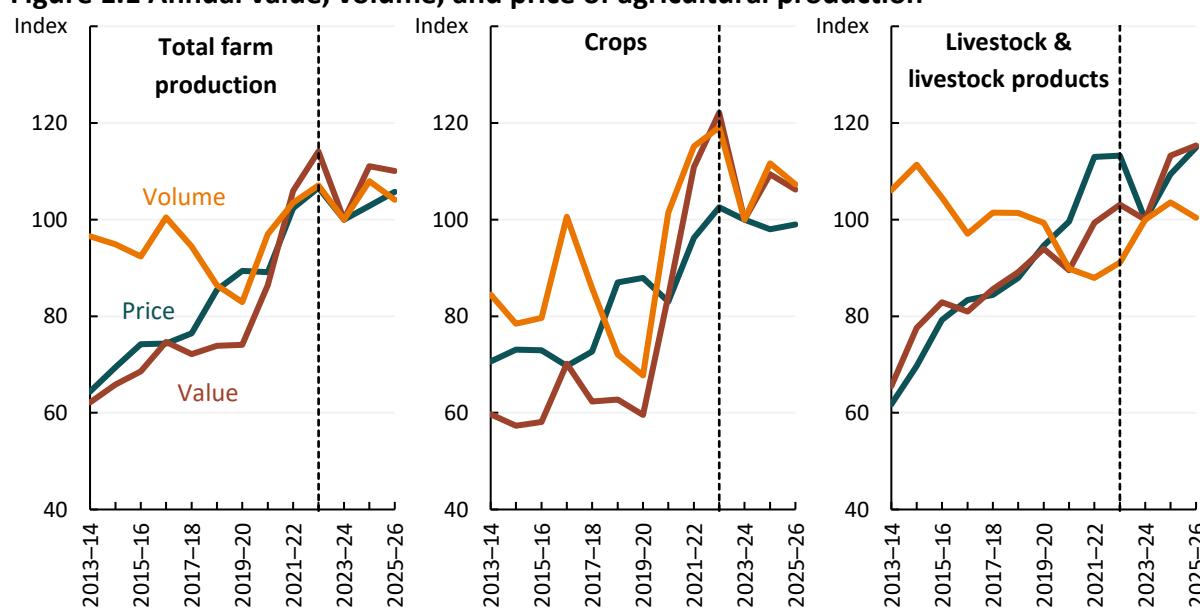
- Value of agricultural production to fall by just under 1% to \$91 billion in 2025–26.
- A return to neutral seasonal conditions relative to 2024–25 to result in lower crop production volumes.
- Global crop prices to rise in 2025–26 reflecting tightening global supply.
- Livestock production values to hit new record as strong global demand supports prices.
- Average farm cash income to rise in 2025–26 to \$110,000 supported by rising prices and easing input costs.

## Value of agriculture to be third highest on record in 2025–26

The **nominal gross value of agricultural production** is forecast to rise by 11% to \$92 billion in 2024–25, driven by both livestock and crop production values (Figure 1.1). Including fisheries and forestry, agricultural production is expected to reach \$98 billion, the second highest value on record.

The **nominal gross value of crop production** is forecast to rise by \$4.5 billion to \$52 billion in 2024–25 as favourable seasonal conditions relative to 2023–24 have driven strong production outcomes across much of the country (see *Seasonal Conditions*). However dry conditions in South Australia and Victoria have reduced winter crop yields in these states (see [Australian Crop Report](#)). The **nominal gross value of livestock production** is also expected to increase, up by \$4.6 billion to \$40 billion as robust global demand for Australian red meat and livestock products drive up both prices and turn-off rates, despite improving seasonal conditions.

**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

Forecast total farm production values for 2024–25 are around \$3.5 billion higher than expectations in the [December 2024 Agricultural Commodities Report](#). Crop production volumes and livestock prices have been revised higher given recent data and information from ABARES industry liaison.

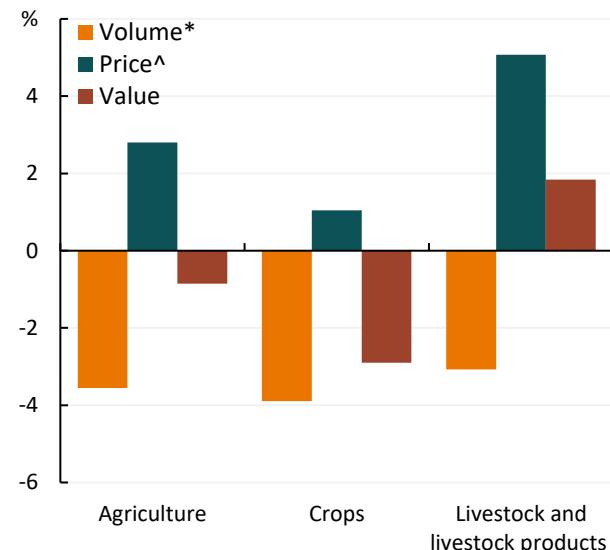
## Higher livestock prices keep value of agricultural production elevated

In 2025–26, the **nominal gross value of agricultural production** is forecast to fall by just under 1% to \$91 billion given lower crop production values (Figure 1.1; Figure 1.2). Including fisheries and forestry the agricultural production values are expected to be \$98 billion, still the third highest on record.

The **nominal gross value of crop production** is forecast to fall by \$1.5 billion to \$50.8 billion as expected lower production more than offsets a slight rise in prices (Figure 1.3). **Crop production volumes** are expected to contract by 3.6% as a return to neutral seasonal conditions in 2025–26 compared to more favourable conditions over 2024–25 reduces winter crop yields. By contrast, **global crop prices** are expected to rise by 1.0% reflecting lower global supply and steady demand. By commodity, lower crop production values reflect (Figure 1.4):

- Lower **wheat** values (down \$0.9 billion) as a return to more neutral conditions across much of the country reduce yields (see *Wheat*).
- Lower **pulses** values (down \$1.0 billion) as the end of India's tariff-free period for chickpea imports drives a fall in area planted and easing prices (see *Coarse Grains*).
- Lower **sorghum, barley** and **cotton** values (together down by \$0.4 billion) driven by falling production despite rising global prices (see *Coarse Grains; Natural Fibres*). Lower **sugar** values (down by \$0.2 billion) reflect falling global prices – given rising global supply; Australian sugar production volumes are expected to increase.
- By contrast **horticulture** values are expected to rise (up by \$0.7 billion), high water availability supports average to above average production outcomes (see *Horticulture*). While widespread flooding in northern Queensland is expected to affect some crops such as sugarcane and bananas, the extent of impact is yet to be determined (see *Seasonal Conditions*).
- **Canola** production values are forecast to rise (up by \$0.4 billion) as global prices rise (see *Oilseeds*).
- **Wine grape** production values are expected to remain relatively stable, rising slightly given an increase in prices for some varietals and stable production volumes (see *Wine grapes*).

**Figure 1.2 Price and volume contributions to forecast change in gross value of production, 2024–25 to 2025–26**



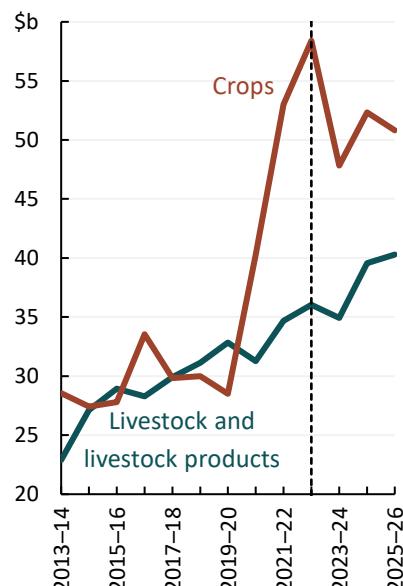
Note: Price and volume changes may not sum to value given rounding. \*Chain volume measure by commodity group using Fisher's ideal index. ^Annual gross unit value of production for most commodities.

Source: ABARES

In contrast to lower crop values, the **nominal gross value of livestock and livestock products** is forecast to increase by \$0.7 billion in 2025–26, reaching a record high of \$40.3 billion (Figure 1.3). Higher values reflect rising **livestock and livestock product prices** (up by 5.1%) driven by strong global and processor demand for livestock, keeping the total value of agricultural production

elevated in 2025–26 (see *Beef and veal; Sheep meat*; Figure 1.2). By contrast, **production volumes** are forecast to fall despite strong demand as expected contractions in the beef herd and sheep flock in 2024–25 reduce the number of livestock available for slaughter in 2025–26; although turn-off rates are forecast to remain elevated.

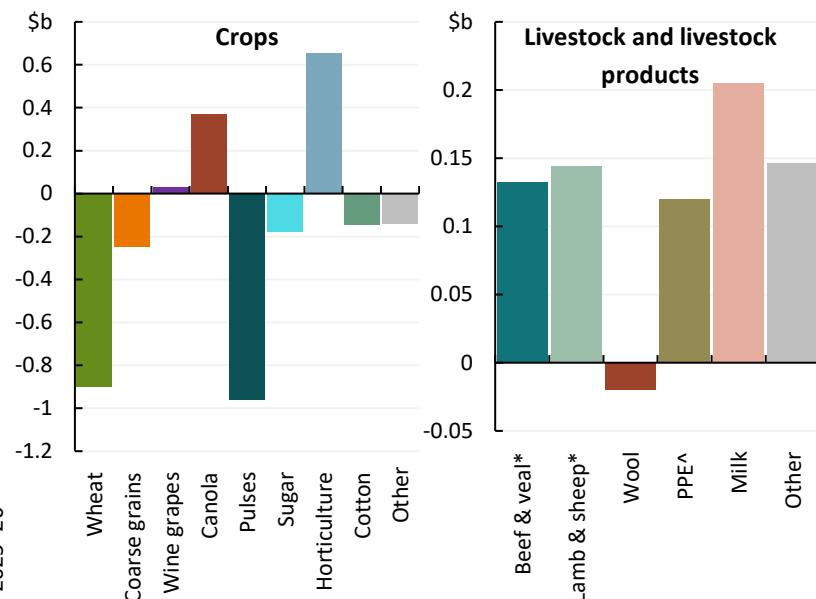
**Figure 1.3 Annual value of agricultural production**



Note: Data to the right of dotted line indicate estimates and forecasts.

Source: ABARES; ABS

**Figure 1.4 Forecast annual change in production value, 2023–24 to 2024–25**



Note: \*Includes live exports, ^Pigs, poultry & eggs.

Source: ABARES; ABS

By commodity, the increase in livestock and livestock product values reflects (Figure 1.4):

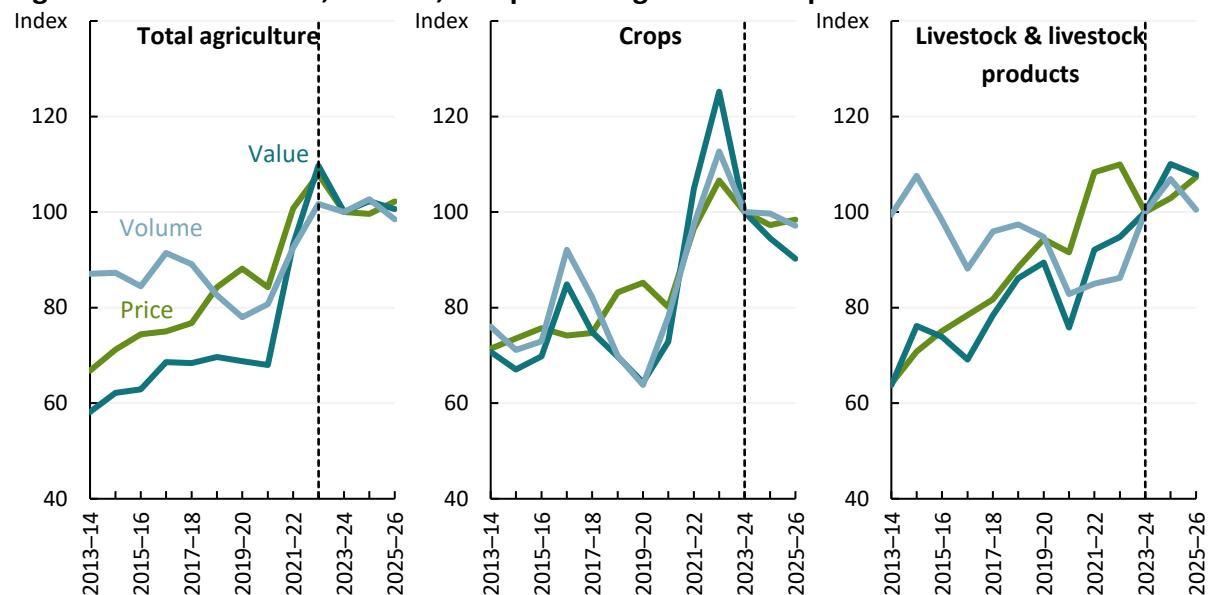
- Higher **beef, veal and live cattle** and **sheep meat and live sheep** values (up by \$0.1 billion in total), given elevated turn-off rates and rising prices.
- Higher **pig and poultry meat and eggs** values (up \$0.1 billion) (see *Pigs, Poultry and Eggs*).
- Higher **milk** values (up by \$0.2 billion) reflected expected rises in farmgate milk prices more than offsetting further reductions in milk production (see *Dairy*).
- Wool values are forecast to remain relatively stable, falling slightly as expected falling wool production is mostly offset by a small rise in wool prices (see *Natural Fibres*).

**Average broadacre farm cash profit** is forecast to increase by \$77,000 to \$110,000 in 2025–26 driven by higher commodity prices and decreases in fuel, fodder and interest costs (see *Farm Performance*). Improving weather conditions for states that experienced very dry conditions in 2024–25 – such as South Australia and Victoria – are also supporting rising incomes.

## Increasing global production to offset strong demand

The **nominal value of agricultural exports** is forecast to increase by 2% to \$73 billion in 2024–25, or \$78 billion including fisheries and forestry (Figure 1.5). Higher export values reflect rising **livestock and livestock product export values** (up \$3.0 billion) as strong demand for Australian red meat continues to support both strong export volumes and rising export prices. By contrast, **crop export values** are forecast to fall (down \$1.3 billion), offsetting the overall rise in agricultural export values. Despite rising production, lower crop exports reflect a return to more normal export volumes as high stocks – built up over preceding record production years – have been drawn down.

**Figure 1.5 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

**Nominal agricultural export values** are forecast to fall by 1.6% in 2025–26 to \$72 billion, driven by lower export volumes for both crops and livestock and livestock products (Figure 1.6). Including fisheries and forestry, export values are forecast to be \$77 billion, the third highest value on record.

**Crop, livestock and livestock product export volumes** are forecast to fall by 2.5% and 6%

respectively in 2025–26, consistent with expected falls in crop, livestock and livestock product production (Figure 1.6).

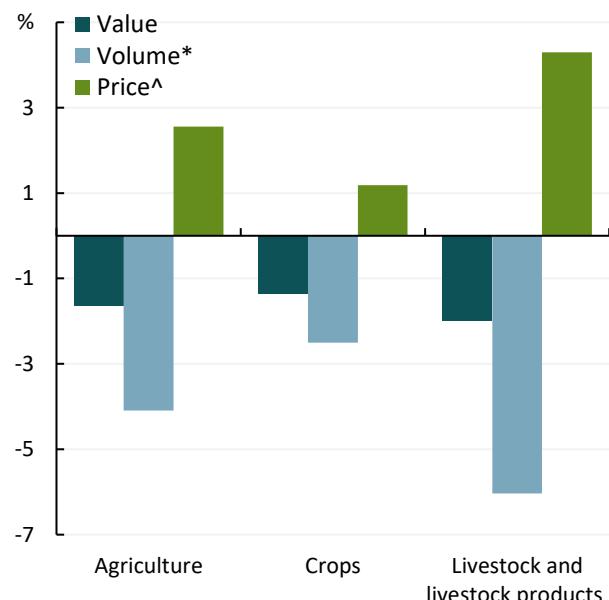
By contrast, both **crop, livestock and livestock product prices** are expected to rise (up by 2.6% and 4.3% respectively):

- Higher crop export prices are in line with increasing global prices given falling global exportable supply across many major crop commodities.
- Higher livestock export prices reflect strong global demand for red meat. By contrast dairy product export prices are expected to fall as world supply grows by more than demand, offsetting the overall rise in livestock and livestock product prices.

Forecast agricultural export values for 2024–25 are \$3.0 billion higher than expectations in the [December 2024 Agricultural Commodities Report](#).

This reflects higher than expected export values across a range of agricultural commodities in recent trade data.

**Figure 1.6 Price and volume contributions to forecast change in export value, 2023–24 to 2024–25**



Note: Price and volume changes may not sum to value due to rounding. \*Chain volume measure by commodity group using Fisher's ideal index. ^Export unit value for most commodities.  
Source: ABARES

## Significant uncertainty surrounds the near-term outlook

The global economic outlook has become significantly more uncertain since the [December 2024 Agricultural Commodities Report](#). The US government administration has announced several increases to, or new tariffs, to take effect in 2025; forthcoming tariffs on US imports have also been announced by some other global economies.

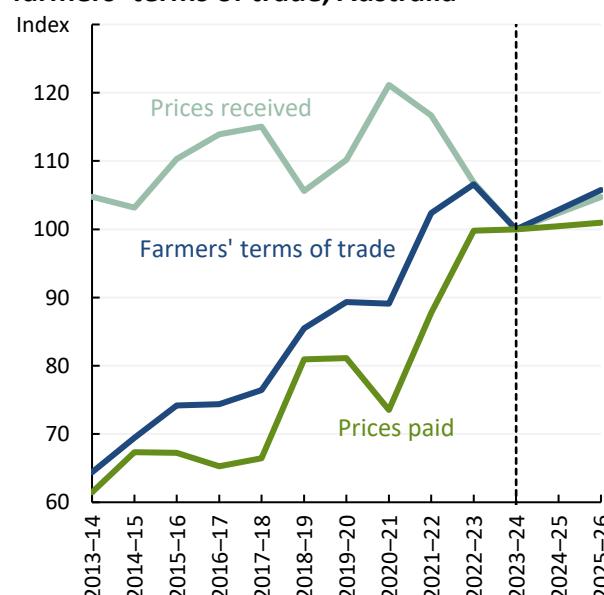
Potential further changes to global trade policies present key downside risks to the near term global economic outlook given their capacity to disrupt global supply chains, raise input costs and inflationary pressures, and constrain economic activity. However, major economic forecasters are yet to reflect these risks significantly in the near-term, with consensus global growth forecasts relatively stable over 2025 and 2026 (see *Economic Outlook*). Despite global uncertainty, Australia remains in a strong position to meet growing demand for agricultural products both domestically and abroad:

- The US Government has not announced any tariffs on Australian agricultural products. In addition, US demand for Australian agrifood exports is being supported by resilient US consumption growth, lower domestic production of some commodities (see *Beef and veal*) and a competitive Australian dollar.
- Expanding trade barriers globally could also lead to agricultural export flow diversions in global markets, changes in relative competitiveness among exporters, and price fluctuations among substitute goods—potentially increasing demand for Australian exports.
- In Australia, real GDP growth is expected to increase by 2.4% in 2025–26 supporting growth in real disposable income, consumer spending and demand for Australian agricultural production.

## Agricultural input pressures continue to ease in 2025–26

Many input pressures for Australian agrifood producers and exporters have eased significantly in 2023–24 and 2024–25 to date. Easing cost growth and increasing prices received are expected to support a rise in **farmers' terms of trade** in 2025–26, continuing to recover from lows experienced in 2023–24 (Figure 1.7).

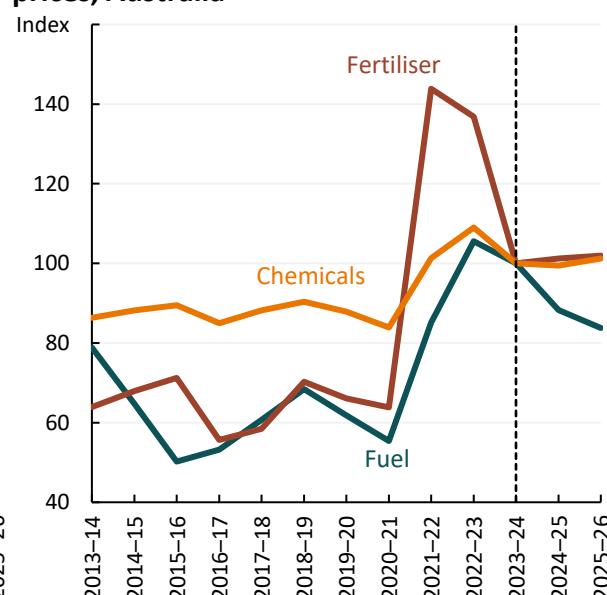
**Figure 1.7 Prices paid, prices received and farmers' terms of trade, Australia**



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

Source: ABARES; ABS

**Figure 1.8 Average annual selected input prices, Australia**



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

Source: ABARES; ABS

Farmer's terms of trade reflect the ratio between the farmgate prices Australian businesses receive for production compared to the average prices paid by businesses for inputs:

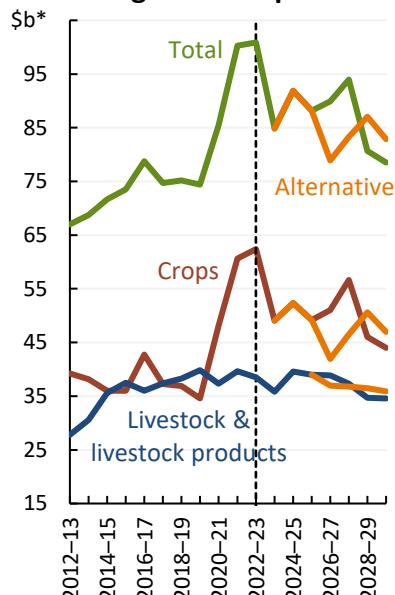
- **Prices received** by producers for agricultural commodities are expected to rise by 2.8% supported by rising prices across crops, livestock and livestock products. Price rises reflect ongoing recovery from lows experienced in 2023–24 – especially for livestock – as a sudden shift to drier seasonal conditions greatly increased supply of animals to saleyards (see [Livestock Prices](#)).
- At the same time, growth in **prices paid** for farm inputs is forecast to ease driven by easing prices for feed and fuel. Global energy prices are expected to fall in 2025–26 reflecting softer demand from major oil consumers.

Despite easing growth in price paid, input costs are forecast to remain elevated in the near term, with some prices – such as for fertilisers, chemicals, services and labour – expected to rise in both 2024–25 and 2025–26 (Figure 1.8).

## Robust outlook for Australian agricultural production and exports over the medium term

Over the outlook period to 2029–30, the **real gross value of Australian agricultural production** is projected to rise in 2026–27 before falling over the remainder of the medium term, ranging between \$79–94 billion (Figure 1.9).

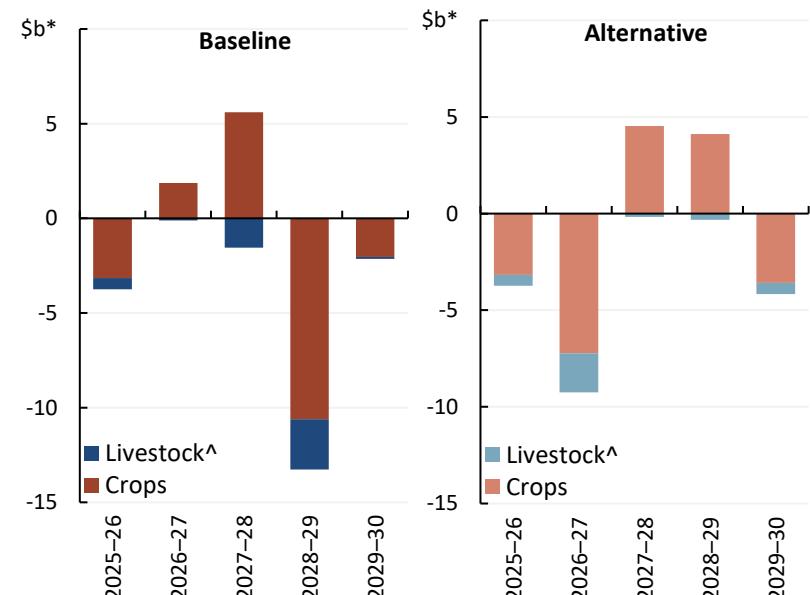
**Figure 1.9 Real annual gross value of agricultural production**



Note: Data to the right of dotted line indicate forecasts and projections. \*2023–24 Australian dollars.

Source: ABARES, ABS

**Figure 1.10 Change in projected annual production value, baseline vs alternative**



Note: Level change in total real projected production value by livestock and crops.  
^Includes livestock and livestock products \*2023–24 Australian dollars.

Source: ABARES, ABS

Projections for the real value of Australian agricultural production vary by livestock and cropping industries and the impact of assumed seasonal conditions (Figure 1.9; Figure 1.10):

- Wetter seasonal conditions at the start of the outlook are projected to support Australian crop production, which coupled with assumed rising global crop prices, is projected to support **real crop production values**, peaking at \$57 billion in 2027–28. In addition, rising livestock prices are expected to more than outweigh projected lower livestock turn-off rates. However, **real livestock**

**& livestock product production values**, are expected to remain relatively steady as projected lower dairy product values broadly offset higher real livestock values (see Box 1.1).

- By contrast, assumed drier conditions in Australia later in the medium term are expected to weigh on crop production volumes, driving down real crop production values, ending the outlook period at \$44 billion. In addition, an assumed subdued economic environment and rising global supply across both major crop and livestock commodities are projected to weigh on prices. As a result, livestock real values are also projected to fall in the second half of the outlook, ending at \$35 billion in 2029–30 (see Box 1.1).

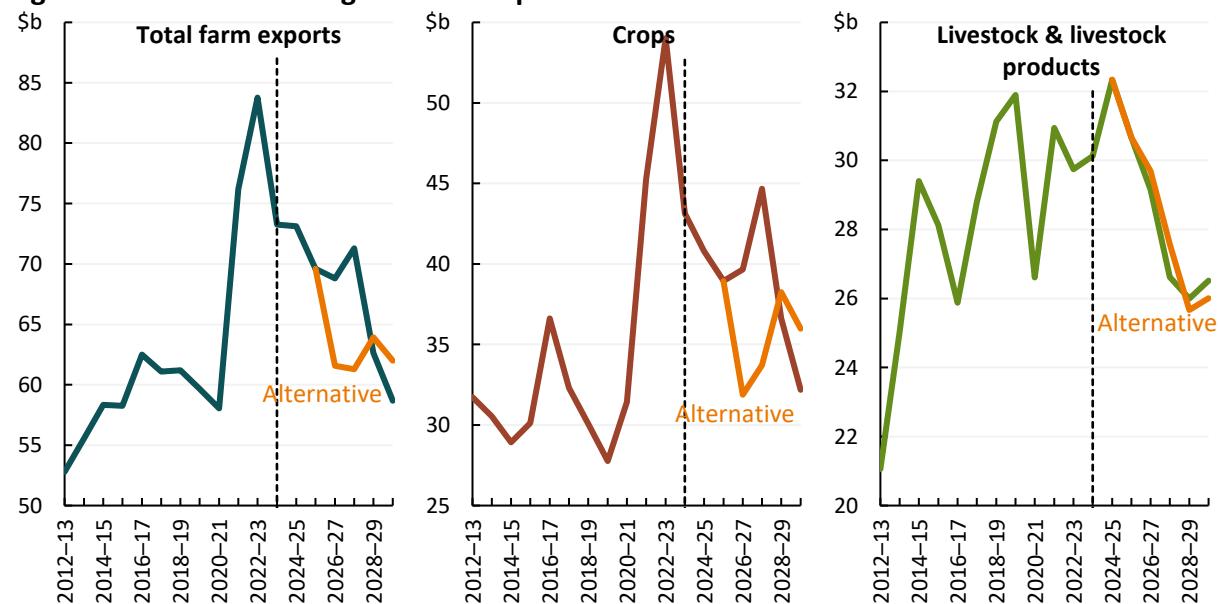
In the alternative scenario, real Australian agricultural production values are projected to fall in 2026–27 before recovering over the remainder of the outlook, ranging between \$79–87 billion (Figure 1.9; Figure 1.10):

- Assumed very dry seasonal conditions in 2026–27 (with decile three production expected) are projected to result in a significant fall in Australian crop production. In addition, lower global crop prices are assumed, resulting in falling **real crop production values**, (reaching \$42 billion). The **real value of livestock production** is also projected to fall (to \$37 billion) as drier conditions increase livestock turn-off and supply to saleyards, with real prices expected to fall by more than the increase in production volumes (see Box 1.1).
- Assumed wetter conditions from 2027–28 are expected to support crop production, with assumed higher global crop prices supporting crop production values (ending medium term at \$47 billion). By contrast, real livestock production values are projected to fall as wetter conditions support restocking and decrease turn-off (\$36 billion by 2029–30) (see Box 1.1).

## Demand fundamentals to support Australian exports over the medium term

Australia's agricultural export growth over the medium term is expected to be supported by income growth in key consumption markets. In addition, robust population growth expected between 2024–2030 in some of Australia's highest value and fastest growing agricultural export markets is expected to support demand for Australian exports. Examples include the Middle East and Central and southeast Asia (see *Economic Outlook*).

**Figure 1.11 Real annual agricultural export values**



Note: Data to the right of dotted line indicate estimates and forecasts. \*2024–25 Australian dollars  
Source: ABARES, ABS

In the medium term, the **real value of agricultural exports** is projected to rise to 2027–28 before falling over the remainder of the medium term, ranging between \$59–71 billion (Figure 1.11). Projections for real export values for both crops and livestock across both scenarios broadly reflect projected real production values and the assumed impact of seasonal and economic conditions (see Box 1.1):

- The **real value of crop exports** is projected to peak in 2027–28 at \$45 billion before falling over the remainder of the medium term, ranging between \$32–45 billion.
- The **real value of livestock exports** is projected to peak in 2025–26 and fall over the medium term, ranging between \$26–29 billion.

By contrast, the real value of agricultural exports is projected to fall and then rise in the alternative scenario, ranging between \$61–64 billion (Figure 1.11):

- The real value of crop exports is projected to plateau in 2026–27 at \$32 billion before rising, ranging between \$32–38 billion and ending the outlook period at \$36 billion.
- The real value of livestock exports is to plateau at \$26 billion in 2028–29 before rising, ranging between \$26–27 billion. Export values fall by less in 2026–27 than production values driven by expected higher export volumes due to strong global demand for red meat. Export values in the alternative scenario end lower than in the baseline scenario – despite expected higher production values than in the baseline scenario – given an expected larger fall in export prices.

#### **Box 1.1 ABARES' scenario projections over the outlook period**

This edition of the Agricultural Commodities Report uses two scenarios to produce the five-year forecasts discussed in each chapter, a **baseline** and **alternative** scenario.

Forecasts for Australia's agricultural production and exports are highly reliant on seasonal conditions and global factors such as demand and supply. Accordingly, the two scenarios cover different possible outcomes for both the global economy and seasonal conditions – a baseline scenario, reflecting a softer outlook for global economic conditions, and an alternative scenario – covering a more robust outlook projection for the global economy, stronger global demand, and variable seasonal conditions in Australia.

Expectations for climate and macroeconomic conditions for the year ahead (2025–26) are based on available data and ABARES industry liaison. This information is used to inform ABARES' forecasts including expected impacts on agricultural production, prices and exports. Beyond 2025–26, assumed global economic and seasonal conditions do not represent 'most likely' or expected developments – instead they provide a plausible foundation for agricultural production projections over the medium term. A range of factors affect these projections; the development of two scenarios is intended to illustrate how changing assumptions and underlying conditions impact projections over the outlook period.

#### **The 'baseline' scenario**

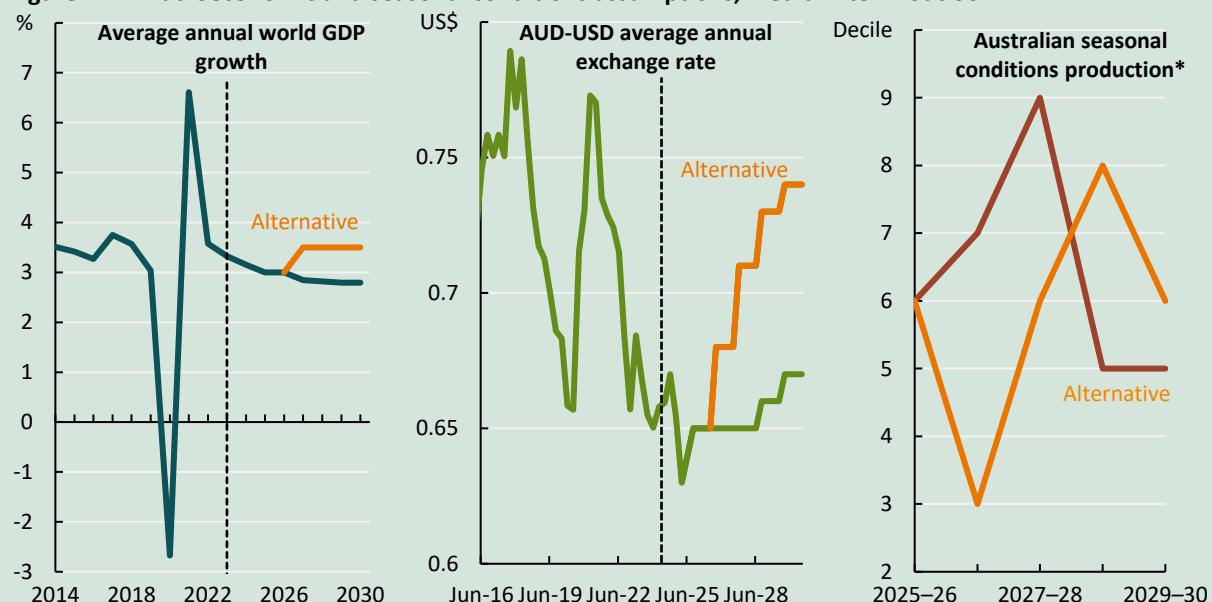
ABARES' baseline scenario assumes world GDP growth softens initially and then remain lower at 2.8% to 2030; this is significantly lower than the 5-year pre-COVID average of 3.4% (Figure 1.12). An assumption of greater supply chain disruptions stemming from global trade policies changes and geo-economic fragmentation are assumed to weigh on GDP growth. US inflation is assumed to accelerate, with interest rates in restrictive territory for much of the outlook, lowering growth in global investment and consumption. In addition, economic growth in China and the wider Asian region is assumed to slow in this scenario as increased trade barriers weigh on export-orientated sectors (see *Economic Outlook*).

Seasonal conditions are assumed to support above average production outcomes in Australia over the medium term. Climate conditions are expected to oscillate over the outlook period reflecting climate variability over the last 20 years (Figure 1.12): Neutral conditions are expected in 2025–26 before moving to two consecutive La Niña years in 2026–27 and 2027–28. A move to El Niño and then neutral conditions is assumed over the

remaining two years to 2029–30 (see *Seasonal Conditions*). Projections for the value of agricultural production are higher in the first half of the medium term in the baseline scenario given assumed improving seasonal conditions in Australia over the first half of the outlook (Figure 1.13):

- While Australia benefits from wetter seasonal conditions, below average cropping conditions in the first half of the outlook are expected in many key exporting countries, particularly in the northern hemisphere. This is assumed to tighten global supply for most crop commodities, which – alongside assumed elevated global inflation – is expected to keep crop prices elevated.
- Rising restocker demand for livestock, given increasing pasture availability is also expected to reduce Australian livestock turn-off as the beef herd and sheep flock enter rebuilding phases. This is projected to support relatively elevated real livestock prices over the first half of the medium term, especially given the expected US herd rebuilding and rising demand for sheep meat from the Middle East (see *Beef and veal; Sheep meat*).

**Figure 1.12 Macroeconomic and seasonal conditions assumptions, medium-term outlook**



Note: Data to right of dotted line indicate ABARES assumption. GDP growth weighted using IMF 2023 purchasing power parity valuation of country GDP. \*Production projections presented as deciles. ABARES assumption.

Source: ABARES; ABS; IMF; RBA

#### The ‘alternative’ scenario

ABARES’ alternative scenario assumes a stronger outlook for the global economy and Australia’s key export markets. Global GDP growth is assumed to increase in the first half of the outlook and remain stable at 3.5% to 2029–30 supported by strong income growth in emerging and developing economies, particularly in Asia. In addition, global consumption growth, particularly for discretionary products, is expected to increase as inflation and interest rates ease. As a result of assumed lower inflationary pressures relative to the baseline, real prices (inflation adjusted) are generally expected to be slightly higher across the medium term in the alternative scenario. However, the effect of this is somewhat constrained as a stronger global outlook – and assumed stronger Australian dollar – weigh on Australian export prices. (Figure 1.12). In addition, supply chains are also assumed to operate relatively unimpeded, further mitigating some price pressures assumed in the baseline scenario (see *Economic Outlook*).

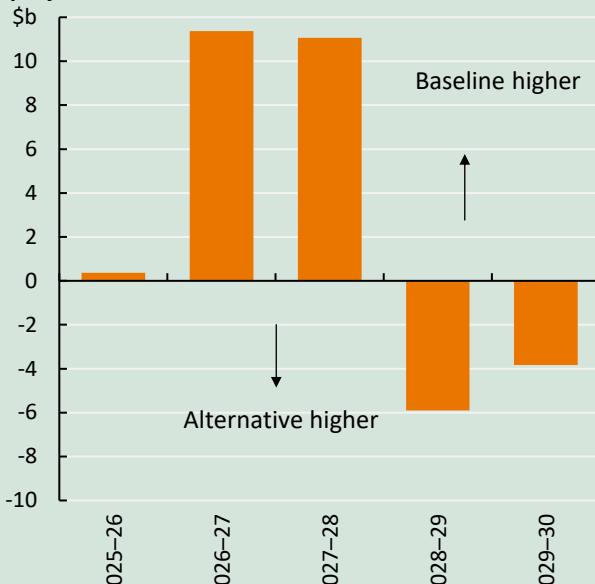
Seasonal conditions are assumed to oscillate in the alternative scenario (Figure 1.9). Neutral conditions assumed in 2025–26, before moving to El Niño conditions in 2026–27. A move to two consecutive La Niña years is assumed for 2027–28 and 2028–29 before returning to neutral seasonal conditions in 2029–30 (see *Seasonal Conditions*).

Seasonal conditions in the alternative scenario vary almost inversely to the baseline scenario. However, slightly lower crop production outcomes are expected in aggregate in the alternative scenario, resulting in slightly

lower cumulative projected production values over the medium term given the assumed onset of a very dry year at the start of the outlook in 2026–27 not seen in the baseline scenario (Figure 1.13).

- In addition, projections for the value of agricultural production are higher in the second half of the medium term in the alternative scenario given assumed wetter seasonal conditions in Australia and an assumed stronger economic outlook (Figure 1.13):
- Assumed wetter seasonal conditions in Australia are assumed to coincide with reduced cropping prospects for other global producers, reducing global supply and increasing real crop prices.
- By contrast, wetter conditions later in the outlook are projected to delay beef herd and sheep flock rebuilding, driving lower livestock turn-off and supporting elevated livestock prices relative to the baseline. Price rises are projected to more than offset expected lower Australian production – given the wetter conditions – in part reflecting Australia’s growing share of global production for some livestock and livestock products, especially for sheep meat (see *Sheep meat*).
- The stronger economic outlook, coupled with an assumption of more robust global demand – is expected to support export prices over the medium term relative to the baseline scenario.
  - This assumption is most evident in the second half of the outlook – contributing to higher production values in the alternative scenario – given projected lower global supply for many major crop and livestock commodities noted above; however, price rises are offset somewhat given an assumption for a stronger Australian dollar (see *Economic Outlook*).

**Figure 1.13 Real gross value of agricultural production projections, baseline vs alternative scenario**



Source: ABARES

## 2 Economic Outlook

Fred Litchfield

**3.2%**

Global economic growth in 2025



### Economic overview

Global economic growth to remain subdued in 2025.

#### Key points

- Global economic outlook assumed to be subdued in 2025 and 2026.
- Strong population and income growth to support the medium-term outlook in Australia's key export markets.
- The Australian dollar is assumed to remain relatively low against the US dollar in 2025–26.
- Australian consumer spending to improve with growth in household disposable income.

### Global economic growth to remain subdued in 2025

Global economic growth is expected to remain relatively soft in 2025 and 2026. The potential for increased trade barriers in an environment of heightened geopolitical tensions is creating significant uncertainty in world markets (Figure 2.1).

Potential major changes to global trade policies present key downside risks to the near term global economic outlook, given their capacity to disrupt global supply chains, raise inflationary pressures, and constrain economic activity. However, most major economic forecasters are yet to reflect these risks significantly in near-term global GDP growth forecasts.

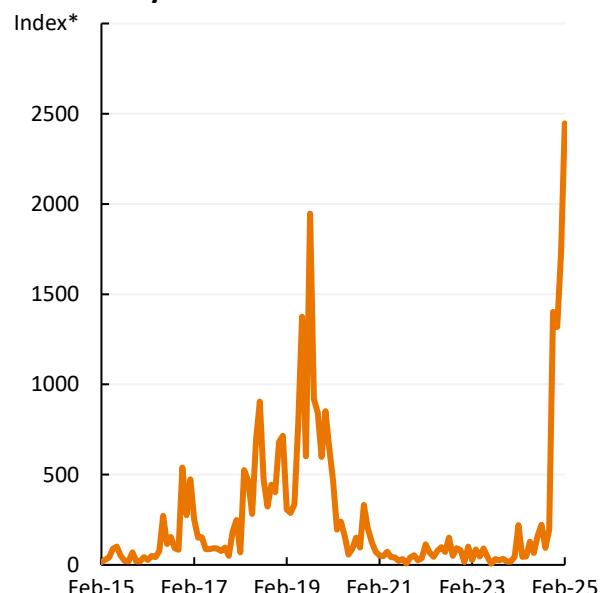
**World GDP growth** is assumed to be 3.2% in 2025, on par with 2024, but a 0.1 percentage point downgrade from expectations in the [December 2024 Agricultural Commodities Report](#). World GDP growth is expected to remain at 3.2% in 2026.

#### Near term outlook carries uncertainty

The global economic outlook has become significantly more uncertain since the [December 2024 Agricultural Commodities Report](#) as various US government policies and possible responses by other countries could materially affect global economic activity, trading partner growth and inflation.

The **US government administration** have announced a number of new or increased tariffs on imports to take effect in 2025—the United States was the world's largest importer and second largest exporter of goods and services (after China) in 2024. In response, some countries, for example China, have announced increases in taxes on imports from the United States.

**Figure 2.1 Monthly US trade policy uncertainty index**



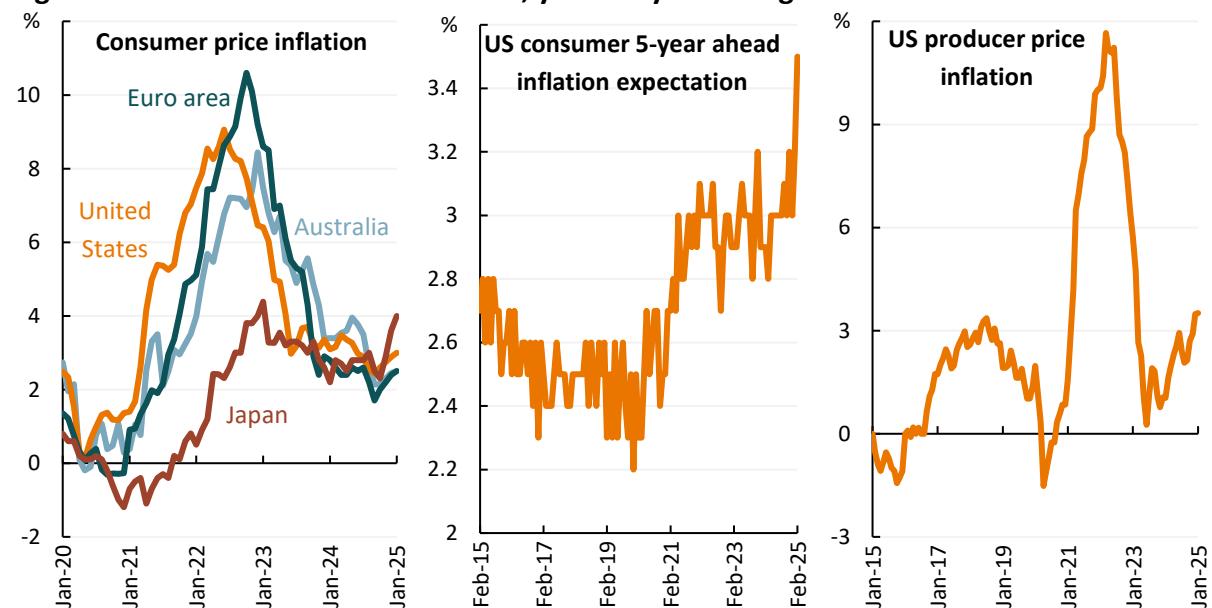
Note: \*1985-2010 average=100.

Source: Baker, Bloom and Davis 2016.

**Tariffs** increase the cost of importing goods, leading to higher costs across various points in supply chains and can increase consumer prices. Tariffs can also reduce demand for exports and disrupt global trade flows. However, significant uncertainty remains concerning the implementation, timing, coverage, and magnitude of expanding trade barriers in 2025. The RBA in their [Statement on Monetary Policy – February 2025](#) examined several possible paths for trade tension escalation and potential responses – including fiscal stimulus, reciprocal measures, or no action. These scenarios illustrate the varied nature and unknown impacts of possible policy measures on both global and domestic GDP growth and inflation.

In addition, **global inflation** has also accelerated in recent months. While growth slowed to near central bank target levels in many economies over 2023 and early 2024, progress reversed in mid-2024. A number of central banks have highlighted significant risk ahead for inflation (Figure 2.2) and in turn, the confidence to lower **interest rates**.

**Figure 2.2 Selected inflation indicators, year-on-year change**



Note: Inflation for Australia uses the Monthly CPI Indicator. Median consumer inflation expectation over the next 5 years.  
Source: ABS; European Commission; Statistics Japan; University of Michigan; US Bureau of Labor Statistics.

US consumer price inflation increased to 3% in January 2025, and **producer price inflation** (an indicator of supply chain pressure) remained elevated at 3.5% (Figure 2.2). The US Federal Reserve lowered the Federal Funds interest rate by 1 percentage point over the second half of 2024, supporting private investment by reducing finance costs for households and businesses. However, interest rates remain restrictive and along with elevated inflation, are weighing on economic growth in many economies.

### Risks to export demand growth across key trading partners

The potential for increased barriers to trade in 2025 and 2026 creates uncertainty concerning demand for Australia's agrifood exports in world markets. However, the magnitude, scope and secondary effects of trade barriers (such as policy responses or trade diversification) could create both positive and negative impacts for Australia.

- The US Government has not announced any tariffs on Australian agricultural products. If tariffs on **US imports** of Australian agrifood products were imposed, this would increase costs for US importers, potentially lowering demand for Australian exports. However, US demand for Australian agrifood exports is being supported by resilient consumption growth, lower domestic production of some commodities (see *Beef and veal*) and a competitive Australian dollar.

- The expanded use of protectionist trade policies globally is also likely to impact Australian exports indirectly, reducing demand given potential weaker economic outcomes in major trading partners such as China and Southeast Asia, although likely partially offset by a lower Australian dollar.
- The expanded use of tariffs globally could also lead to agricultural export flow diversions in global markets, changes in relative competitiveness among exporters, and price fluctuations among substitute goods—potentially increasing demand for Australian exports.

**China** is Australia's most valuable agricultural export destination, accounting for 24% of the value of agriculture, fisheries, and forestry exports in 2023–24. Chinese demand for discretionary agrifood products (for example see *Natural Fibres*) has been subdued in recent years given declining household wealth – due largely to sustained falls in house prices. While consumer confidence in China has fallen, Australia's favourable market access and reputation amongst importers continues to support export demand for many agrifood commodities (for example see *Wine grapes*).

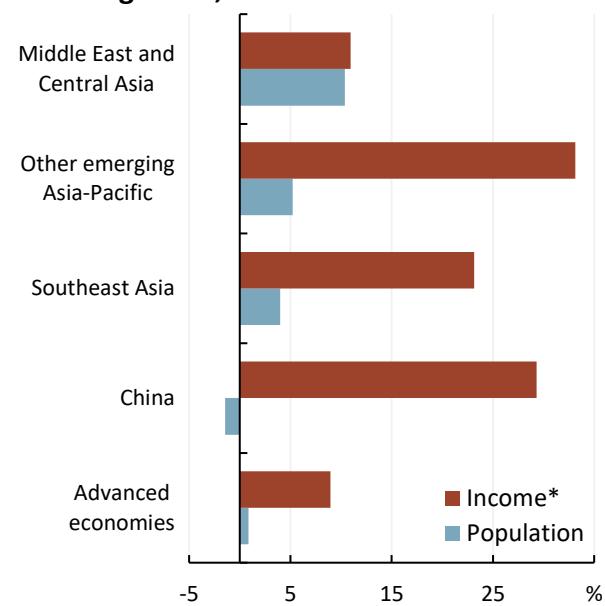
The domestic consumption outlook in 2025 across other key trading partner countries in Asia is expected to improve, with household incomes to be supported by lower interest rates and increased government fiscal policy. However, increased global trade fragmentation presents a risk to export growth in these economies and in turn, business and consumer confidence.

## Demand fundamentals to support medium-term outlook

Australia's agricultural export growth over the medium term is expected to be supported by income growth in key consumption markets. Global aggregate food consumption over the medium term is also expected to be supported by population growth in emerging and developing economies (Figure 2.3). From 2024 to 2030, robust population growth is expected in some of Australia's highest value and fastest growing agricultural export markets, such as the Middle East and Central Asia (10%) and Southeast Asia (4%).

As consumers become wealthier, demand for food tends to increase and preferences typically change to higher value products. Despite a somewhat slower assumption for economic growth, real incomes in China and Southeast Asia are expected to be 29% and 23% higher respectively in 2030 than they were in 2024.

**Figure 2.3 Expected population and real income growth, 2024–2030**



Note: \*Per capita real GDP growth. IMF country groupings. Values shown are for the baseline scenario considered in this edition of the Agricultural Commodities Report.

Source: ABARES; IMF; United Nations Population Division.

## Two scenarios for global economic growth over the medium term

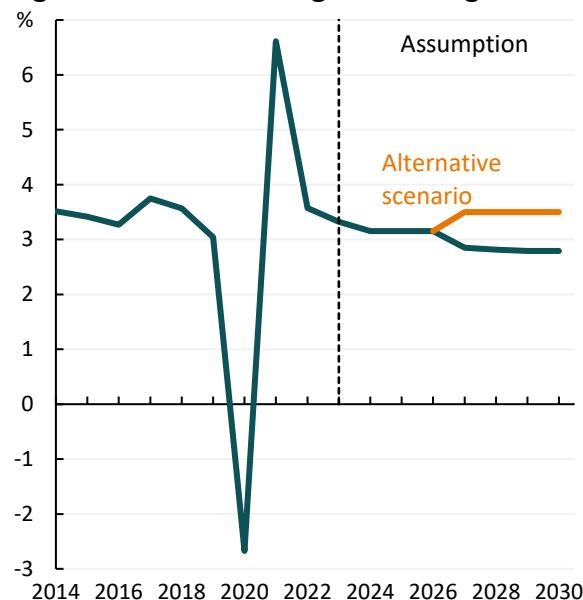
To support the development of projections for Australian agricultural production volumes and prices over the medium term (2027–2030), ABARES has prepared two macroeconomic scenarios. For a more detailed explanation of these economic scenarios, and how they are applied to projections for Australian agricultural production and exports over the outlook, see *Overview*.

**In the baseline scenario**, world GDP growth is assumed to soften initially and then remain lower at 2.8% to 2030; this is significantly lower than the 5-year pre-COVID average of 3.4% (Figure 2.4). An

assumption of greater supply chain disruptions stemming from global trade policy changes and geo-economic fragmentation is assumed to weigh on GDP growth. US inflation is assumed to accelerate, with interest rates in restrictive territory for much of the outlook, lowering growth in global investment and consumption (Figure 2.5). In addition, economic growth in China and the wider Asian region is assumed to slow in this scenario as increased trade barriers weigh on export-orientated sectors.

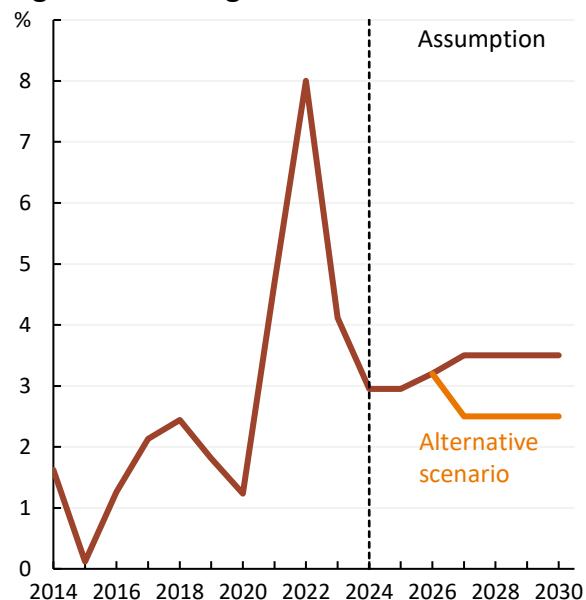
**The alternative scenario** assumes a stronger outlook for the global economy and Australia's key export markets. Global GDP growth is assumed to increase and then remain stable at 3.5% to 2030 supported by strong income growth in emerging and developing economies, particularly in Asia. In addition, global consumption growth, particularly for discretionary products, is expected to increase as inflation and interest rates ease. Supply chains are also assumed to operate relatively unimpeded.

**Figure 2.4 Real annual global GDP growth**



Note: Data to right of dotted line indicate ABARES assumption. GDP growth weighted using IMF 2023 purchasing power parity valuation of country GDP.  
Source: ABARES; IMF.

**Figure 2.5 Average annual US inflation**



Note: Data to right of dotted line indicate ABARES assumption.  
Source: ABARES; US Bureau of Labor Statistics; US Federal Reserve.

## Australian dollar weighed down by global uncertainty

In 2024–25, the Australian dollar is assumed to average US65 cents, a slight fall on 2023–24 and 11% below the 10-year average (Figure 2.6). This depreciation reflects greater demand for US dollar denominated assets – such as US government bonds – given heightened global trade and financial instability; in the March quarter to date, the AUD-USD exchange rate has been at its lowest since 2003. Australia's relatively weak terms of trade (ratio of export to import prices) – in large part due to subdued Chinese commodity demand – is also weighing on the Australian dollar.

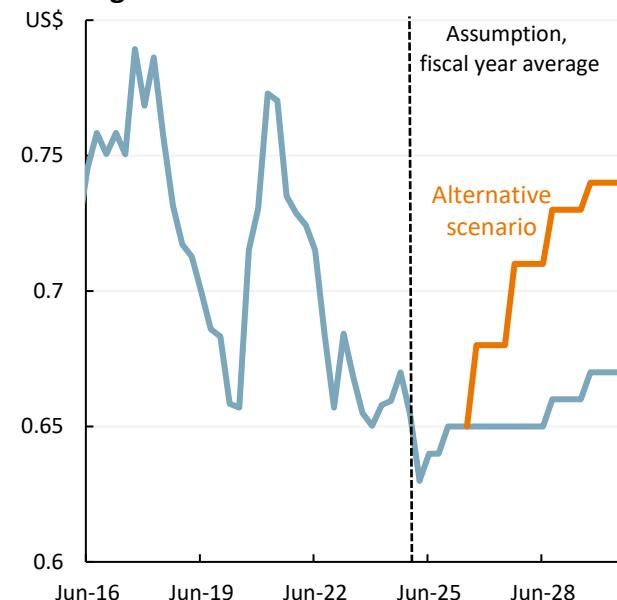
In the baseline scenario, the Australian dollar is assumed to remain relatively low driven by a subdued global economy and US interest rates remaining relatively high. The Australian dollar is assumed to appreciate modestly towards the end of the outlook as risk appetite in global financial markets improves. A low Australian dollar over a sustained period increases the relative affordability to foreign buyers of agrifood exports contracted in Australian dollars. For agricultural exports contracted in US dollars, a lower Australian dollar increases their Australian dollar value.

In the alternative scenario, the Australian dollar is assumed to be stronger over the medium term than in the baseline scenario, growing steadily and reaching US74 cents by 2030. This reflects stronger assumed global economic growth and reduced global uncertainty, reducing demand for US dollars as a relatively safe financial asset, as well as a stronger outlook for Australia's terms of trade. A higher Australian dollar typically supports lower prices for imported farm inputs.

## Disposable income growth to support Australian consumers

Economic growth in Australia has remained relatively subdued in 2024–25 despite easing inflation. High inflation and interest rates over the last two years have lowered average real disposable incomes per person, reducing household discretionary spending including some food items (Figure 2.7). The RBA has previously noted that this has been particularly the case for low-income households which spend a larger percentage of income on food. In 2025–26, real GDP growth is expected to increase to 2.4% as interest rate cuts support household disposable income growth and consumer confidence. However, the improved outlook for consumption is expected to be partially offset by some households using higher incomes to increase savings rather than discretionary spending.

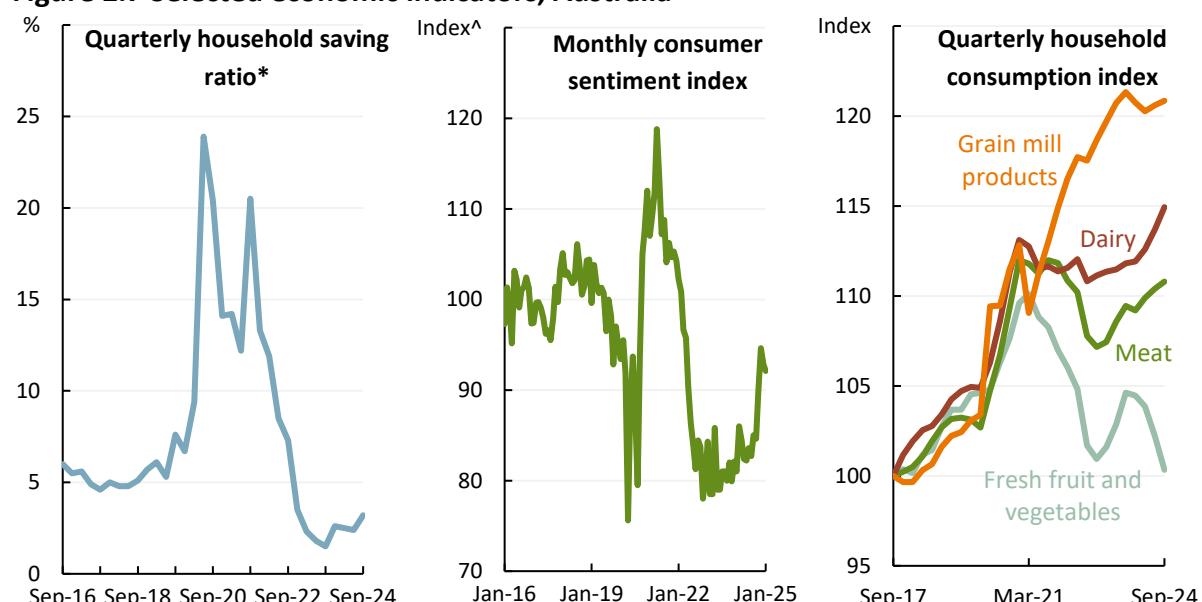
**Figure 2.6 Average quarterly AUD-USD exchange rate**



Note: Data to the right of dotted line indicate ABARES assumption.

Source: ABARES; RBA.

**Figure 2.7 Selected economic indicators, Australia**



Note: \*Seasonally adjusted. ^1974-2025 average = 100. Estimates of household consumption from National Accounts expressed in chain volume, rolling 4-quarter average, Index Sep-2017=100.

Source: ABARES; ABS; RBA; Westpac-Melbourne Institute.

## Agricultural input pressures continue to ease

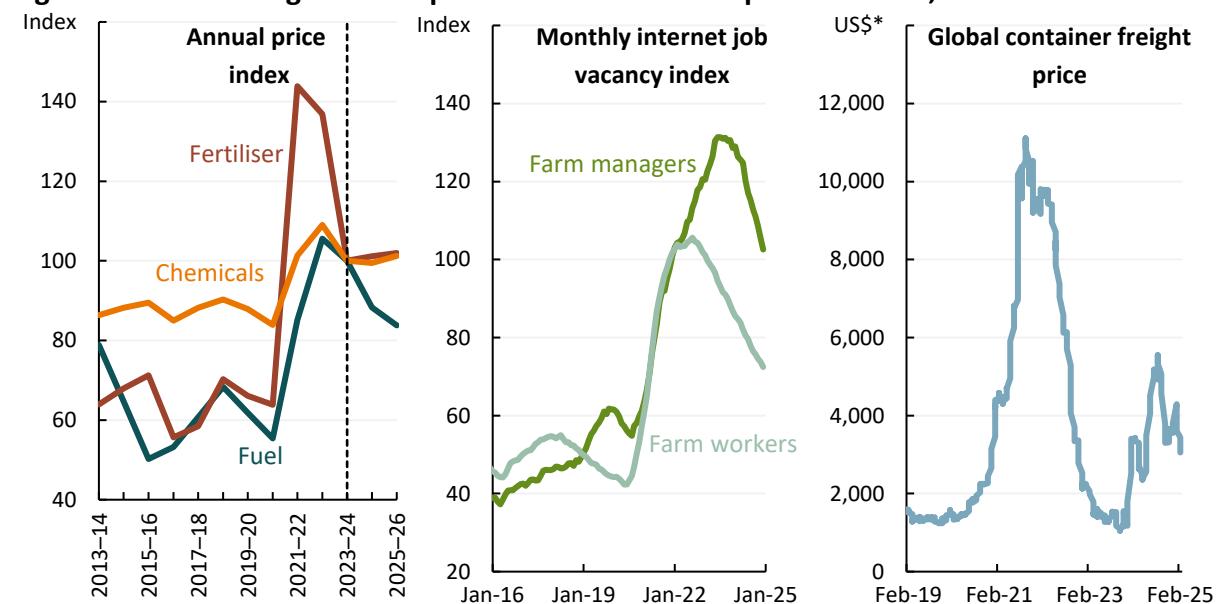
Many input pressures for Australian agrifood producers and exporters have eased significantly in 2023–24 and 2024–25 to date. Some input pressures are expected to ease further in 2025–26, but overall remain historically elevated.

Global **energy prices** are expected to fall in 2025–26 reflecting softer demand from major oil consumers. In addition, the potential for easing geopolitical tensions in Europe and the Middle East are reducing risk premiums in energy markets—similarly so for global **fertiliser prices**. However, although Australian imported diesel and fertiliser prices typically follow global markets, prices have remained elevated in 2024–25 in part due to a low Australian dollar (Figure 2.8).

**Labour** pressures for Australian agricultural businesses eased over 2024 with increased overseas arrivals. The number of temporary overseas workers in Australia is now above pre-pandemic levels reflecting the return of seasonal backpackers and continued strength of the Pacific Australia Labour Mobility Scheme (PALM). Labour market tightness remains for some skilled and managerial occupations – however job advertisements have continued to decline in 2025.

**Global freight** prices saw some upward momentum in 2024 due to attacks on container ships in the Red Sea; this led to container ships taking longer transit times to avoid the region. However, container freight prices have since eased with increased global shipping capacity and a reduced risk premium in financial markets surrounding geopolitical tensions.

**Figure 2.8 Selected agricultural production and trade input indicators, Australia**



Note: Index 2023–24=100. Data to the right of dotted line indicate estimates and forecasts. 12-month rolling average of job vacancies, farm workers include forestry and garden workers. \*Price per 40-foot shipping container.

Source: ABARES; ABS; Freightos; Jobs and Skills Australia.

# 3 Seasonal Conditions

Matthew Miller



## Seasonal conditions

Higher than expected crop yields and increased cattle turn-off delivers increased levels of Australian 2024–25 agricultural output

### Key points

- Global crop production in 2024–25 projected to remain above 2023–24 levels.
- Australian 2024–25 crop production improved in the east and west since the [December 2024 Agricultural Commodities Report](#).
- Above average summer 2024–25 rainfall and subsequent build-up of soil moisture reserves in eastern Australia expected to provide a strong incentive for planting ahead of the 2025–26 winter crop season.

## Climate and agronomy

The forecast volume of global grain and oilseed production in 2024–25 is expected to be 2% higher than 2023–24 levels. This largely reflects improved seasonal conditions boosting production in Argentina, Australia, Brazil, Canada and the United States, following dryness in 2023–24. However, this is slightly lower than expectations in the [December 2024 Agricultural Commodities Report](#), reflecting a downwards adjustment to rice, coarse grain and oilseed production more than offsetting an upwards revision wheat production.

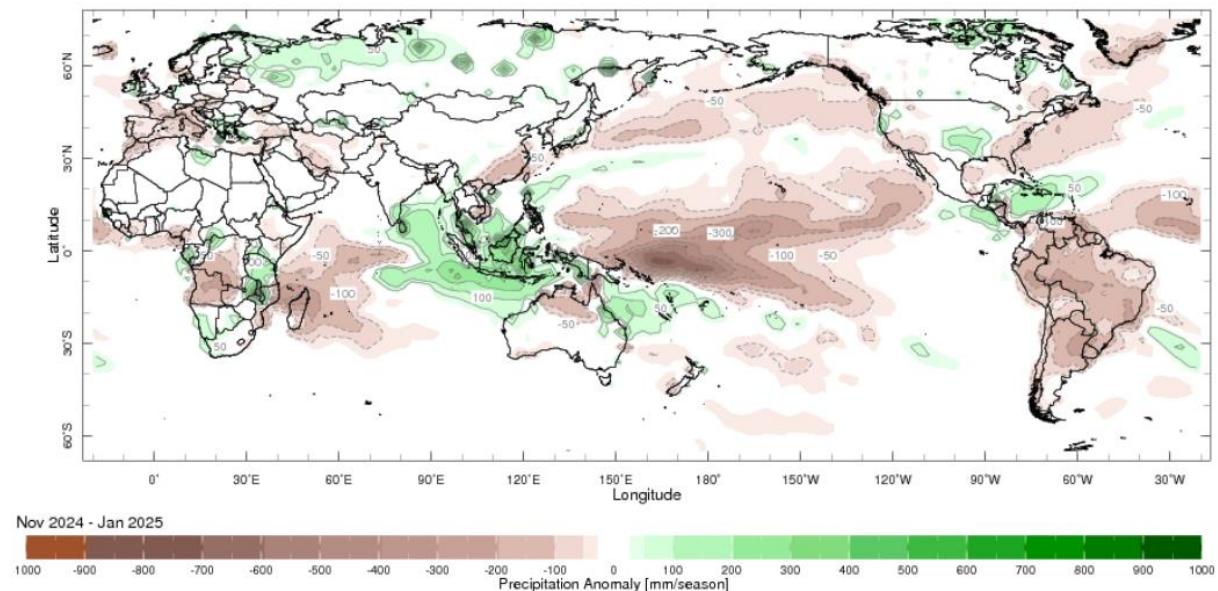
In Australia, the volume of crop and livestock production in 2024–25 is expected to be higher than in the [December 2024 Agricultural Commodities Report](#). This reflects higher than expected yields in some key crop production regions and increased cattle turn-off and slaughter despite improved pasture availability compared to 2023–24.

## Global climate

### Hot and dry conditions affect global crop production

A broad range of crop production outcomes are being recorded across global grain and oilseed producing regions due to variable climatic conditions:

- November 2024 to January 2025 rainfall was below average in many southern hemisphere cropping regions (Figure 3.1). This has reduced production of certain crops, especially in Argentina and Brazil.
- By contrast, conditions were highly variable across northern hemisphere grain and oilseed producing regions, benefiting some summer crops.

**Figure 3.1 Rainfall anomaly map for November 2024 to January 2025**

Note: This map shows 3-month seasonal precipitation anomalies in units of mm/season. 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

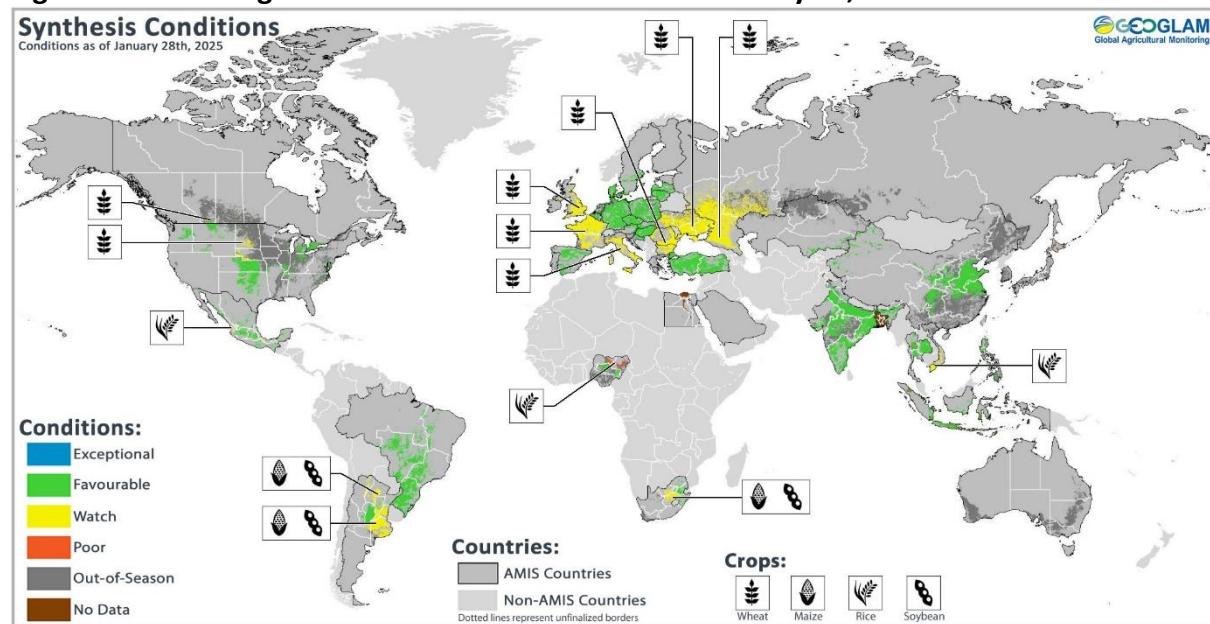
At the end of January 2025, crop production conditions remained generally favourable for corn, rice and soybeans, but more varied for wheat (Figure 3.2):

In the **northern hemisphere**:

- **Winter wheat** for harvest in 2025–26 is progressing under unfavourable production conditions across some southern areas of the European Union, the Russian Federation, Ukraine, and parts of northern United States. Production conditions are favourable across the remainder of the European Union and United States, as well as China and India.
- Production conditions for **rice** are generally positive, however, saline intrusion is a concern in the Mekong Delta region in southern Vietnam.
- For **corn**, harvest is wrapping up for the spring-summer crop under favourable conditions in Mexico. In India, sowing of the Rabi crop is wrapping up under favourable conditions.

In the **southern hemisphere**:

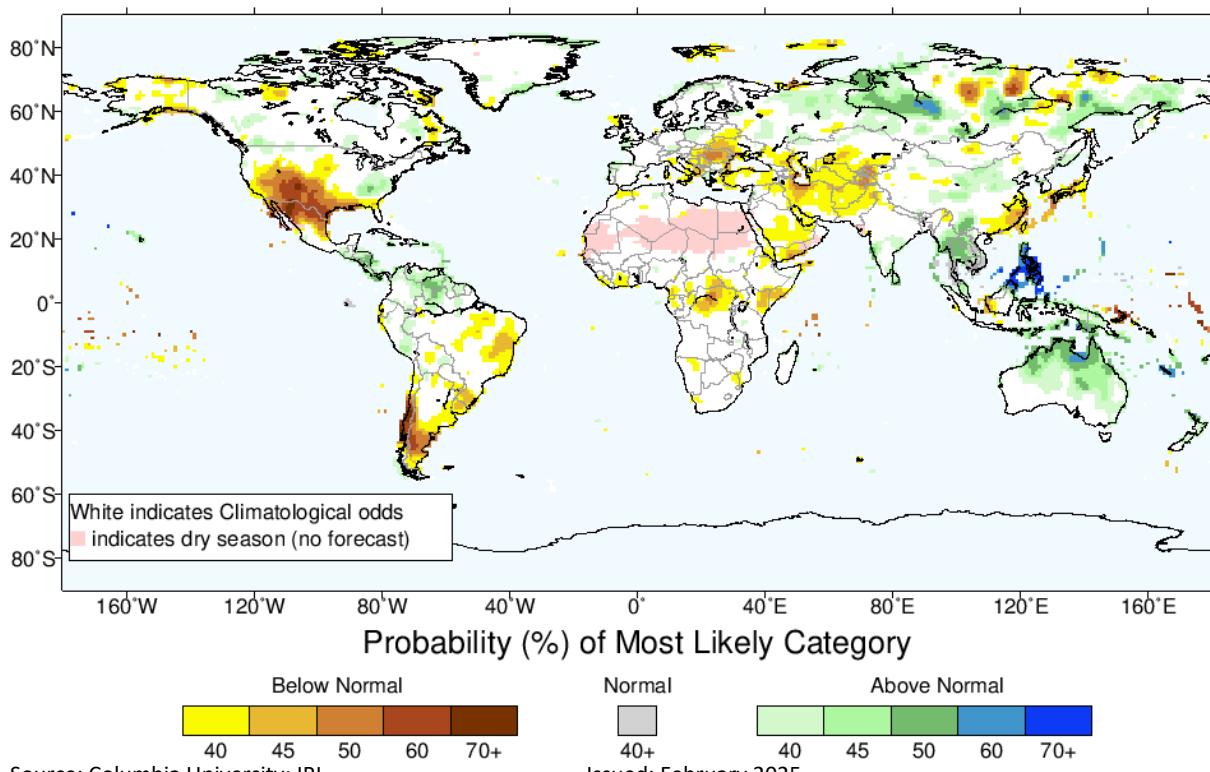
- Recent hot and dry weather is negatively affecting **corn** crops in parts of Argentina and South Africa. In Brazil, harvest for the spring-planted crop has begun under favourable conditions. The sowing of the summer-planted crop is beginning slower than normal due to a mix of excess and a lack of rain in some areas of Brazil.
- Meanwhile conditions for **soybeans** are mixed for Argentina and South Africa due to recent hot and dry weather. In Brazil, harvest is just beginning in some areas, with most crops in the reproductive stages. Despite excessive rainfall in some parts of Central-West and Southeast regions, crops are under favourable conditions.

**Figure 3.2 Global agricultural conditions status as at January 28, 2025**

Source: GEOGLAM Crop Monitor

**Climate drivers in neutral state in southern hemisphere autumn 2025**

The El Niño–Southern Oscillation (ENSO) has remained neutral for the past 6 months, despite changes in sea surface temperature patterns consistent with a developing La Niña. Since late December 2024, the tropical Pacific has been La Niña-like, with signs of interactions between oceanic and atmospheric indices. However, there has been no clear signal of sustained atmospheric coupling with the ocean. The Bureau of Meteorology's model forecasts neutral ENSO (neither El Niño nor La Niña) from March until at least July 2025. This is consistent with all surveyed international models.

**Figure 3.3 Global rainfall outlook, March–May 2025**

Source: Columbia University; IRI

In the **northern hemisphere** March–May 2025, rainfall is expected to be highly variable (Figure 3.3). Central Africa is expected to receive below average rainfall. Much of Canada and the northern half of the United States is expected to receive average rainfall. In contrast the southern half of the United States and northern Mexico are expected to receive below average rainfall. Eastern Europe, Ukraine, the south of the Russian Federation, and West Asia are also expected to receive below average rainfall. By contrast, India, China, the remainder of Europe and the Russian Federation, the United Kingdom and Southeast Asia are expected to receive average to above average rainfall.

In the **southern hemisphere**, March–May 2025 rainfall is expected to be below average for eastern Brazil and southern margins of Argentina. Across the remainder of Argentina and Brazil, March–May 2025 rainfall is expected to be average to above average.

## Australian climate, water and production conditions

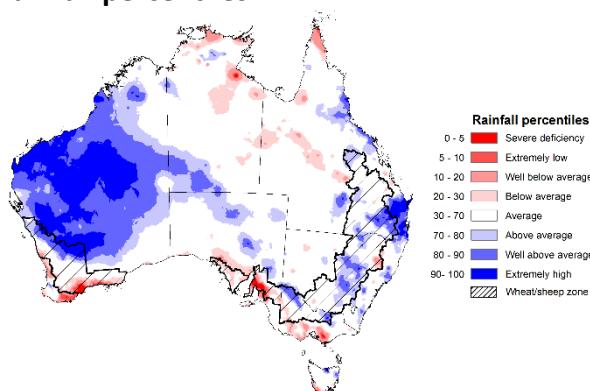
Nationally, November to January rainfall was variable, with below average to very much below average totals across areas of southern Australia, central and northern Queensland and northern parts of the Northern Territory. Much of remainder of Australia recorded average to above average rainfall during this period (Figure 3.4).

During February 2025, numerous locations across northern Queensland have recorded more than 1000 millimetres of rainfall leading to widespread flooding, crop and farm infrastructure losses and lengthy road closures (Figure 3.5).

According to the ABS, sugar cane (62%) and bananas (85%) are the most significant agricultural crops across affected regions, in terms of their respective shares of national production value. While locally significant cattle and calves for meat – the second highest agricultural commodity by value aggregated across the impacted Local Government Areas – represent only 5.6% of gross national production value. Sweet corn, tomatoes, beans, capsicums, mangoes, melons and avocados round out the top ten agricultural commodities by value across the affected areas.

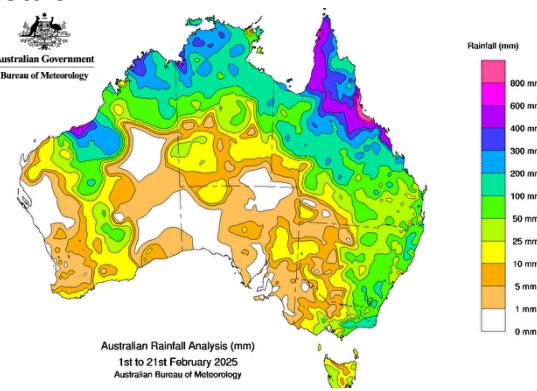
Flooding in low-lying areas is expected to cause significant damage and crop losses for some banana growers. Given expected lower production volumes across some growing regions, aggregate 2024–25 national production is likely to be lower than 2023–24. The disruption of banana supply to southern states was a concern, resulting in short-term shortages and increases to retail prices. These supply constraints have now been largely resolved with no major road closures currently in place.

**Figure 3.4 November 2024 to January 2025 rainfall percentiles**



Source: Bureau of Meteorology

**Figure 3.5 February-to-date 2025 rainfall totals**



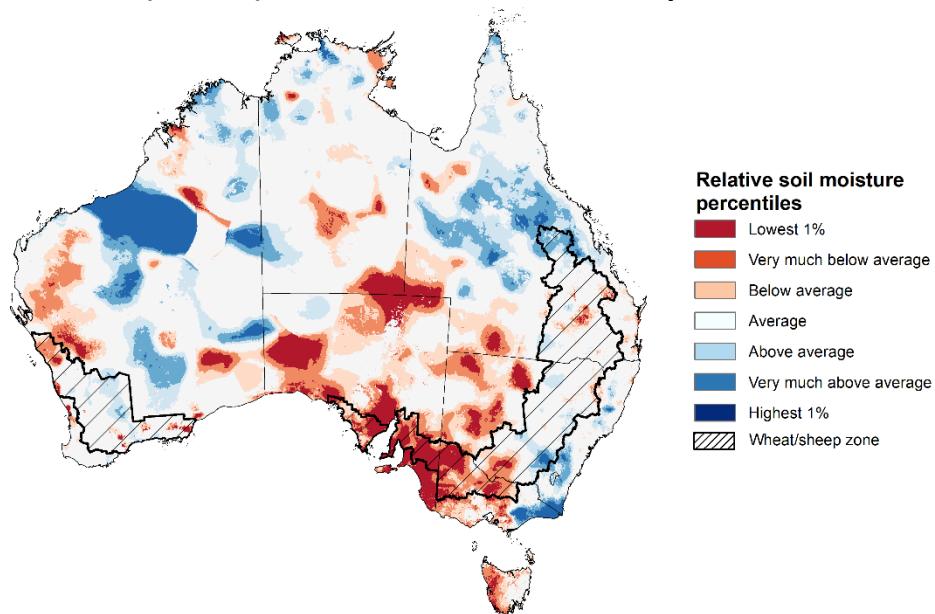
Source: Bureau of Meteorology

Sugarcane farmers are also expecting damage to crops and farm infrastructure. While the full extent of the damage is yet known, it should be noted that sugar cane is a relatively resilient crop that can

withstand flooding or cyclones, but there is likely to be some loss of newly planted cane. Industry have identified that the real impact on productivity will not be felt until harvesting begins – which typically runs from July to November. Damage to rail infrastructure that supports the sugarcane industry is also of concern ahead of the 2025–26 harvest.

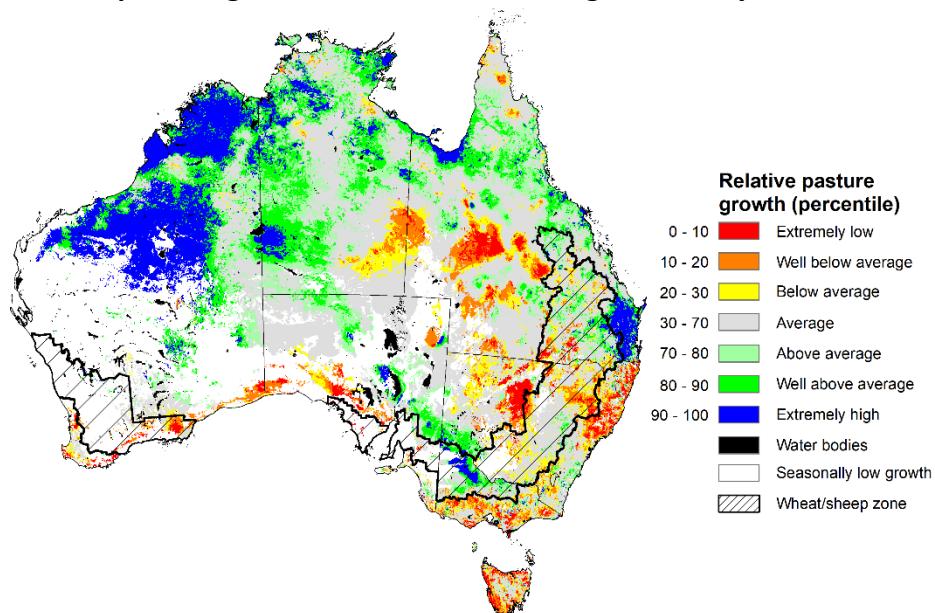
As at 21 February 2024, soil moisture models continue to indicate low soil moisture levels in southern Australia. Average to above average soil moisture has been modelled for large parts of Queensland, eastern New South Wales, eastern Victoria, Western Australia and the Northern Territory (Figure 3.6). Below average rainfall combined with higher-than-average temperatures have depleted soil moisture, particularly in South Australia and Victoria.

**Figure 3.6 Root zone (0 to 1m) soil moisture as at 21 February 2025**



Source: Bureau of Meteorology

**Figure 3.7 Relative pasture growth for 3-months ending 31 January 2025**



Notes: AussieGRASS pasture growth estimates are relative to the long-term record and shown in percentiles. This analysis ranks pasture growth for the selected period against average pasture growth for the long-term record (1957 to 2016). Pasture growth is modelled at 5km<sup>2</sup> grid cells.

Source: Queensland Department of Science, Information Technology and Innovation

November to January is the peak pasture growth period for northern Australia. This period typically provides most of the feed required to maintain production through the low pasture growth months of the northern dry season. Across southern Australia, November to January pasture growth is typically low because of lower rainfall totals, high temperature and high evapotranspiration rates (Figure 3.7). Pasture availability during this period influences the growth, branding and marking rates of lambs and calves, as well as livestock turn-off and the production of meat, milk, and wool.

For the three months to 31 January 2025, average to above average rainfall totals resulted in average to well above average pasture production for this time of year across various grazing regions (Figure 3.7). These include Queensland, northern Victoria, northern South Australia, northern Western Australia, the Northern Territory and much of western and south-eastern New South Wales.

Extremely low to below average pasture growth rates were recorded across parts of northern New South Wales, Tasmania, southern Western Australia and South Australia, as well as parts of the interior of the country. This is consistent with above average temperatures and below average rainfall in these areas.

Average to extremely high pasture production was recorded across much of northern Victoria, Queensland, South Australia, northern Western Australia, the Northern Territory and parts of New South Wales. This will likely disincentivise destocking activities and provide opportunities to replenish fodder supplies during late spring and early summer. Below average rainfall and well above average temperatures in northern New South Wales may have restricted late spring pasture growth. However, this comes after extremely high pasture growth during winter that supplied average to above average pasture availability.

### Irrigated crops

Reservoir storage levels have declined significantly in the Murray–Darling Basin water supply system. On 20 February 2025, the volume of water held in the Murray–Darling Basin storage was around 13,660 GL, or around 61% of total capacity. This is 25% or 4,646 GL less than the same time last year.

A reduction in water storage volumes, irrigation allocations and carryover water levels, coupled with increasing allocation prices are likely to lead to constrained irrigated crop production in 2025–26.

## Australian climate outlook

### Wetter autumn 2025 is expected across northern and eastern Australia

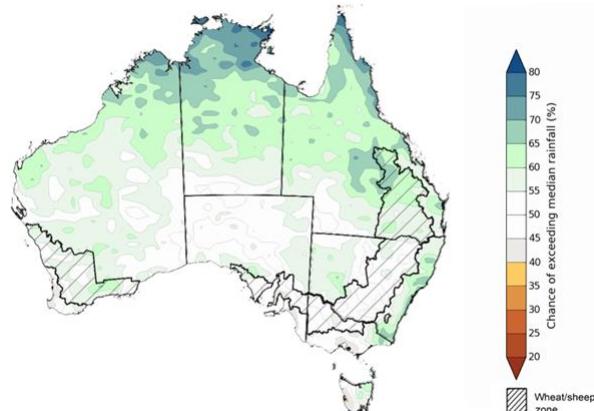
The El Niño Southern Oscillation (ENSO) and Indian Ocean Dipole (IOD) climate drivers are currently neutral and having minimal influence on Australian rainfall. The IOD is likely to remain neutral over coming weeks. However, indicators suggest that chances of a La Niña event are strengthening. The Southern Annular Mode (SAM) is currently negative and may contribute to fewer rainfall events in eastern Australia.

The rainfall outlook for March–May 2025 suggests an increased probability of above average rainfall across large areas of eastern, northern and western Australia. Much of March– May 2025 rainfall in the country’s south is expected to be close to average, with no strong tendency towards below or above average rainfall (Figure 3.8).

Given that there is an increased tendency towards above median rainfall for much of Australia, except for those areas outlined above, rainfall totals over the next 3-months are likely to be close to average or better for this time of year (Figure 3.9). This will likely benefit the build-up of soil moisture reserves for winter crops, particularly in the eastern cropping regions that have benefitted from summer rainfall. Given this boost in soil moisture and relatively neutral climate outlook for autumn,

much of western and eastern Australia is expected to see above average crop and pasture production outcomes in 2025–26. In contrast, southern cropping regions have seen a decline in soil moisture levels from a lack of rainfall. This presents an ongoing production risk for the 2025–26 winter crop, with production outcomes across much of South Australia and Victoria being highly reliant on in-season rainfall.

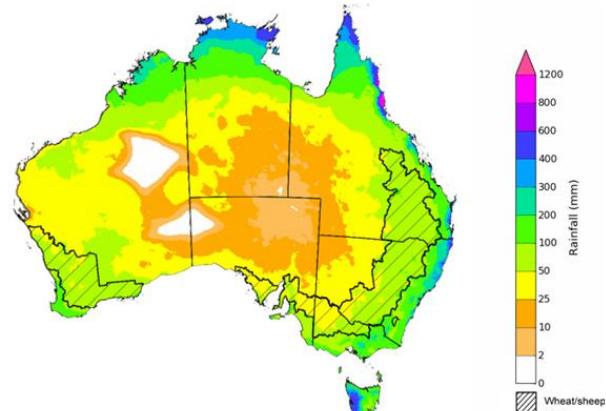
**Figure 3.8 Chance of exceeding median rainfall, March–May 2025**



Note: Issued 13/02/2025

Source: Bureau of Meteorology

**Figure 3.9 Rainfall totals that have a 75% chance of occurring, March–May 2025**



Note: Issued 13/02/2025

Source: Bureau of Meteorology

## Probable climate scenarios to 2029–30

A lack of seasonal climate forecasts beyond the current year means ABARES makes assumptions about possible climate conditions for medium-term projections published in March each year.

In this edition of the *Agricultural Commodities Report*, ABARES has continued to refine its use of climate scenarios for its medium-term agricultural forecasts. Scenario-based commodity forecasts help explain the factors driving Australia's agricultural markets, and to illustrate the sensitivity of commodity forecasts to climatic assumptions. This approach aims to use probable medium-term assumptions that consider Australia's highly variable and changing climate. ABARES considers a 5-year projection period from 2025–26 to 2029–30.

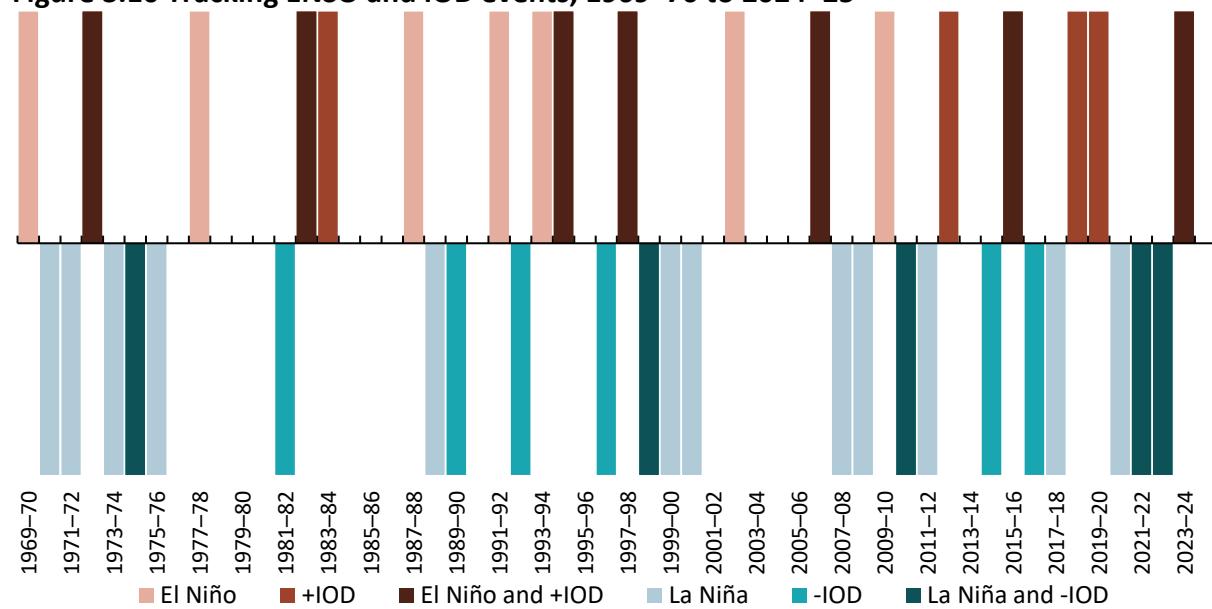
Projected production outcomes over the five years to 2029–30 presented here relate to dry land crop and pasture production conditions experienced in each given financial year. In years of low pasture production, meat production tends to increase given decreased restocking and vice versa for years of high pasture production. Production outcomes for irrigated crops are dependent on variations in water storage levels, and associated changes in irrigation allocations and prices in response to prevailing climatic conditions:

- We have some knowledge of the probable production conditions that may be experienced during the upcoming 2025–26 season. Average to well above average rainfall during November 2024 and the 2024–25 summer have boosted soil moisture levels across northern and eastern Australia, leading to a positive production outlook for 2025–26. For 2025–26, production outcomes are expected to be slightly above average, due to a late boost in pasture availability and average or better soil moisture levels across much of the country.
- Probable production conditions to be experienced from 2026–27 to 2029–30, partly depend on the oscillation between wet and dry climate drivers that have influenced Australian and global climatic conditions since 2005–06. This means that medium term climate scenarios in this

edition of the *Agricultural Commodities Report* are relatively similar to those used in the [March 2024 Agricultural Commodities Report](#).

Statistical analysis of the ENSO and the IOD indicates increased climate variability over the past 20 years leading to increased agricultural production volatility in Australia and globally (Figure 3.10). Based on this analysis of possible climate outcomes neutral climatic conditions are not expected to be the most probable outcome in future years. Instead, a continued oscillation between wet and dry climate drivers is assumed.

**Figure 3.10 Tracking ENSO and IOD events, 1969–70 to 2024–25**



Sources: ABARES; Bureau of Meteorology

In this edition of the *Agricultural Commodities Report*, we use a **baseline** and an **alternative (earlier dry year) scenario**, signalling uncertainty around the prevailing oceanic and atmospheric climate drivers in year 2 (2026–27) of the projection period.

### Possible scenario for underlying climate drivers in 2025–26

Climate models currently favour a continuation of neutral climatic conditions. Hence, the **baseline** scenario and **alternative** scenario is for a neutral climate driver year in 2025–26.

### Scenarios over the remainder of the projection period 2026–27 to 2029–30

Under the **baseline** scenario **enhanced** climatic conditions stemming from back-to-back wet climate driver years are assumed in **years 2 and 3 (2026–27 and 2027–28)**. This is consistent with a continued oscillation between wet and dry climate drivers seen since 2002. A return to **suppressed** climatic conditions is projected for **2028–29**, due to the slightly decreased probability of this forming in the first three years, but consistent with a continued oscillation between enhanced and suppressed climate conditions seen since 2002. Our 5-year projection period is assumed to end with a **neutral** year in **2029–30** as the global climate system rebalances to a neutral climate state (Table 3.1; Figure 3.11).

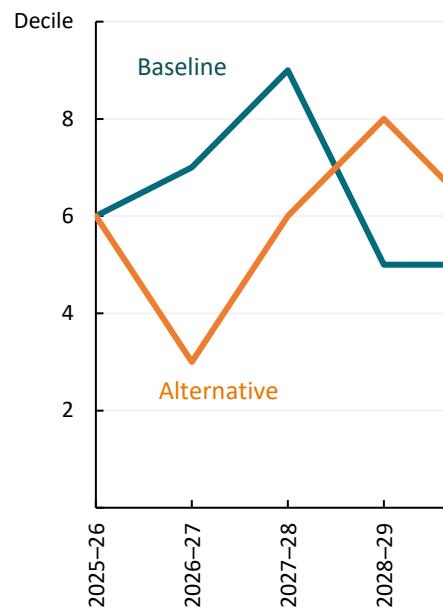
While **enhanced** climatic conditions are slightly more likely in year 2 (2026–27), **suppressed** climate conditions cannot be entirely ruled out. Therefore, under our **alternative** scenario, this **suppressed** climate year has been projected for **year 2 (2026–27)**. Given this **suppressed** climate conditions year follows a relatively **neutral** climate year, its impact on production outcome is much more significant as agricultural systems will not be as well buffered as they are following an **enhanced** climate year. This scenario is then assumed to have back-to-back **enhanced** climatic conditions in **years 3 and 4**.

**(2027–28 and 2028–29).** This is consistent with a continued oscillation between wet and dry climate drivers seen since 2002 and the majority of enhanced climate years occurring as multi-year events. A **neutral** climate year is assumed in **year 5 (2029–30)**. This allows both the **baseline** and **alternative** scenarios to end with similar climatic forcing (Table 3.1; Figure 3.11).

**Table 3.1 Projected climate drivers and production outcomes under baseline and alternative scenarios, 2025–26 to 2029–30**

Year	Baseline	Production outcomes (deciles)	Alternative	Production outcomes (deciles)
2025–26	Neutral	6	Neutral	6
2026–27	Wet	7	Dry	3
2027–28	Wet	9	Wet	6
2028–29	Dry	5	Wet	8
2029–30	Neutral	5	Neutral	6

**Figure 3.11 Seasonal conditions production projections**



Note: Production outcomes are generally close to average for deciles 4–7, below average for deciles 1–3, and above average for deciles 8–10.

Source: ABARES

Climate outcomes (rainfall deciles) in any given year do not always correlate with the production outcomes for a given agricultural commodity. It is often observed that starting conditions, carried over from preceding seasons or years are strongly associated with production outcomes in the current season. For example, 2025–26 production outcomes are more likely to be above average (decile 6) as late spring and summer rainfall has rebuilt residual soil moisture, promoting above average levels of accumulated pasture biomass and fodder (grain and hay) on farms (Table 3.1). In addition to rainfall in the current year, rainfall in previous years also have a significant impact on production conditions in subsequent years.

# 4 Wheat

Emily Dahl



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

## Wheat

World wheat prices to rise reflecting lower global supply

### Key points

- Gross value of wheat production to fall by 8% to \$10.4 billion in 2025–26, driven by lower production.
- Value and volume of wheat exports to remain above average in 2024–25 and 2025–26, with higher exportable supply.
- Australian wheat production to remain above historical average in 2025–26 under expectation of improved seasonal conditions in South Australia and Victoria.
- World production and consumption of wheat to increase over the medium term.

## Above average wheat production drives high values

The nominal value of wheat production is forecast to increase by 16% to \$11.3 billion in 2024–25, estimated to be the third highest value on record. The expected increase in value is driven by higher Australian production despite easing global wheat prices. In 2025–26, the nominal value of wheat production is forecast to fall by 8% to \$10.4 billion. A forecast fall in production is expected to more than offset higher prices.

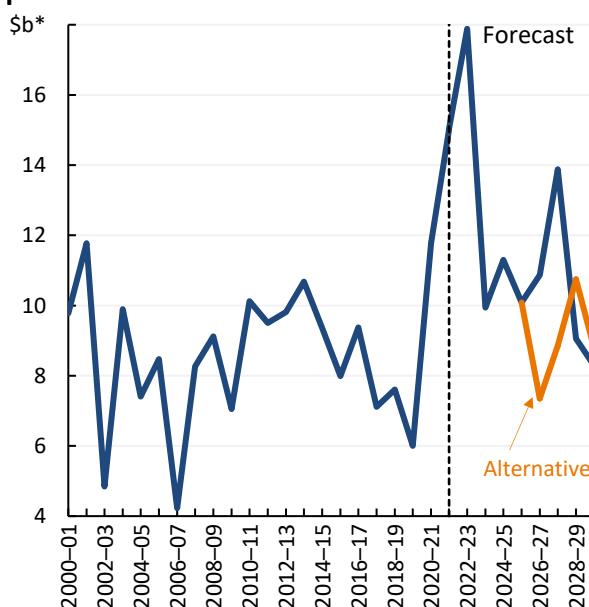
- Wheat production** is forecast to fall but remain above average — reflecting expected improved seasonal conditions in South Australia and Victoria, and a return to more neutral conditions in Queensland, New South Wales and Western Australia.
- World prices** are expected to rise because of less favourable production conditions in some major exporting countries and tightening global stocks.

Over the medium term to 2029–30, the **real value of wheat production** is projected to rise and then fall, ranging between \$8.3–13.9 billion, consistent with assumed domestic seasonal conditions and international prices (see Box 4.1; Figure 4.1).

Production values are expected to be lower over the outlook than recent record years, but remain relatively elevated in historical terms.

By contrast in the alternative scenario, real production values are projected to fall and then recover over the medium term, ranging between \$7.4–10.7 billion. Production values end lower than in the baseline scenario given expected

**Figure 4.1 Real value of Australian wheat production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

lower Australian production and global prices later in the outlook, consistent with assumed seasonal and global conditions (see Box 4.1; Figure 4.1).

Forecast nominal wheat production values for 2024–25 have been revised up by \$0.6 billion since the [December 2024 Agricultural Commodities Report](#), reflecting an upwards revision to wheat production.

## Export values to remain above average

The nominal value of Australian wheat exports is forecast to fall by 10% to \$8.9 billion in 2024–25.

Lower expected export values reflect easing international prices and lower export volumes. The exportable supply of wheat is expected to fall from previous highs as high carryover stocks from consecutive record seasons have been drawn down. Despite the fall, the forecast export value is expected to remain above the 10-year average to 2023–24 of \$8.6 billion (in real terms).

While import demand from China — Australia's largest wheat export destination for three consecutive years from 2021–22 to 2023–24 — has been subdued from mid-2024, Australian wheat exports to other key markets remain strong. In the first half of 2024–25, Australia's top 5 wheat export destinations — Indonesia, the Philippines, Yemen, the Republic of Korea and Vietnam — accounted for 58% of total wheat export values.

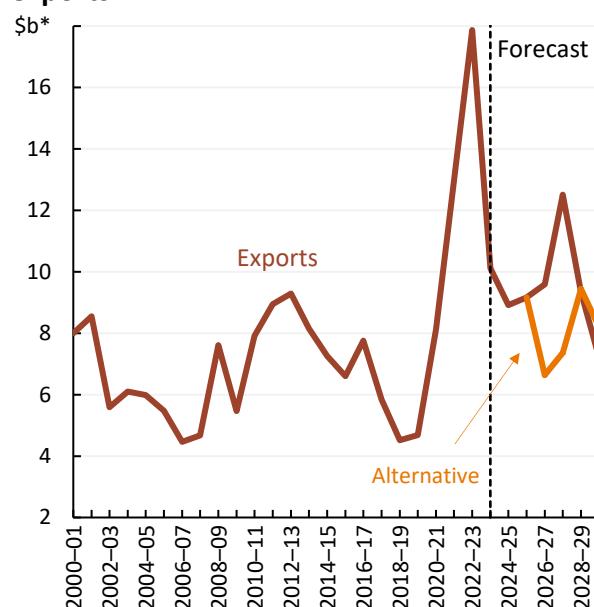
In 2025–26, the nominal value of wheat exports

is forecast to increase by 6% to \$9.5 billion. This increase is driven by higher expected prices and volumes because of increased exportable supply following the near record 2024–25 season and above average production forecast for 2025–26.

Over the outlook period to 2029–30, real wheat export values are projected to rise and then fall, ranging from \$7.2–12.5 billion, largely reflecting an assumed oscillation between wet and dry climate drivers (see Box 4.1; Figure 4.2). The record value and volume of wheat exports in 2022–23 is not expected to be repeated in the medium term.

In the alternative scenario, real export values are projected to fall in 2026–27 and recover over the remainder of the outlook, ranging between \$6.6–9.4 billion. Export values track projected production values, consistent with assumed seasonal and economic conditions (see Box 4.1; Figure 4.2).

**Figure 4.2 Real value of Australian wheat exports**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

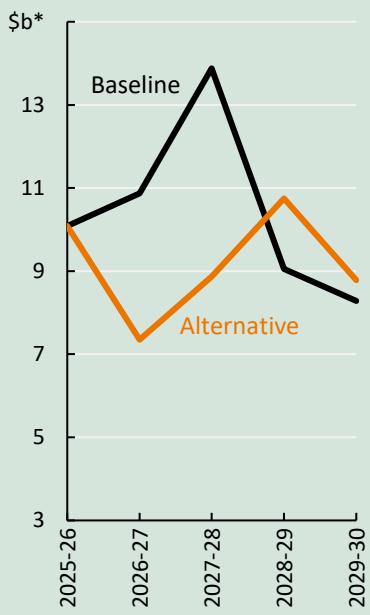
### Box 4.1 Key differences between the baseline and alternative scenario for wheat

The real value of wheat production is projected to diverge across both scenarios over the outlook period through to 2027–28 and converge thereafter through to 2029–30. Values rise early in the baseline and then fall, due to higher Australian production and global prices towards the beginning of the outlook period while the alternative scenario tracks inversely (Figure 4.3; Figure 4.4).

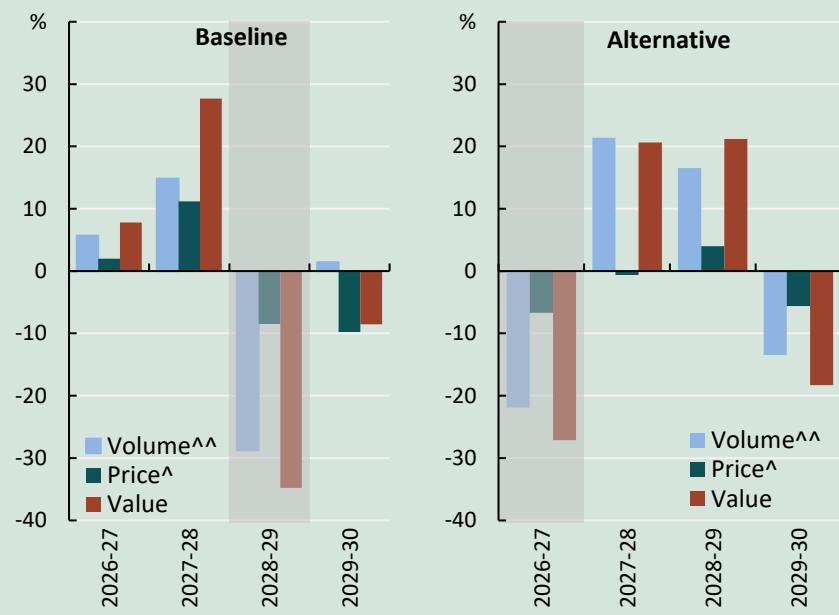
In the baseline scenario, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Wet seasonal conditions in Australia are projected to increase yields and encourage growers to increase area planted, driving higher production and export volumes. In particular, the second wet year in 2027–28 (assumed to support decile 9 production) is projected to support both an increase in the area planted to wheat and yields, and if realised, would be the second highest production volume on record.
- Additionally, when Australia experiences wet seasonal conditions, wheat producers and exporters across South America, North America and the Black Sea are likely to experience dry seasonal conditions. This is expected to lower global closing stocks, increasing global prices and flow through to higher Australian wheat prices.
  - The combination of higher Australian production volumes and higher global prices is projected to support higher real gross values for Australian production (Figure 4.3; Figure 4.4).
- Drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to reduce yields, lowering production. Export volumes are projected to fall then remain relatively steady as strong production conditions in preceding years support exportable supply. In addition, when Australia experiences drier seasonal conditions, major international producers are likely to experience wetter seasonal conditions, supporting production across these countries and lowering global export prices. Australian prices are expected to remain coupled to world prices, despite lower production.
  - The combination of lower Australian production and lower global grain prices are projected to result in falling real gross values of Australian wheat production (Figure 4.3; Figure 4.4).

**Figure 4.3 Projected annual real value of wheat**



**Figure 4.4 Annual change in value of wheat by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; <sup>^</sup>Gross unit value (A\$/t); <sup>^^</sup>Production (kt); \*2024–25 Australian dollars.

Source: ABARES

In the alternative scenario, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, with a return to a neutral year in 2029–30. Positive global economic conditions cause a stronger exchange rate for the Australian dollar (see *Economic Outlook*) while at the same time global production is assumed to be higher – both of which lead to lower prices over the entire medium term compared to the baseline scenario:

- Dry seasonal conditions in Australia are assumed to reduce yields, driving falling Australian production. In particular the assumed dry year in 2026–27 (decile 3) is projected to result in a significant fall in Australian

production given drought-like seasonal conditions. In contrast, global production is assumed to increase, weighing on global crop prices (see *Seasonal Conditions*).

- Australian prices are assumed to trade above global prices in 2026–27, given a strong drop in domestic wheat supplies due to the assumed onset of a very dry year. Expected lower Australian production is projected to result in falling real production values early in the outlook period (Figure 4.3; Figure 4.4).
- The assumed onset of wetter seasonal conditions in 2027–28 and 2028–29 is expected to increase Australian production and exports. Further, the two consecutive wet years are expected to result in a build-up of soil moisture, supporting yields through the neutral year in 2029–30.
- In addition, global production is expected to fall due to assumed drier conditions across major producers and exporters, supporting higher global prices. As a result, Australian production values are projected to rise in the second half of the medium term (Figure 4.3; Figure 4.4).

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

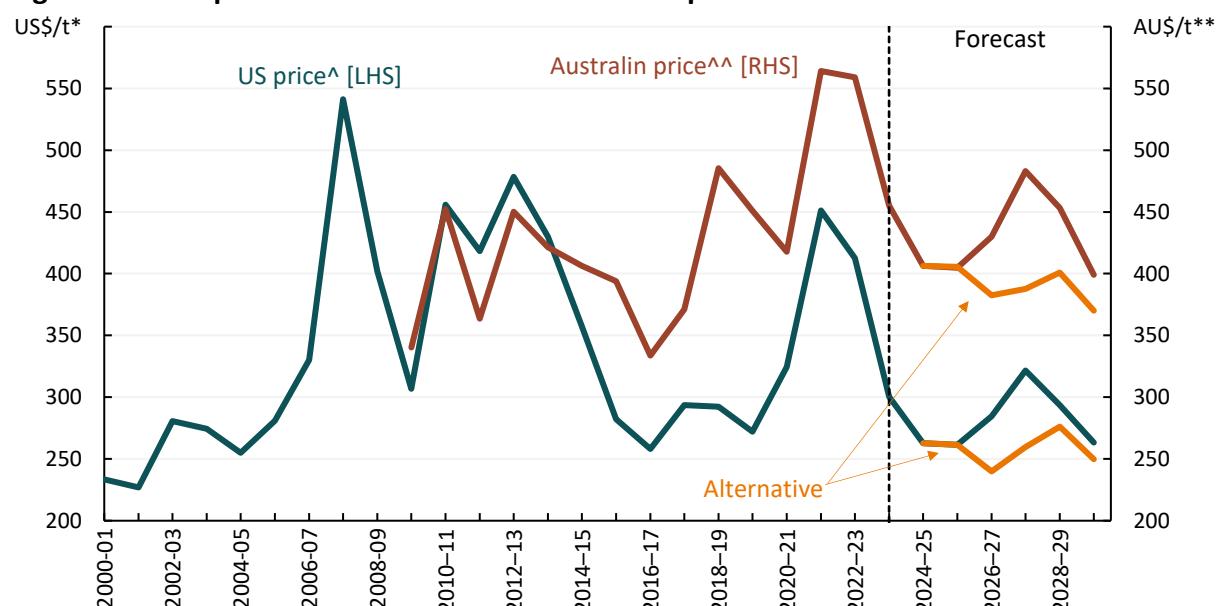
## Higher prices reflect tight world supply

Nominal Australian wheat export prices are expected to ease in line with international prices in 2024–25, largely reflecting subdued import demand in key importing countries, particularly China. Recent increases in wheat prices from late January 2025 have stemmed from:

- Concerns around unfavourable conditions in some key producing countries in the northern hemisphere
- Rising corn prices reflecting tighter world supply (see *Coarse Grains*), and
- Reduced exports from the Black Sea region tied to the introduction of export quotas in the Russian Federation and Ukraine.

A below average rainfall outlook in some key exporting countries and falling northern hemisphere wheat stocks are likely to support wheat prices for the remainder of 2024–25.

**Figure 4.5 Real price of US and Australian wheat exports**



Note: Data to the right of dotted line indicate estimates, forecasts and projections. \*2024–25 US dollars. \*\*2024–25 Australian dollars. ^US no. 2 hard red winter wheat, fob Gulf. ^^Australian premium white wheat, fob Port Adelaide, Australian price data starts in 2009–10.

Source: ABARES; International Grains Council

In 2025–26, **nominal wheat prices** are forecast to rise, driven by:

- Less favourable production conditions in some major wheat exporting and producing countries, including the Russian Federation — the world's largest wheat exporter.
- Higher expected world consumption, supported by higher food use.
- Tighter global supplies, particularly in major exporting countries.

As a result, the nominal Australian wheat export price (Australian Premium White) and nominal world wheat indicator price (US no.2 Hard Red Winter wheat) are forecast to rise by around 3%, averaging \$418 and US\$270 per tonne, respectively.

**Over the medium term, Australian wheat prices** are expected to follow world prices, with assumed changes in global supply expected to drive prices (see Box 4.1). Real prices are projected to rise and then fall, peaking at \$483 dollars per tonne in 2027–28 and falling over the remainder of the outlook period to \$399 dollars per tonne in 2029–30 (see Box 4.1; Figure 4.5).

In the alternative scenario, real Australian wheat prices are expected to fall in line with world prices (but trade at a premium with lower Australian production) at the start of the outlook period. Prices peak in 2028–29 at \$401 per tonnes, and fall in 2029–30, ending at \$370 per tonne. Real Australian wheat prices trade lower than in the baseline scenario given higher world production and a stronger Australian dollar (see Box 4.1).

## Average to above average production over outlook

**Australian wheat production** is estimated to increase by 31% to 34.1 million tonnes in 2024–25. This is 28% above the 10-year average to 2023–24 of 26.6 million tonnes and is the third highest national wheat crop on record. Dry conditions reduced yields and production in South Australia and Victoria. Mostly favourable conditions in New South Wales and Queensland and better than expected conditions in Western Australia boosted national production overall, offsetting declines in South Australia and Victoria.

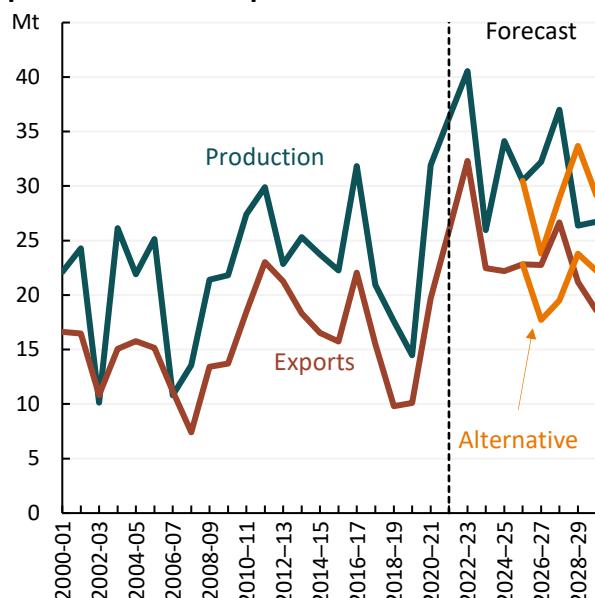
The quality profile of the Australian wheat crop was mixed with a higher proportion of wheat making high protein grades in South Australia and Victoria. Meanwhile, wheat in Western Australia was heavily weighted to lower protein grades, with some quality downgrades due to wet harvest conditions (see [Australian Crop Report](#) for more detailed analysis).

In 2025–26, **wheat production** is forecast to fall by 11% to 30.5 million tonnes, yet remain 15% above the 10-year average to 2023–24. This forecast reflects varying state-level outlooks:

- Area planted to wheat in 2025–26 will largely depend on rainfall received between March and the end of autumn. Above average soil moisture levels across major cropping regions in Queensland and New South Wales should support above average plantings and production.
- Wheat production in Western Australia is forecast to remain above average under assumed neutral conditions. Timely and sufficient winter rainfall will be required as soils in many cropping regions in Western Australia tend to have lower water holding capacity when compared to soils in the eastern states. In addition, area planted to wheat is expected to increase slightly given the contraction in the Western Australian sheep flock (see *Sheep meat*).
- Wheat production is forecast to recover in Victoria under the expectation of improved seasonal conditions.

- Despite continued hot and dry conditions in South Australia over summer, an expected return to more neutral seasonal conditions will likely see wheat production reach near average levels.

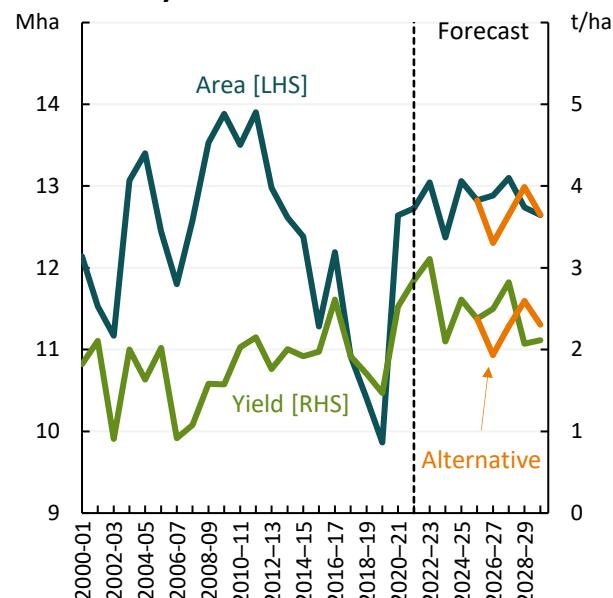
**Figure 4.6 Annual Australian wheat production and exports**



Note: Data to the right of dotted line indicate estimates, forecasts and projections.

Source: ABARES; ABS

**Figure 4.7 Annual Australian area planted to wheat and yield**



Note: Data to the right of dotted line indicate estimates, forecasts and projections.

Source: ABARES; ABS

Over the medium term to 2029–30, wheat production is expected to peak in 2027–28 at 37 million tonnes and then fall to near average levels over the remainder of the outlook period, consistent with assumed seasonal conditions (see Box 4.1; Figure 4.6). Area planted to wheat is expected to range between 12.7–13.1 million hectares, remaining around half of total winter cropping area (Figure 4.7).

In the alternative scenario, production deciles are assumed to be lower than in the baseline scenario, ranging between decile 3 and decile 8. In 2026–27 (decile 3), Australian production is forecast to fall significantly due to assumed drought-like seasonal conditions (see Box 4.1; Figure 4.6).

## Wheat exports to remain elevated

**Australian wheat exports** are forecast to remain elevated at 22.2 million tonnes in 2024–25, down from 22.5 million tonnes in 2023–24. Above average export volumes in 2024–25 are supported by higher-than-expected production in Western Australia — Australia’s largest grain exporting state. While 2024–25 production is higher, the share exported is likely to fall as domestic stocks increase. This follows a drawdown in wheat stocks in 2023–24.

In 2025–26, exports are forecast to increase by 3% to 22.8 million tonnes, 20% above the 10-year average to 2023–24. Higher expected export volumes reflect higher exportable supply and above average production.

**Over the outlook period to 2029–30, exports** are projected to remain relatively elevated in historical terms, ranging between 18.6 and 26.7 million tonnes. Despite assumed dry conditions in 2028–29, exportable supply is expected to remain high following two consecutive strong production years.

In the **alternative scenario**, the projected range of export volumes is expected to be lower, reflecting less favourable production conditions and lower production overall (see Box 4.1; Figure 4.6).

## World production to increase in the medium term

**World wheat production** in 2024–25 is estimated to have increased to 796 million tonnes, the second largest world wheat crop on record. This reflects higher production in major exporting countries including Argentina, Australia, Canada, Kazakhstan and the United States, and estimated record levels of wheat production in China and India (two of the world’s largest wheat producing countries). These increases more than offset significant production declines in the European Union, Russian Federation and Ukraine.

In 2024–25, world consumption is expected to outweigh world production, resulting in lower global stocks. Despite tighter world supply, improved supply in countries like China and Pakistan will reduce their need to draw upon imports, lowering global wheat prices for international traded grain.

In 2025–26, world wheat production is forecast to fall slightly to 794 million tonnes. This is driven by lower expected production in major exporting countries including Australia, Canada, the Russian Federation, Ukraine and the United States more than offsetting an expected improvement in EU wheat production. This reflects unfavourable production conditions across major winter wheat growing regions in the northern hemisphere, and a below average rainfall outlook in key exporting countries including Ukraine and the Russian Federation (see *Seasonal Conditions*).

Over the medium term, world wheat production is projected to increase towards the end of the outlook period. This is mostly driven by improvements in yields, reflecting:

- Ongoing adoption of better agronomic practices and advancements in seed varieties,
- Continued closure of yield gaps in emerging production regions, and
- Increased area planted to higher yielding winter wheat in the Black Sea region.

The medium-term outlook for world wheat production is consistent with assumed changes in global seasonal conditions, falling in 2026–27 and 2027–28 before rising in the second half of the outlook period. Climate conditions are assumed to be more favourable for other major producers and exporters in the alternative scenario, resulting in higher world wheat supplies over the medium term relative to the baseline scenario (see Box 4.1; *Seasonal Conditions*).

## Food and feed use drives world consumption

**World wheat consumption** is forecast to remain historically high in 2024–25, falling slightly from record levels in 2023–24. This reflects a fall in feed use more than offsetting an increase in food consumption. **World import demand** is expected to be subdued in 2024–25. Global wheat trade is forecast to fall by 7% to 203 million tonnes, driven by:

- Lower expected purchases by China and Indonesia, the two largest importing countries in Asia.
- Import restrictions in Pakistan and the Republic of Türkiye.

In 2025–26, **world wheat consumption** is forecast to increase slightly to 803 million tonnes, driven by rising food use. Feed wheat demand is expected to remain stable due to increased use of alternative feed grains. Global wheat trade is forecast to rebound to 205 million tonnes, reflecting higher expected import demand.

Over the medium term, food use is projected to increase in line with growing populations, changing diets and rising incomes. Under the baseline scenario — assuming slower world economic growth and higher inflation — pressure on disposable incomes is assumed to weigh on demand in some

importing countries. However, it is unlikely to have a major impact on food consumption for wheat given wheat is used to produce staple food products such as bread, pasta and noodles.

World feed grain consumption is forecast to rise over the outlook period – under both the baseline and alternative scenario – because of projected higher meat and dairy production. Changes in feed wheat consumption will depend on supply and relative prices of substitute feed grains like barley and corn.

## Opportunities and challenges

### Australian exports well placed to meet growing Asian and African demand

Over the medium term, emerging and developing countries in Asia and Africa are expected to lead consumption growth of wheat for food and feed use. Wheat import demand in these markets is typically more sensitive to price compared to other markets due to a high number of low-income consumers. Australian exporters are well-placed geographically to meet growing demand and be price-competitive relative to other exporters. The baseline scenario considered for the medium-term outlook in this report assumes an increase in global trade barriers and geo-economic fragmentation, this could also spill over into higher freight costs. Along with an assumed weaker Australian dollar, the additional shipping disruptions may see Australian wheat exports become more competitive against wheat of other origins, into key markets in Asia and Africa.

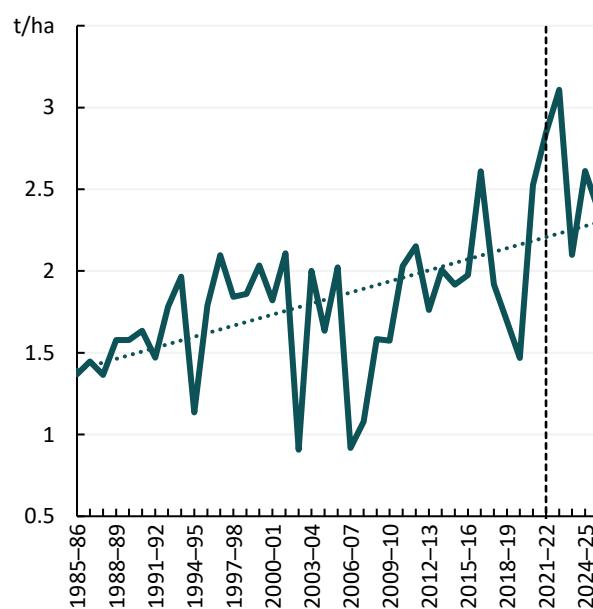
### Positive trend in Australian crop yields

Growth in Australian wheat yield was relatively stagnant during the period from the early 1990s to the mid-2000s. During this period adverse climatic conditions limited yield improvements. However, this was also a period of change in agronomic practices – such as the shift to no-till and ground cover management to preserve soil moisture – and a shift in farm size from smaller to larger farms.

Since the mid-2000s there has been an observed shift in the wet and dry climate drivers that influence Australian and global climatic conditions (see *Seasonal Conditions*). This shift in climatic drivers, the change in agronomic practices and farm size changes has seen a dramatic improvement in Australian wheat yields, with new records being set and the development of an upward trend.

For the 2024–25 winter cropping season, it has been noted that improved farming practices that conserve soil moisture and improve water use efficiency, together with advancements in seed varieties, has resulted in higher-than-expected wheat yields given the challenging seasonal conditions. This has seen the national wheat yield remain elevated following three consecutive record years, suggesting productivity improvements in Australian cropping (Figure 4.8).

**Figure 4.8 Average national wheat yield, Australia**



Note: Data to the right of the dotted line from 2022–23 to 2025–26 are ABARES estimates and forecasts.

Source: ABARES; ABS

# 5 Coarse Grains

Thomas Killalea

<sup>b</sup> France feed barley, fob Rouen.

## Barley

World barley prices to increase due to tighter global grain supply.

### Key points

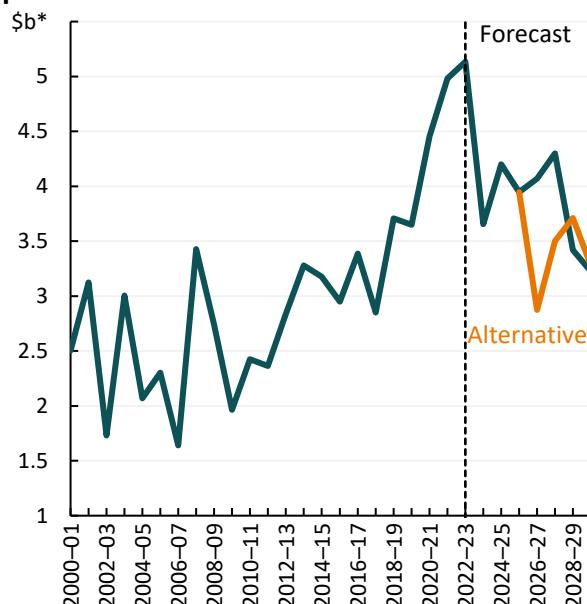
- Value of coarse grain production to fall by 4% to \$5.8 billion in 2025–26.
- Value of coarse grain exports to remain stable at \$3.8 billion in 2025–26.
- World coarse grain prices expected to increase in 2025–26, reflecting tightening stocks.
- Real value of coarse grain production to be lower over the medium term with falling real prices.

## Coarse grains gross value of production to increase

Nominal barley production values are forecast to increase to \$4.2 billion in 2024–25, up by 18% as expected higher production levels offset lower domestic prices. By contrast, nominal sorghum production values are forecast to fall to \$899 million in 2024–25, down by 3% given easing production and prices.

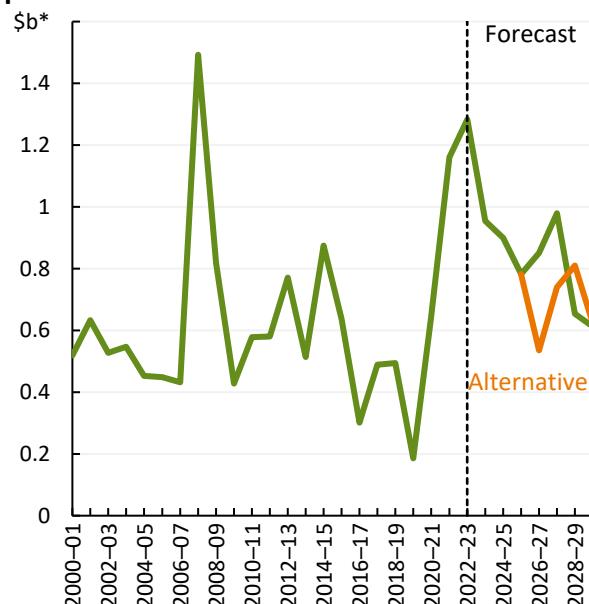
In 2025–26, the nominal value of barley production is forecast to fall by 3% to \$4 billion. The nominal value of sorghum production is expected to also fall, down by 10% to \$807 million, as expected lower production across Australia – given less favourable seasonal conditions – outweighs rising global prices (see [Australian Crop Report](#)).

**Figure 5.1 Real value of annual barley production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Figure 5.2 Real value of annual sorghum production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

Over the outlook period to 2029–30, **real barley production values** are projected to peak in 2027–28 in line with assumed favourable seasonal conditions, before falling through to 2029–30, ranging between \$3.2–4.3 billion (Figure 5.1) reflecting falling production totals and easing prices over the remainder of the outlook period (see Box 5.1). A similar trajectory is projected for sorghum, with the **real sorghum production values** ranging from \$612–979 million over the outlook period (Figure 5.1).

In the alternative scenario, real values of barley and sorghum production are expected to fall strongly in 2026–27 before stabilising over the medium term, consistent with assumed seasonal conditions including drier conditions earlier in the outlook period (see Box 5.1). The real value of barley is expected to range between \$2.8–3.7 billion while sorghum values range between \$535–810 million (Figure 5.1; Figure 5.2).

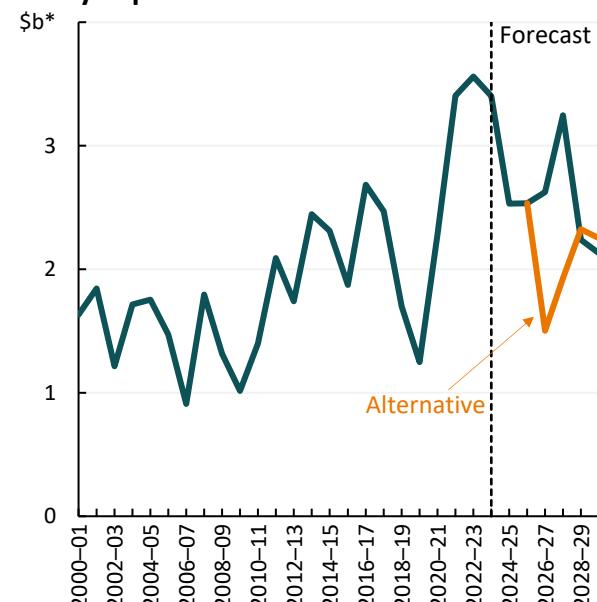
## Barley export values ease whilst sorghum export values rise

The **nominal export value of barley** is forecast to fall to \$2.5 billion in 2024–25, down by 24% from \$3.3 billion in 2023–24 (Figure 5.3). Export values are expected to fall despite higher production, reflecting a return to normal export volumes and a drawdown in stocks following several years of elevated production. The nominal export value of barley is forecast to increase slightly in 2025–26 to \$2.6 billion reflecting both rising international prices and a build-up of stocks given strong production in 2024–25.

The **nominal export value of sorghum** is forecast to rise to \$995 million in 2024–25, up by 12% from \$886 million in 2023–24 (Figure 5.4). Despite a strong 2024–25 harvest which is expected to keep export volumes elevated, the nominal export value of sorghum is forecast to fall in 2025–26 to \$874 million (down by 12%) reflecting falling production and a drawdown of exportable supply.

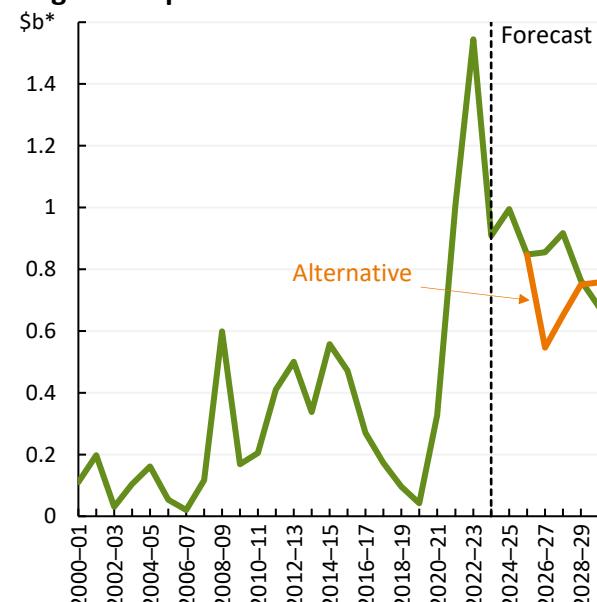
Similarly, **chickpea export values** are expected to fall in 2025–26 as the reinstatement of Indian tariffs in March 2025 is expected to see producers switch out area planted for other crops. **Lentil export values** are expected to increase, supported by strong margins and rising yields (see Box 5.2).

**Figure 5.3 Real value of annual Australian barley exports**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Figure 5.4 Real value of annual Australian sorghum exports**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

Over the medium term, real export values for barley and sorghum are projected to peak in 2027–28, consistent with favourable seasonal conditions before falling over the remainder of the outlook period (see Box 5.1):

- The real export value for barley is projected to peak in 2027–28 at \$3.4 billion before falling, ending at \$2.1 billion in 2029–30 (Figure 5.3).
- The real export value for sorghum is projected to peak in 2027–28 at \$945 million before declining to \$675 million in 2029–30 (Figure 5.4).

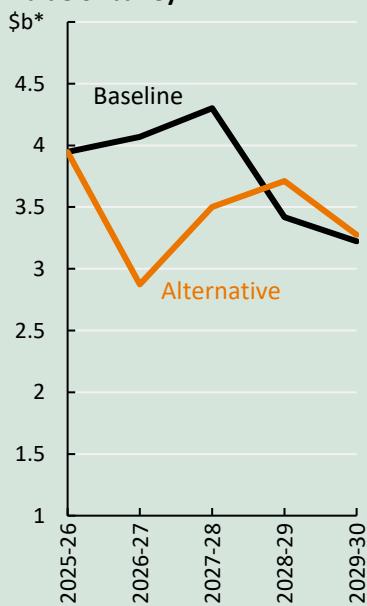
In the alternative scenario, the value of barley and sorghum exports are projected to fall due to drier conditions in 2026–27 before rising through to 2029–30. Real exports values end slightly higher than in the baseline scenario given expected higher Australian production volumes (see Box 5.1):

- The real export value of barley is expected to range between \$1.6-2.6 billion over the outlook (Figure 5.3).
- The real export value of sorghum is expected to range between \$654-\$818 million over the outlook (Figure 5.4).

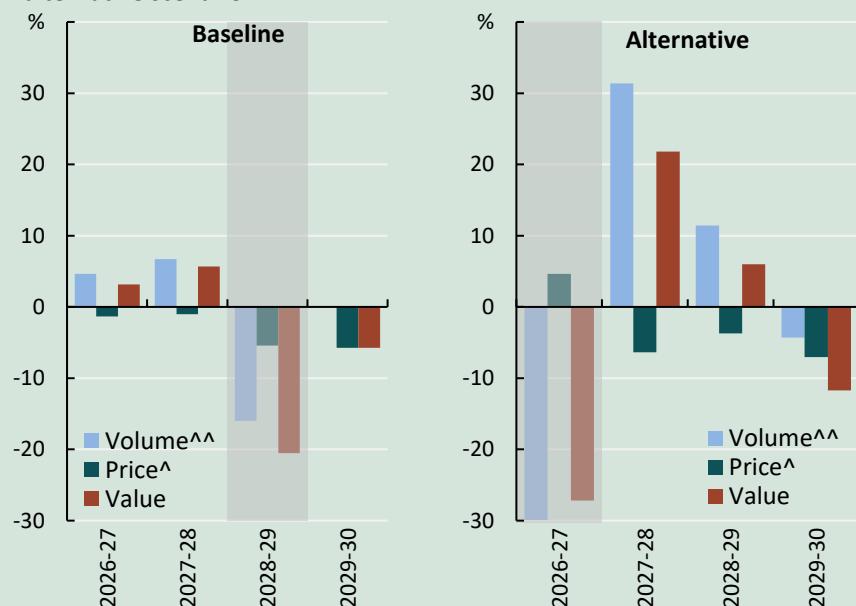
#### **Box 5.1 Key differences between the baseline and alternative scenario for coarse grains**

The real value of barley and sorghum production is projected to diverge across both scenarios over the outlook period through to 2027–28 and converge thereafter through to 2029–30. Values rise early in the baseline and then fall, due to higher production and global prices towards the beginning of the outlook period while the alternative scenario tracks inversely (Figure 5.5: Figure 5.8):

**Figure 5.5 Projected annual real value of barley**



**Figure 5.6 Annual change in value of barley by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding;

^Real price (A\$/t); ^^Production (kt); \*2024–25 Australian dollars.

Source: ABARES

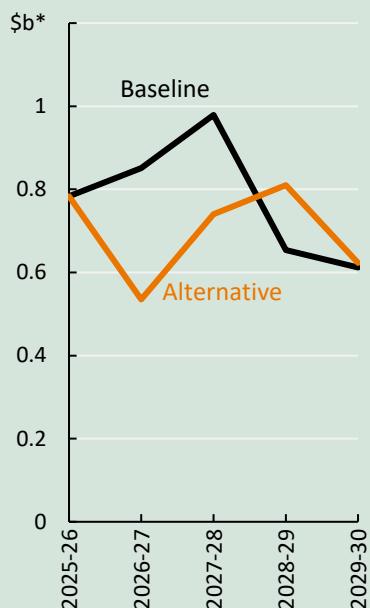
**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Wet seasonal conditions in Australia are projected to increase barley and sorghum yields and encourage growers to increase area planted to both crops, driving higher production and export volumes. Additionally, when Australia experiences wet seasonal conditions, major coarse grain producers and exporters across

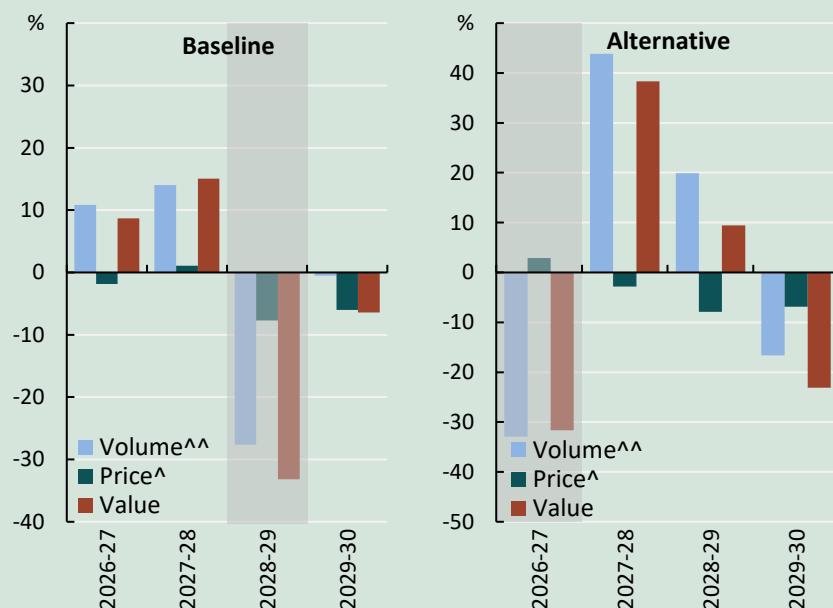
South America, North America and the Black Sea are likely to experience dry seasonal conditions. This is expected to lower global closing stocks of all coarse grains, increasing global prices. Domestic prices like the Australian feed barley price are also expected to remain elevated – despite rising Australian production – as higher global prices flow through to the domestic market.

- The combination of higher Australian production volumes and higher global coarse grain prices is projected to support higher real gross values for Australian barley and sorghum production (Figure 5.5; Figure 5.7).
- Drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to reduce barley and sorghum yields, lowering production and export volumes. In addition, when Australia experiences drier seasonal conditions, major coarse grain producers are likely to experience wetter seasonal conditions, supporting coarse grain production across these countries and lowering global export prices. Similarly, domestic Australian prices are expected to moderate in line with falling global prices, despite lower Australian production.
- The combination of lower Australian production and lower global coarse grain prices are projected to result in falling real gross values for barley and sorghum production (Figure 5.5; Figure 5.7).

**Figure 5.7 Projected annual real value of sorghum**



**Figure 5.8 Annual change in value of sorghum by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; <sup>^</sup>Real price (A\$/t); <sup>^^</sup>Production (kt); \*2024–25 Australian dollars.

Source: ABARES

**In the alternative scenario**, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30. Positive global economic conditions cause a stronger exchange rate for the Australian dollar, leading to lower prices from 2027–28 to the end of the outlook period compared to the baseline scenario (see *Economic Outlook*).

- In 2026–27, dry seasonal conditions in Australia are assumed to reduce yields, driving falling Australian barley and sorghum production and export volumes. In contrast, global production of coarse grains is assumed to increase, weighing on global crop prices and reducing the competitiveness of Australian barley and sorghum exports (see *Seasonal Conditions*).
- In contrast to the baseline scenario where Australian prices track global prices, Australian feed prices are assumed to diverge in the alternative scenario during the decile 3 production year in 2026–27. The Australian feed barley price is expected to rise despite falling global crop prices as reduced pasture availability and a fall in domestic feed supply – given the assumed onset of a very dry year (decile 3, resulting in drought-like seasonal conditions) – results in a strong increase in domestic feed demand.

- Despite higher domestic prices, expected lower Australian production is projected to result in falling real gross values for barley and sorghum production early in the outlook period (Figure 5.5; Figure 5.7).
- The assumed onset of wetter seasonal conditions in 2027–28 and 2028–29 is assumed to drive increasing Australian barley and sorghum production and exports. In addition, the two consecutive wet years are projected to increase soil moisture, and support barley and sorghum yields through the neutral year in 2029–30.
  - In addition, global coarse grain production is expected to fall due to assumed drier conditions across major producers and exporters, supporting higher global barley and sorghum prices. As a result, barley and sorghum production values are projected to rise in the second half of the medium term (Figure 5.5; Figure 5.7).
  - Australian domestic prices are projected to ease with strong domestic production, while export demand will be moderated by an assumed stronger Australian dollar. High pasture availability is also expected to reduce demand for feed grains.

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

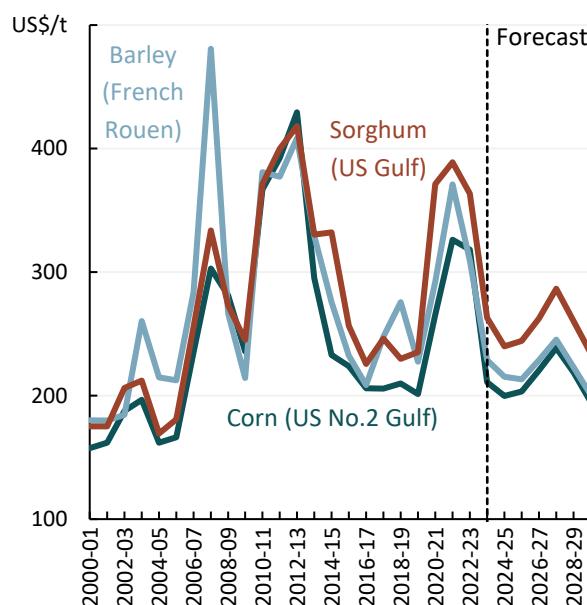
## Grain prices set to increase into 2025–26

The nominal domestic barley price (Geelong feed) is forecast to fall to AU\$305 per tonne in 2024–25, down by 4% from \$317 per tonne in 2023–24, in line with easing grain prices globally (Figure 5.9). In 2025–26, nominal domestic coarse grain prices are forecast to increase in line with international prices, as global stocks of corn and barley tighten in key exporting nations:

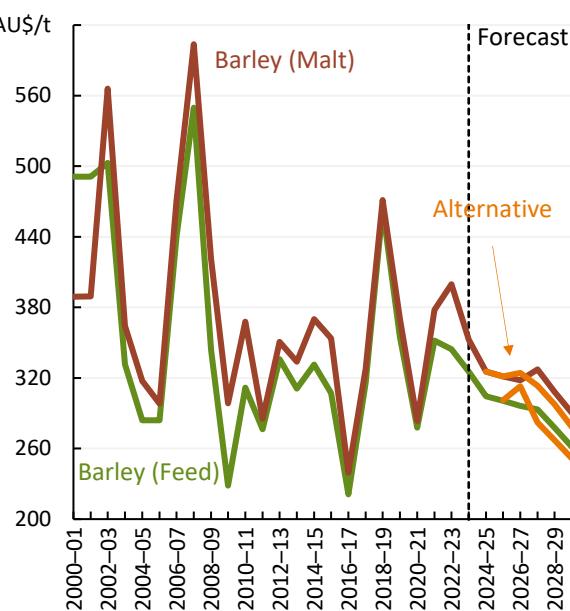
- The **Australian feed barley price** (Geelong feed) is forecast to increase by 2% to average AU\$311 per tonne.
- The **Australian malting barley price** (Geelong malting) is forecast to increase by 2% to average AU\$332 per tonne.
- The **Australian sorghum price** (Brisbane sorghum) is forecast to increase by 1% to average \$AU393 per tonne.

Prices received by Australian exporters are also expected to remain competitive alongside other major producers, as an assumed weaker Australian dollar and freight advantage into Asia is expected to keep sorghum and barley prices elevated (see *Economic Outlook*). Australian export price premiums may reduce with rising international export prices. Over 2025–2026 world coarse grain indicator prices are expected to:

- The **world indicator price for corn** (fob Gulf, United States) is forecast to increase by 5% to average US\$210 per tonne.
- The **world indicator price for barley** (fob Rouen, France) is forecast to increase by 2% to average US\$220 per tonne.
- The **world indicator price for sorghum** (fob Gulf, United States) is forecast to increase by 5% to average \$US252 per tonne.

**Figure 5.9 Real average annual coarse grain world indicator prices**

Note: Data to the right of dotted line indicates forecasts and projections. \*2024–25 Australian dollars  
Source: ABARES; International Grains Council

**Figure 5.10 Real average annual feed and malting barley domestic prices**

Note: Data to the right of dotted line indicates forecasts and projections. \*2024–25 Australian dollars.  
Source: ABARES; Jumbuk Ag

The real Australian feed barley price is projected to fall over second half of the outlook to 2029–30, ranging between \$261–296 per tonne (Figure 5.10) due to stronger global supply (see Box 5.1).

In the alternative scenario, the real barley price is projected to rise in 2026–27 before falling over the remainder of the outlook reflecting improved seasonal and global conditions including a stronger Australian dollar (see Box 5.1). The real barley price is projected to end lower than in the baseline scenario given expected higher world production in the alternative scenario in 2029–30 (Figure 5.10).

## Mixed production and export outlook for coarse grains

**Australian barley production** is forecast to increase by 23% to 13.3 million tonnes in 2024–25, 17% above the 10-year average (Figure 5.11). The forecast increase in production mainly reflects improved seasonal conditions across New South Wales and Western Australia more than offsetting drier conditions across most of Australia's southeast (see [Australian Crop Report](#)). Within New South Wales, increased barley plantings to marginal regions as well as wet conditions across northern cropping zones improved yields and overall production.

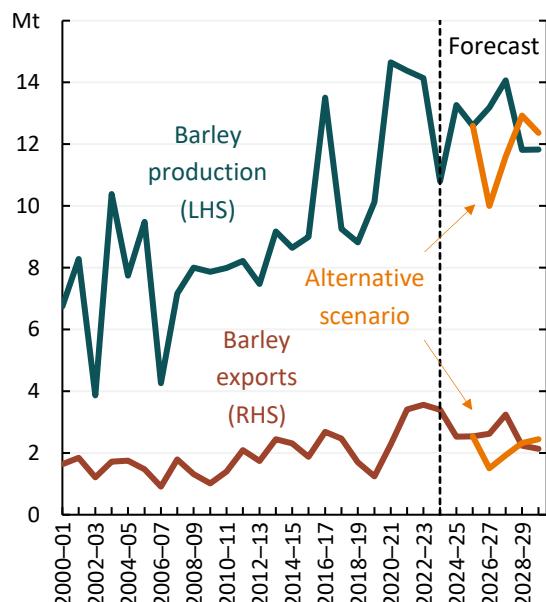
Despite increasing production, **Australian barley export volumes** are expected to decrease by 20% in 2024–25. This reflects a draw down in exportable supplies after several high exporting years with China's re-entry to Australia's export market following the removal of prohibitive trade tariffs.

**Australian sorghum production** is forecast to increase by 5% to 2.3 million tonnes in 2024–25 and remains 37% above the 10-year average to 2023–24 (Figure 5.12). Above-average soil moisture levels in September and October provided positive signs for sorghum plantings. However, a large winter chickpea harvest as well as a shift towards dryland cotton planting, has reduced the area sown to sorghum. Despite this, summer rainfall has benefitted crop establishment and yields across key regions in the Darling Downs and Liverpool plains, lifting production expectations.

**Australian sorghum export volumes** are expected to increase by 23% in 2024–25, to be the second highest on record. Consistently elevated export levels in recent years reflects a shift from supplying the domestic livestock feed industry to a focus on exports markets in China and Japan. Sorghum

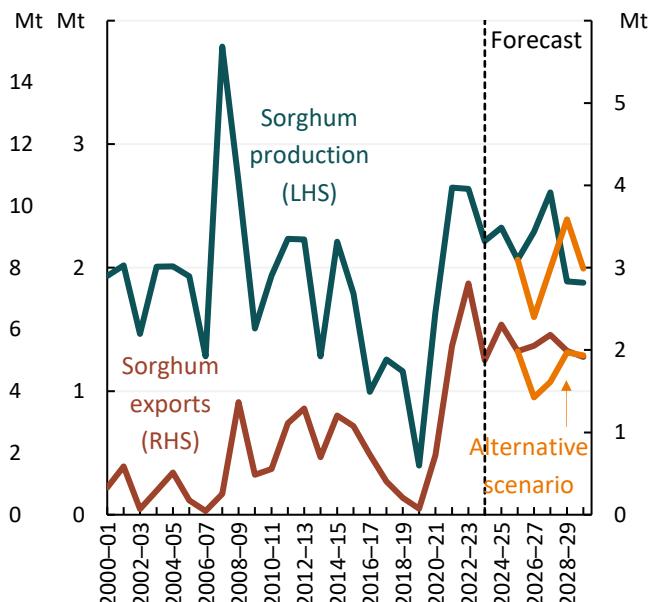
export demand has been consistently strong as is reflected in its price premium relative to other coarse grains, given its use as both a feed grain for livestock and its use to produce alcoholic ‘Baijiu’ in China.

**Figure 5.11 Annual volume of Australian barley production and exports**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Figure 5.12 Annual volume of Australian sorghum production and exports**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Australian barley and sorghum production** are forecast to fall in 2025–26, reflecting an expected return to neutral climatic conditions:

- Barley production is forecast to decrease by 5% to 12.6 million tonnes, with a return to long-term average yields in New South Wales reducing production despite projected increases across Victoria and South Australia.
- Likewise, the subsiding of wetter conditions across key sorghum producing states of New South Wales and Queensland is expected to reduce sorghum production by 11% to 2 million tonnes.
- **Barley export volumes** are expected to increase by 7% in 2025–26 given high carryover from the previous season as well as strengthening international prices. For sorghum, exports are expected to follow expected production declines, decreasing by 14% in 2025–26.

Over the medium term, barley and sorghum production are projected to rise until 2027–28 before falling over the remainder of the outlook period largely reflecting assumed seasonal conditions and their impact on production (see Box 5.1; Figure 5.11; Figure 5.12). Barley and sorghum export volumes are projected to reflect production outcomes:

- Barley exports will peak in 2027–28 at 8.5 million tonnes before falling to just below 7 million tonnes over the remainder of the outlook period.
- Sorghum exports will peak in 2027–28 at 2.2 million tonnes before falling to 1.9 million tonnes over the remainder of the outlook period.

In the alternative scenario barley and sorghum production are projected to fall and then recover over the medium term, reflecting the onset of a dry year at the start of the outlook. Production volumes

are projected to end higher for both barley and sorghum than in the baseline scenario given the wetter conditions later in the outlook (see Box 5.1).

#### **Box 5.2 Tariff free period for Australian pulses to India**

India's temporary removal of tariffs in May 2024 on chickpeas – and continuation of tariff free trade for lentil imports – has supported Australian exports of these commodities, which are expected to be the second and third highest on record respectively in 2024–25. Higher export prices and greater Australian domestic plantings in response to rising Indian demand has increased both export values and volumes.

Tariff reinstatements on lentils and chickpeas are scheduled for 31 March 2025. This will likely result in prices easing and reductions in area planted to chickpeas. However, other markets in the South Asia region, including Pakistan and Bangladesh, remain strong options for Australian pulse exports and may support any fall in Indian demand. In 2025–26, the gross value of chickpea production is forecast to fall by 55% to \$921 million. Reduced gross margins for chickpeas are expected to incentivise farmers towards planting alternative crops.

By contrast, the gross value of lentil production is forecast to increase by 37% to \$1.3 billion in 2025–26, driven by an expected increase in production offsetting falling prices. The forecast increase in lentil production is driven by expected improved production conditions in southern states and further area expansion in South Australia given high expected margins relative to other crops like canola. Regardless of the tariff reinstatement, Australia has preferential access for lentil exports into India. Under the Economic Cooperation and Trade Agreement, Australian lentil exporters have access to a 150,000 tonne quota with a 50 per cent in-quota tariff reduction.

## **World supply of coarse grains falling**

**World coarse grain** production is forecast to fall by 1% to 1.5 billion tonnes in 2024–25 driven by lower total production of both corn and barley, supporting global prices.

- **World corn production** is forecast to decline by 1% to 1.2 billion tonnes in 2024–25 driven by lower production totals across major exporting countries of the United States, Argentina and Ukraine more than offsetting production increases in Brazil and China.
- **World barley production** is forecast to fall by 1% to 142 million tonnes in 2024–25 with reduced production in the Russian Federation, Canada and Ukraine offsetting increases in the European Union, Australia and Kazakhstan.

World coarse grain production is forecast to increase marginally in 2025–26 with an expected return to neutral climatic conditions in key exporting countries such as the United States, Canada, Brazil, Argentina and the Russian Federation. However, this is expected to be offset by constrained South American corn production as greater areas are devoted to soybeans due to rotational requirements and relatively favourable soybean prices (see *Oilseeds*).

Over the outlook period to 2029–30, world coarse grain supply is projected to trend upwards across both scenarios but fluctuate in line with changes in climatic conditions in key exporting countries (see *Seasonal Conditions*):

- Under the baseline scenario, drier conditions in 2026–27 and 2027–28 across South America and the United States are expected to limit yield potentials for corn and barley, reducing production across both continents. Improving seasonal conditions are projected to see global supply recover over the remainder of the outlook period (see Box 5.1).
- In the alternative scenario, assumed seasonal conditions later in the outlook are projected to reduce production in key exporting countries in the northern hemisphere as well as South America, hence reducing total global coarse grain supplies (see Box 5.1).

## World demand to remain robust over the outlook

**World coarse grain consumption** is expected to rise in 2024–25, driven by increased demand for corn as an ethanol feedstock, supporting global crop prices:

- Globally, corn consumption for feed is being supported by increased demand for meat across Latin American and Asian markets, with a new global record for feed maize consumption expected.
- Furthermore, increased industrial use of corn-ethanol across Brazilian and Indian markets, is being spurred by programs to support farmers and encourage increased local corn production.
- By contrast, subdued Chinese import demand is expected to partly offset overall rises in consumption, following the country's push to become more self-sufficient in grain production.

Global coarse grain consumption is forecast to continue increasing in 2025–26 and by more than supply, supporting price rises. An ongoing recovery in global biofuel demand is expected to outweigh continued softening demand for feed and food from China. Furthermore, increased blending mandates across the European Union are also expected to increase demand for biofuels, incentivising major corn producing countries, such as the United States and Brazil to produce more biofuel (see *Oilseeds*).

Over the medium-term outlook to 2029–30, world coarse grain demand is assumed to be driven by growth in feed and industrial consumption. The [OECD-FAO Agricultural Outlook 2023–2032](#) notes that global corn consumption for ethanol production is expected to increase, but at a slower rate than previous decades due to reduced support policies in developed countries for conventional biofuels. Global feed demand is projected to increase with an expansion in poultry and other livestock sectors, particularly within Asian countries, to service greater meat consumption over the medium term.

## Opportunities and challenges

### Australian grain exports and Chinese increasing grain self-sufficiency

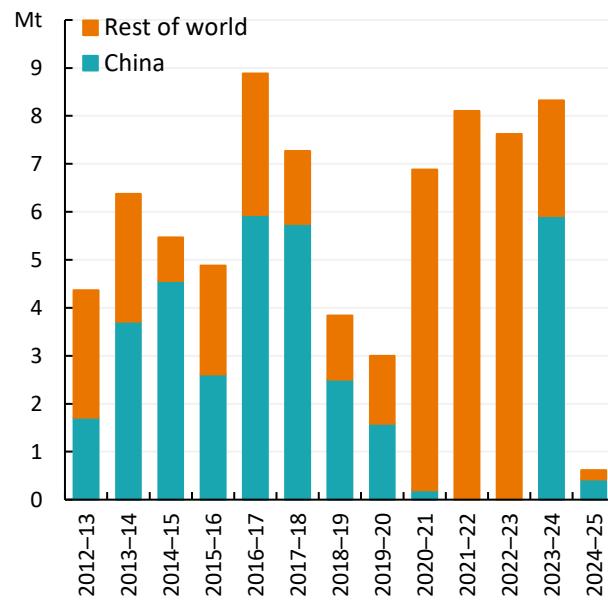
China is Australia's leading agricultural export destination – comprising 24% of all agricultural, fish and forestry value of Australian exports in 2023–24. China also imports most of Australia's barley and sorghum; since the lifting of prohibitive tariffs on barley imports in August 2023, China has received over 70% of Australian barley and 95% of sorghum export volumes in the 2024–25 financial year to date (Figure 5.13; Figure 5.14).

China is once again looking to increase [grain security and self-sufficiency](#). The country introduced self-sufficiency policies in [the early 2000s](#), supporting higher domestic grain production. Rising Chinese domestic production has the capacity to impact demand for Australian barley and sorghum exports. Australia is well positioned to meet any changes in global demand flows:

- Tightening barley stocks globally are supporting global prices and lifting export unit values, supporting demand for Australian grains exports.
- In addition, recent increases to corn prices may also support demand for Australian exports. If rises in the corn price continue and trade at a significant premium to alternative feed grains, this may increase demand for substitute feed grains such as feed barley, wheat, oats and triticale.
- Australian trade has remained resilient given past trade flow changes; following China's imposition of prohibitive tariffs on barley exports in 2020, exporters redirected trade towards

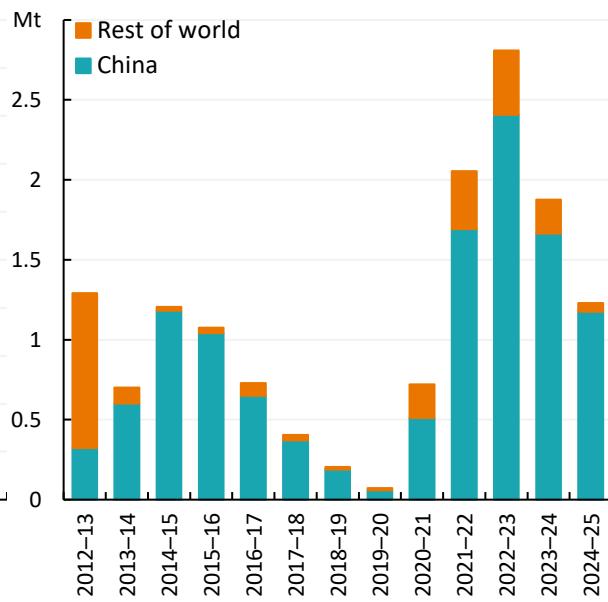
Saudi Arabian, Vietnamese and Japanese markets to meet export demand requirements (see [ABARES March 2024 Agricultural Commodities Report](#)).

**Figure 5.13 Annual Australian barley export volumes**



Source: ABARES; ABS

**Figure 5.14 Annual Australian total sorghum export volumes**

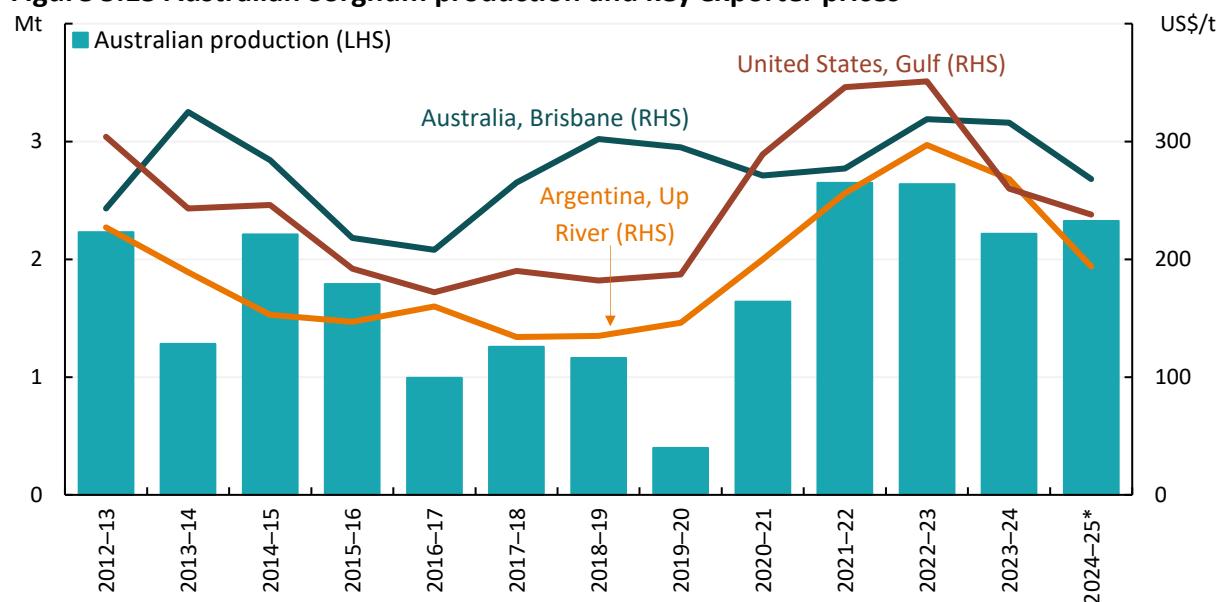


Source: ABARES; ABS

Australian sorghum production has also been responsive to global demand in recent years:

- Strong global demand – reflected in the relative export price premium for Australian sorghum – has been driven by Australian sorghum shifting to service both Chinese baijiu production, as well as its livestock feed market (Figure 5.15).
- In response and supported by recent soil moisture availability, Australian producers increased area planted to sorghum, with both production and export volumes increasing strongly since 2021–22.

**Figure 5.15 Australian Sorghum production and key exporter prices**



Note: International free on-board export prices: Argentina (Up River), Australia (Brisbane), United States (Gulf) are in US dollars per tonne. \*Year to date.

Source: ABARES; ABS; International Grains Council

# 6 Oilseeds

Hamish Morton



c Canola, Canada, fob Vancouver.

## Canola

World canola price to rise reflecting tight global canola supply.

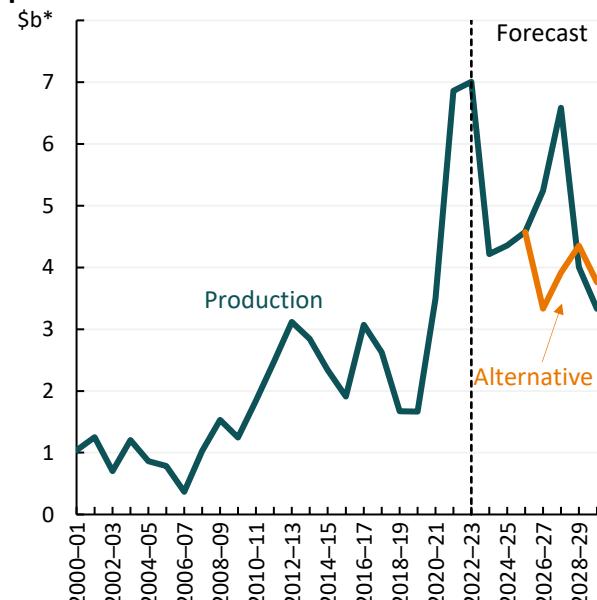
### Key points

- Value of canola production to rise by 6% to \$4.4 billion in 2024–25.
- Value of canola exports are forecast to fall by 13% to \$3.8 billion in 2024–25.
- Australian canola production is forecast to rise by 1% to 6.0 million tonnes in 2025–26.
- The Australian canola price is forecast to rise by 2%, averaging \$761 per tonne in 2025–26.
- Global oilseed prices are forecast to rise before falling over the outlook period.

### Value of production to rise in 2025–26 but fall over outlook

The nominal value of canola production is forecast to rise by 6% to \$4.4 billion in 2024–25, up from an estimated \$4.2 billion in 2023–24. Higher production values reflect rising prices, offsetting falling volumes due to dry weather in Victoria and South Australia (see the [Australian Crop Report](#)). In 2025–26, the nominal value of canola production is forecast to rise by 9% to \$4.7 billion, reflecting higher canola prices and improved production in southern states.

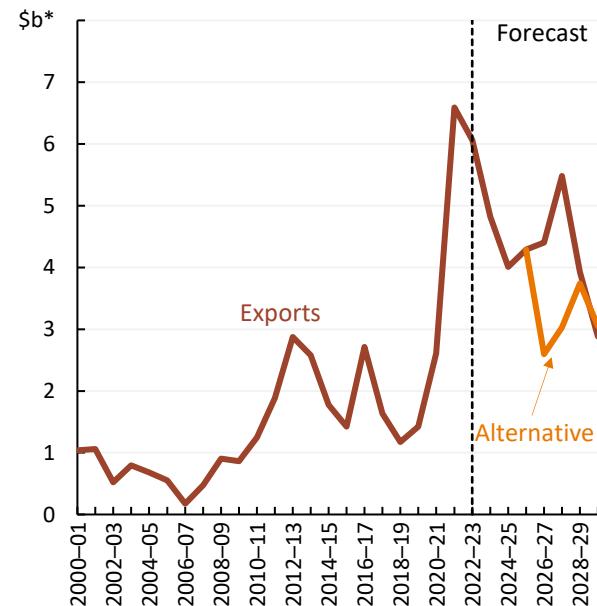
**Figure 6.1 Real annual value of canola production**



Note: Data to the right of the dotted line indicate, forecasts, and projections. \*2024–25 Australian dollars

Source: ABARES; ABS

**Figure 6.2 Real annual value of canola exports**



Note: Data to the right of the dotted line indicate, forecasts, and projections. \*2024–25 Australian dollars

Source: ABARES; ABS

Over the outlook period, the real value of canola production is projected to peak in 2027–28 before falling over the remainder of the medium term. Real production values are projected to range between \$3.3–6.6 billion, being sensitive to seasonal conditions, ending at \$3.3 billion in 2029–30 (Figure 6.1). Higher real production values over much of the period reflect both increasing export

prices – due to tight global canola stocks – and higher Australian production. Drier seasonal conditions later in the outlook period are then projected to cause real production values to fall (see Box 6.1).

In the alternative scenario, the real value of canola production is expected to fall in 2026–27 reaching a low of \$3.3 billion before recovering over the rest of the outlook. The real value of canola production is expected to end slightly higher than in the baseline scenario at \$3.7 billion in 2029–30, ranging between \$3.3–4.1 billion (Figure 6.1). Projected lower Australian production and global prices are expected to drive real values down in the first half of the outlook before recovering later given improved seasonal conditions (see Box 6.1).

In 2024–25 the gross value of canola production is expected to be around \$0.3 billion higher than expectations in the [\*December 2024 Agricultural Commodities Report\*](#). ABARES industry liaison and recent data indicate production volumes for the 2024–25 marketing year were higher than expected. Likewise, canola prices have increased by more than expected since December.

## **Value of exports to increase in 2025–26 but fall over outlook**

**The nominal export value of canola** is forecast to fall to \$3.8 billion in 2024–25, down by 13% from \$4.4 billion in 2023–24 despite higher-than-expected production values (Figure 6.2). Falling export values are driven by lower export volumes as high stocks in 2023–24 – following two record harvests which supported elevated export volumes – have since been drawn down. Export volumes in 2024–25 are forecast at more normal levels as a proportion of current production. The nominal export value of canola is forecast to rise by 10% to \$4.2 billion in 2025–26 due to higher export prices and improved production volumes.

**The real export value for canola** is projected to peak in 2027–28 at \$5.6 billion driven by strong production and high global prices before falling over the remainder of the outlook, ending at \$2.8 billion in 2029–30 (Figure 6.2). The rise and fall of real canola exports, consistent with production values, largely reflect assumed seasonal conditions over the medium term (see Box 6.1).

In the alternative scenario, **the real value of canola exports** is projected to fall and then rise, ranging between \$2.6 billion and \$3.7 billion (Figure 6.2). Real export values are projected to end slightly higher in 2029–30 than the baseline scenario at \$3 billion given better seasonal conditions and a stronger global economic outlook (see Box 6.1).

Nominal canola export values have been revised up by \$0.7 billion compared to the [\*December 2024 Agricultural Commodities Report\*](#) reflecting both higher export volumes and a further recovery in canola prices over December.

### **Box 6.1 Key differences between the baseline and alternative scenario for oilseeds**

The real value of canola production is projected to diverge between scenarios over the outlook period through to 2027–28 and converge thereafter through to 2029–30. Values rise early in the baseline and then fall, due to higher production and export prices towards the beginning of the outlook period. In the alternative scenario, values fall early – due to lower domestic production and falling global prices – before rising (Figure 6.3).

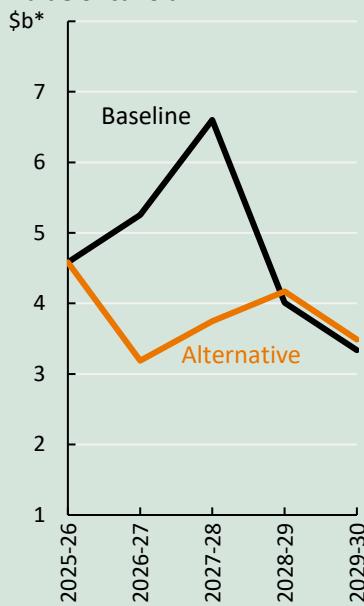
**In the baseline scenario** (Figure 6.4), the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Wet seasonal conditions in Australia are projected to increase canola yields and encourage growers to increase area planted to canola, driving higher volumes of production. Additionally, when Australia experiences wetter seasonal conditions, major oilseed producers and exporters such as Argentina, Brazil, Canada, the European Union, Ukraine and the United States are likely to experience drier seasonal

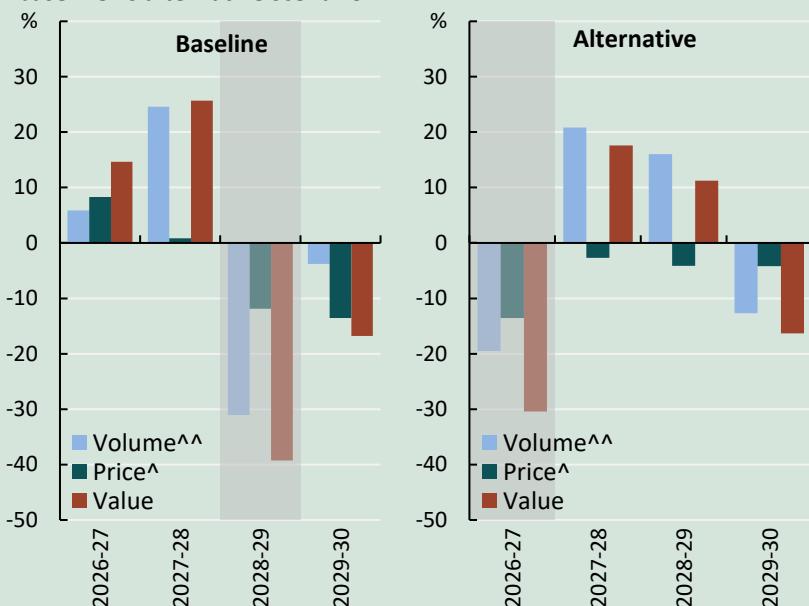
conditions. This is expected to lower global closing stocks of canola, soybeans and sunflower and increase oilseed prices.

- The combination of higher Australian production volumes and higher global oilseed prices, support increases in the real value of Australian canola production.
- Drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to reduce area planted to canola and yields, lowering production. When Australia experiences drier seasonal conditions, major oilseed producers are likely to experience wetter conditions, supporting oilseed production across these countries, lowering global export prices.
- The combination of lower Australian production and lower global oilseed prices result in falls in the real value of Australian canola production.

**Figure 6.3 Projected annual real value of canola**



**Figure 6.4 Annual change in value of canola by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; ^Real price (\$/t); ^^Production; \*2024–25 Australian dollars.

Source: ABARES

In the alternative scenario (Figure 6.4), the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30. Positive global economic conditions (see *Economic Outlook*) cause a stronger exchange rate for the Australian dollar while at the same time global production is assumed to be higher – both of which lead to lower real prices over the entire medium term compared to the baseline scenario.

- Dry seasonal conditions in Australia are assumed to reduce yields, resulting in falling Australian canola production and export volumes. In contrast, global production of oilseeds would increase, reducing the competitiveness of Australian canola exports.
- The assumed onset of wetter seasonal conditions in 2027–28 and 2028–29 is then projected to increase Australian canola production; two consecutive wet years are assumed to increase soil moisture and support canola yields, including over the assumed neutral year in 2029–30.
  - While the scenario provides wetter conditions in Australia in 2027–28 and 2028–29, global oilseed production is assumed to fall due to drier conditions across major producers and exporters, leading to an increase in canola export prices.

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

## Canola prices to rise in 2024–25 and remain elevated

The nominal Australian canola (**Melbourne, port-delivered**) price is forecast to rise by 13% to \$746 per tonne in 2024–25. The Melbourne delivered price historically tracks the Australian export price (Kwinana, fob). The **Kwinana (fob)** price is forecast to rise by 7% to US\$537 per tonne.

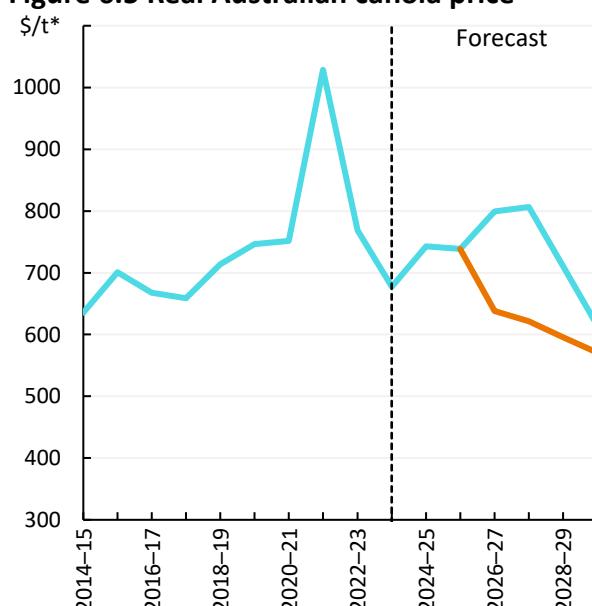
Australian canola prices are expected to rise given strong EU demand for Australian non-genetically modified (non-GM) canola, which makes up approximately half of Australian production.

- Tight non-GM canola stocks, a price premium for non-GM canola, and high Canadian GM supply has increased the non-GM to GM canola price spread.
- The forecast rise in the Australian export price also follows the **EU canola price (France-Moselles)**, which is expected to rise by 15%.
- In contrast, the world canola indicator price (**Canada, Vancouver price**) is forecast to fall by 9% as Chinese import demand for Canadian canola is expected to fall by 45% in 2024–25 (see [Agriculture Canda Outlook for Principal Field Crops](#)).

In 2025–26 the **nominal Australian price** is forecast to rise further, up by 2% to \$761 per tonne:

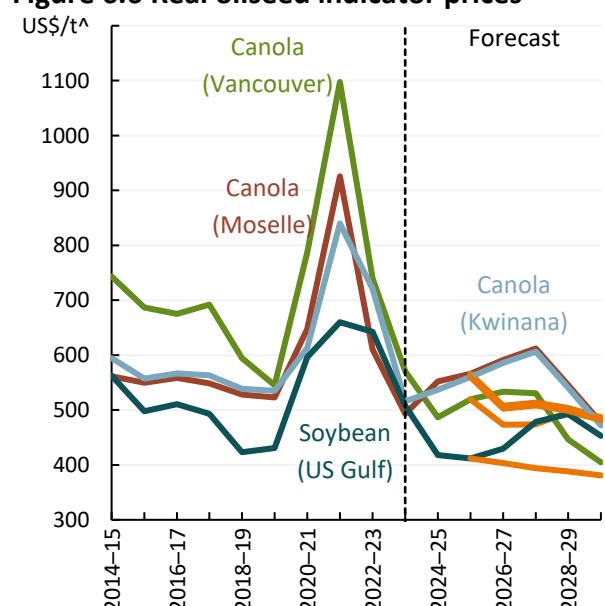
- Low European canola production and Ukrainian export price controls are expected to increase demand for Australian non-GM canola.
  - Ukraine – Australia's largest competitor for canola exports to the European Union – [has implemented government mandated](#) minimum export price controls on grain and oilseed exports, which are expected to reduce Ukraine's export pace. Since being implemented in December 2024, the controls have reduced export volumes.
- As over half of the European Union's imported canola and approximately 95% of sunflower seed oil is sourced from Ukraine, price controls are expected to support higher European prices in the short term.

**Figure 6.5 Real Australian canola price**



Note: Data to the right of the dotted line indicate forecasts, and projections. \*2024–25 Australian dollars  
Source: ABARES; Jumbuck

**Figure 6.6 Real oilseed indicator prices**



Note: Data to the right of the dotted line indicate forecasts, and projections. ^2024–25 US dollars, fob price.  
Source: ABARES; IGC

Over the outlook period, **real Australian canola** prices are projected to rise and then fall, ranging between \$613–805 per tonne and ending at \$613 per tonne in 2029–30 (Figure 6.5). Price

projections largely reflect assumed seasonal conditions in Australia and major oilseed exporting nations, and their impact on both Australian and global supply (see Box 6.1). For example, the real-world indicator canola price (Vancouver, fob) is projected to fall to \$476 per tonne over the medium term (Figure 6.6); wet seasonal conditions in South America and the northern hemisphere in 2028–29 are projected to increase global soybean, canola and sunflower seed supply, weighing on prices.

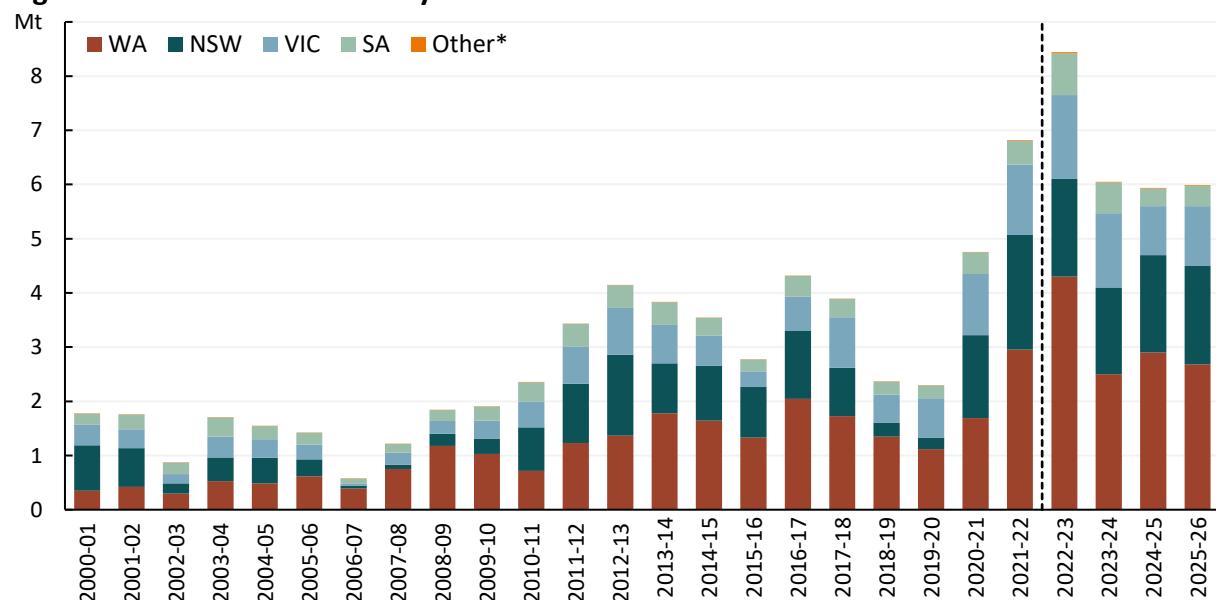
In the alternative scenario, the **real Australian canola price** is projected to fall over the medium term, ending at \$571 per tonne in 2029–30, 7% lower than in the baseline scenario (Figure 6.5). A build up in global oilseed stocks between 2026–27 and 2027–28 is projected to support lower prices. Additionally, assumed stable energy prices and reduced trade disruptions associated with the alternative scenario are projected to drive real prices down over the entire outlook period (see Box 6.1).

## Australian production to rise, but fall over the medium term

**Australian canola production** is estimated to have fallen by 2% to 5.9 million tonnes in 2024–25, still expected to be the fourth highest production volume on record. The fall follows the three highest production years on record (Figure 6.7). Dry seasonal conditions in parts of Victoria and South Australia throughout 2024–25 reduced yields across both states, offset by average conditions in Western Australia and favourable conditions in New South Wales.

Australian canola production is forecast to rise by 1% in 2025–26 to 6.0 million tonnes, 6% below the 5-year average to 2023–24 (Figure 6.7). High export prices and the live sheep export phaseout is expected to incentivise small increases in area planted to canola in Western Australia, while improved rainfall in Victoria and South Australia is expected to support higher yields across these states.

**Figure 6.7 Canola Production by state**



Note: Data to the right of the dotted line indicate estimates, forecasts, and projections. \*Tasmanian and Queensland production.

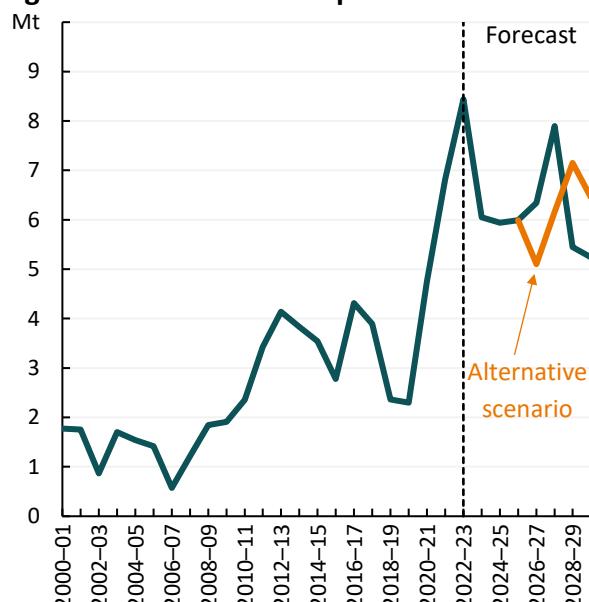
Source: ABARES; ABS

Over the medium-term canola production is projected to rise and then fall ranging between 5.2 million tonnes and 7.9 million tonnes. Canola production is expected to peak in 2027–28 before falling over the remainder of the outlook period largely driven by drier seasonal conditions and their

impact on area planted and yields (see Box 6.1; Figure 6.9). Canola export volumes are projected to follow changes in canola production.

In the alternative scenario canola production is projected to fall and then rise, ranging between 5.1 million tonnes and 7.1 million tonnes. Production rises from 2027–28 largely reflecting improved seasonal conditions which support higher yields and incentivise increased area planted (see Figure 6.9).

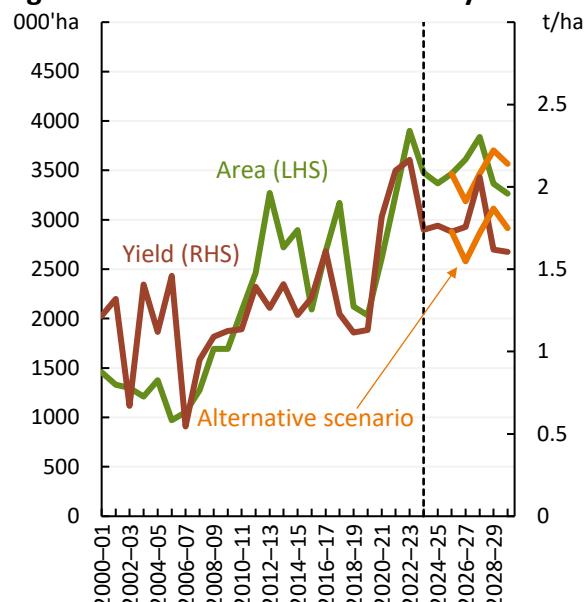
**Figure 6.8 Annual canola production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections.

Source: ABARES; ABS

**Figure 6.9 Annual canola area and yield**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections.

Source: ABARES; ABS

## Canola closing stocks normalise as exports fall

**Canola export volumes** are forecast to fall by 23% to 4.6 million tonnes in 2024–25, however exports are still expected to be the fourth highest on record. Strong production and high opening stocks – given record high production volumes in previous years – supported elevated canola exports in 2023–24, with the export share of production increasing to 99%. The fall in exports represents a return to an export share of production of 77% – marginally higher than the 10-year average of 75%.

In 2025–26, canola export volumes are forecast to rise to 4.7 million tonnes. Rising export prices due to demand in the European Union are expected incentivise higher export volumes.

## Global Canola supply to contract as soybean rises

### Global canola production falls due to dry Northern Hemisphere

In 2024–25, **world canola production** is expected to fall by 5% to 85 million tonnes, the lowest levels since 2021–22, supporting higher canola prices. World canola production is expected to fall as unfavourable seasonal conditions reduce Canadian and EU supply.

World canola production is expected to fall further in 2025–26, down by 1% to 84 million tonnes, further supporting higher canola prices. World canola closing stocks are expected to fall as global production falls and consumption increases:

- **Canada's** canola production is forecast to fall by 2% to 17.5 million tonnes due to lower area planted. [Agriculture and Agri-food Canada](#) states that declining Canadian prices, low soil moisture

and expectations of strengthening wheat prices are expected to drive a fall in area planted to canola.

- In addition to falling production, Canada's exports are expected to fall by 26% to 5.5 million tonnes in 2025–26, given rising domestic use, reducing global importable supply. Canada's domestic crush capacity has been steadily increasing and is forecast to reach a record 12.4 million tonnes. As a result, Canadian closing stocks are expected to fall below 1 million tonnes, representing a 65% fall in Canadian closing stocks between 2023–24 and 2025–26.
- **Ukrainian** canola production is expected to remain stable at around 3.6 million tonnes. High global canola prices are expected to incentivise a similar planted area to the 2024–25 marketing year.
- By contrast, **EU** canola production is expected to increase by 10% to 19 million tonnes, about 1 million tonnes above the 5-year average to 2024–25. Increased area planted to canola due to higher prices is expected to drive production increases. However, rising production is not expected to meet increasing EU domestic demand for canola (See [World demand](#))

In the **baseline scenario**, world canola production is projected to remain stable through to 2027–28, however, exportable supply is expected to fall, supporting higher prices. Canadian domestic crush capacity is expected to increase to 17 million tonnes by 2030, which, if realised, would reduce Canadian exports by approximately 5 million tonnes. This would likely position Australia to be the largest canola exporter. After 2027–28, assumed improving seasonal conditions in Canada and in the Black Sea region are expected to support higher yields – leading to an increase in global supply.

In the **alternative scenario**, world canola production is expected to recover over the outlook period, supporting lower global prices. Under this scenario, assumed improved growing conditions in the northern hemisphere are projected to increase global production including across Canada, China, the European Union and Ukraine.

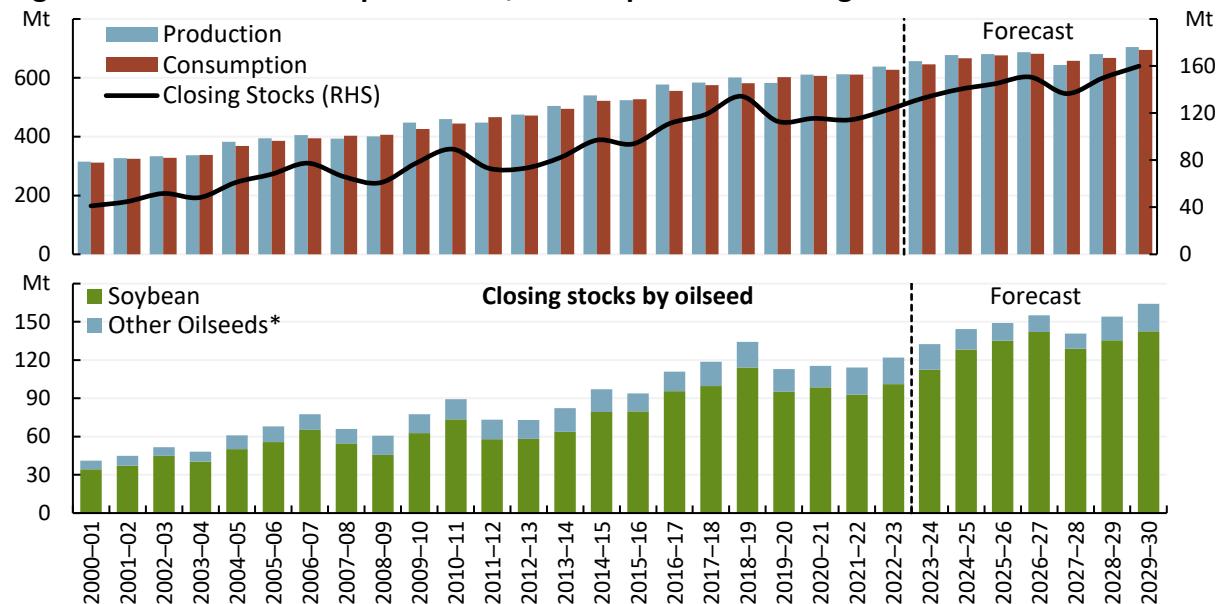
## Soybean and other oilseed supply to rise over the medium term

In 2024–25, **world soybean production** is expected to increase by 7% to 421 million tonnes, the highest on record, following two consecutive years of record production. World soybean production is expected to increase further in 2025–26, up by 1% to a new record of 429 million tonnes, limiting upside potential for export prices across the oilseed complex.

Favourable exchange rates for South American producers are expected to incentivise growers to increase area planted to soybeans supporting higher production. Additionally, Chinese demand for South American soybean has increased as China continues to diversify its imports.

In the **baseline scenario**, world oilseed production is projected to rise at a slower rate compared to historical growth rates through to 2026–27, supporting higher prices (Figure 6.10). Under this scenario unfavourable seasonal conditions across South America are expected to lower yields, offsetting area expansions for soybean production (see Box 6.1). In 2027–28, a dry year in South America is expected to limit yields significantly for soybean, cotton and sunflower producers resulting in a draw down in global stocks before recovering through to the end of the outlook period.

In the **alternative scenario**, world oilseed production is expected to recover throughout the outlook period, supporting lower global prices. Under this scenario, improved growing conditions in the northern hemisphere will likely increase global production across China, South America and the European Union (see Box 6.1).

**Figure 6.10 Global oilseed production, consumption and closing stocks**

Note: Data to the right of the dotted line indicate estimates, forecasts, and projections. Data over the outlook period reflect assumptions under the baseline scenario. \*Includes canola, copra, cottonseed, palm kernel, peanut and sunflower seed.

Source: ABARES; USDA

## World demand driven by biofuel policies

**World oilseed consumption** is forecast to rise by 3% to 666 million tonnes in 2024–25, supporting higher prices across the oilseed complex. Crusher demand is expected to drive the rise in consumption as demand for biodiesel continues to increase.

The rise in global oilseed consumption is expected to be driven by increasing demand across the European Union, Southeast Asia and China in 2025–26, noting uncertainty surrounding US biodiesel policy poses a downside risk to the outlook.

- **European Union** imports of canola are expected to rise in 2025–26 as recovering domestic production remains unable to service demand from the biodiesel sector. The European Union is expected to have an import requirement of between 6-7 million tonnes of canola – approximately 40% of global exports.
- **China** is expected to remain the world's largest oilseed importer as total vegetable oil use for food is expected to increase and as demand for feed improves (see *Coarse Grains*). Despite rising, Chinese soybean demand is unlikely to drive price increases throughout 2025–26:
  - In 2024–25, China began stockpiling soybeans in anticipation of increased trade tensions with the change of US administration.
  - While China has increased its oilseed imports, the country has also accelerated its long-term trend of shifting away from US imports, with approximately 75% of its imported soybeans being sourced from Brazil in 2024.

While global oilseed closing stocks are expected to rise in the short term – due to high soybean production – this is expected to reverse in 2027–28. Global production is expected to fall faster than consumption given assumed dry weather in the northern hemisphere and South America (see Box 6.1). By contrast demand is expected to remain resilient due to the non-discretionary nature of oilseed consumption, driving higher real global prices through to 2027–28. Resilient world demand over the outlook period is projected to be driven by:

- **Chinese** feed demand which is expected to slowly rise over the outlook period, reflecting a growing preference for poultry, and a recovery in the pig herd. Chinese demand for animal protein is expected to remain strong reflecting increasing per capita income (see *Economic Outlook*).
- The **European Union's** reliance on vegetable oils for biofuel production. This is expected to continue, driven by various government mandates stimulating demand and reducing access to alternative feedstocks:
  - Several EU policies currently limit palm oil use as well as use of vegetable oils grown on land considered to be deforested.
  - Additionally, the European Union has placed anti-dumping duties on Chinese exporters of Used Cooking Oil (UCO) (see [September 2024 Agricultural Commodity Report](#)).
  - Additional mandates are expected to be introduced in 2025 to encourage the production of sustainable aviation fuel.
- Increasing **Indonesian** demand for palm oil driven by B40 blending mandates (see Box 6.2).

#### **Box 6.2 Indonesian biodiesel demand expected to raise palm oil prices**

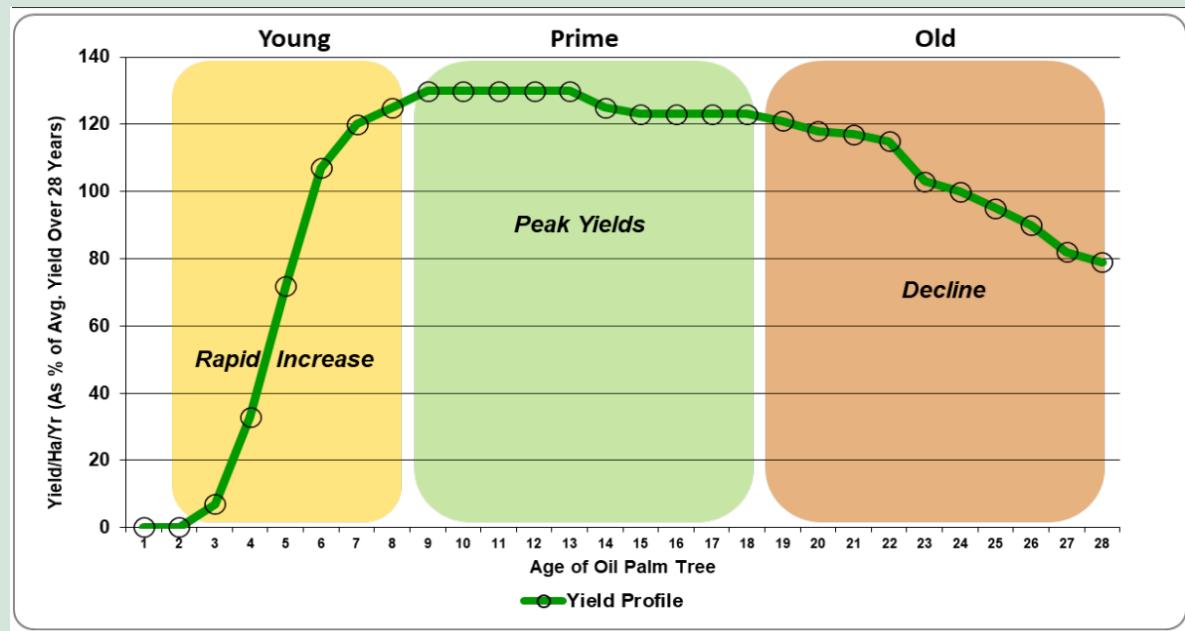
Indonesian energy self-sufficiency policies are projected to increase domestic demand for palm oil over the medium term, increasing prices.

On 1 January, 2025, the [Indonesian government](#) raised the Biodiesel Blending Mandate (BBM) to include a mixture of 40% palm oil-based biodiesel, up from the previous mandate of 35%. The government aims to have a 50% biodiesel mix by 2026 and achieve fuel independence by 2030. The rising blending mandate is expected to reduce Indonesia's exportable palm oil supply – supporting higher global palm oil prices.

Indonesia is the world's largest producer and exporter of palm oil with most exports being sent to India, China and the European Union where it is used for biodiesel production and in food. However, Indonesian palm oil and palm oil product exports have been falling since 2024 driven by rising domestic demand. Falling exports has also reduced available BBM funding – currently funded through palm oil export levies.

To support the increasing BBM through to 2030, the Indonesian government has encouraged expanding domestic palm oil plantations. Despite this, production increases are expected to be limited over the medium term given the number of smallholder plantation producers in Indonesia:

- Commercial oil palm yields peak between 8-15 years after planting according to USDA estimates (Figure 6.11). While large industrial plantations undertake regular replanting to maintain average yields, smallholders are less likely to clear and replant trees when palm oil prices are high to maximise short-term returns.
- Czarnikow (an agri-food commodity trading house) estimates that approximately 33% of all Indonesian palm oil production comes from smallholders, with 40% of smallholder trees over 20 years old.
- Palm oil export prices rose approximately 30% in the 12 months to January 2025, suggesting that increased Indonesian production – at least in the near term – is unlikely.

**Figure 6.11 Palm oil tree age vs yield**

Source: USDA

## Opportunities and challenges

### New crushing plant may support oilseed industry in Queensland

In 2025 [Australian Oilseeds Holdings and Energreen Nutrition](#) are expected to commence construction of a multi-oilseed crushing plant in Emerald, Queensland. The plant will be the only large-scale crush plant in the state and is likely to incentivise increased production of minor oilseeds to support the growing biodiesel industry. Due for completion and testing in December 2026, the plant is expected to have a maximum crush capacity of 200 tonnes per day and capability to produce 50 tonnes per day of seed oil.

The crushing facility is being designed to work in conjunction with industry's long-term plans to establish pongamia oil as a major biofuel feedstock in Queensland, with their first plantation expected to be established in 2025. [Rio Tinto has also purchased 3 thousand](#) hectares of land near Townsville for a pongamia seed oil biofuel project, which aims to assess the potential to use pongamia seed oil as a feedstock for biodiesel production.

[Pongamia](#) is a native legume tree that is tolerant of heat, salinity and flooding and is capable of growing in soils not suited to broadacre crops. The seeds have high oil content that can be used in second-generation biodiesel production and the meal can be used as a stock feed.

While central Queensland historically produced a larger volume of oilseeds, production has diminished since 1999 due to a lack of processing infrastructure, competition with livestock and sugar, and dry conditions during the millennial drought. Construction of a crush facility and establishment of pongamia plantations could provide producers in central and north Queensland with alternative options to produce high value oilseeds. The establishment of pongamia could also result in some sugar producers transitioning away from sugar production in favour of the new oilseed.

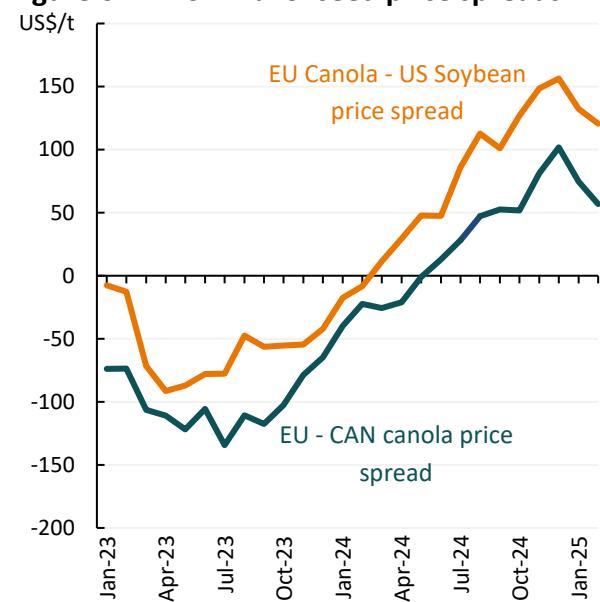
### Soybean and Canadian canola price discounts impact Australian prices

The European Union - Vancouver canola price spread increased to a peak of US\$102 per tonne in December 2024 (Figure 6.12). While Australian export prices typically track EU canola prices – and

may benefit from the rising spread – this may be constrained if EU demand for cheaper Canadian GM canola increases.

Historically the European Union has preferred non-GM canola due to its secondary use in livestock feed. In 2023–24, the EU imported 42 thousand tonnes of Canadian canola (1.1% of the total import requirement), increasing to 352 thousand tonnes (or 8.4% of total imports) in the 2024–25 MY to date. However, Australia remains one of the largest sources of EU canola imports, exporting 1.4 million tonnes of canola, comprising 32% of EU canola imports in the 2024–25 MY to date. Likewise, the **US (gulf, no.2) soybean–European Union (France, Moselle) canola** price spread has increased to US\$156 in December 2024 (Figure 6.12). Soybean is a substitute biodiesel and livestock feedstock. If the soybean–canola price spread continues to widen, this could weigh on EU canola demand. Since January 2025, prices have risen across the entire oilseed complex, limiting EU price premiums. If this trend continues it is unlikely that Australian canola prices will fall in 2025–26.

**Figure 6.12 Nominal oilseed price spreads**



Source: IGC

# 7 Horticulture

Tirza Winarta

**\$19b**  
Value of  
production  
in 2025–26



## Horticulture

Higher production volumes and export prices drive horticulture values.

### Key points

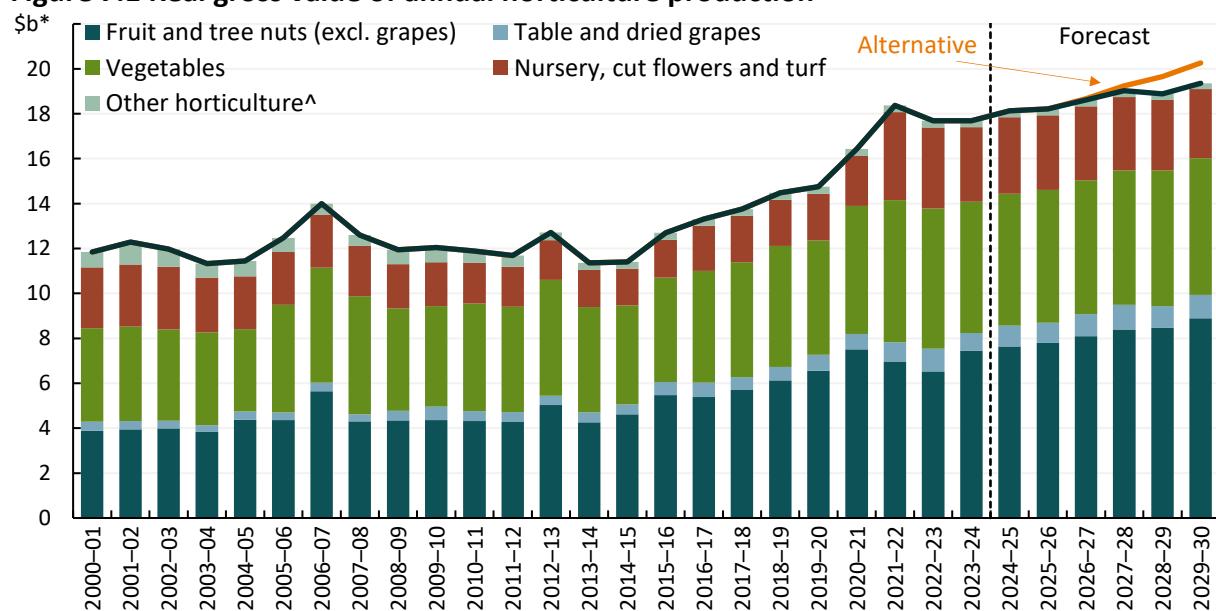
- Value of horticulture production to rise by 4% to \$18.8 billion in 2025–26.
- Value of horticulture exports to increase by 4% to \$4.1 billion in 2025–26.
- Horticulture export prices to fall in 2025–26, reflecting increased global supply and weaker demand.
- Real value of horticulture production and exports to be higher over the medium term.

### Value of horticulture production to reach a record high

The **nominal value of horticulture production** is forecast to increase by 5% to a record \$18.1 billion in 2024–25. Rising production values reflect increased production volumes and higher prices for export-focused industries.

In 2025–26, the **nominal value of horticulture production** is forecast to increase by 4% to \$18.8 billion driven by higher production, slightly offset by lower prices. Production volume outcomes are expected to be average to above average, supported by relatively high irrigated water availability (see *Seasonal Conditions*).

**Figure 7.1 Real gross value of annual horticulture production**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian Dollars. ^Other horticulture includes coffee, essential oils, spices, tea, vegetables for seed, and other miscellaneous horticulture products.

Source: ABARES; ABS; Hort Innovation

Over the medium term, **real horticulture production values** are projected to rise, reaching \$19.3 billion by 2029–30 (Figure 7.1). Higher production values reflect rising horticulture production and steady prices in real terms.

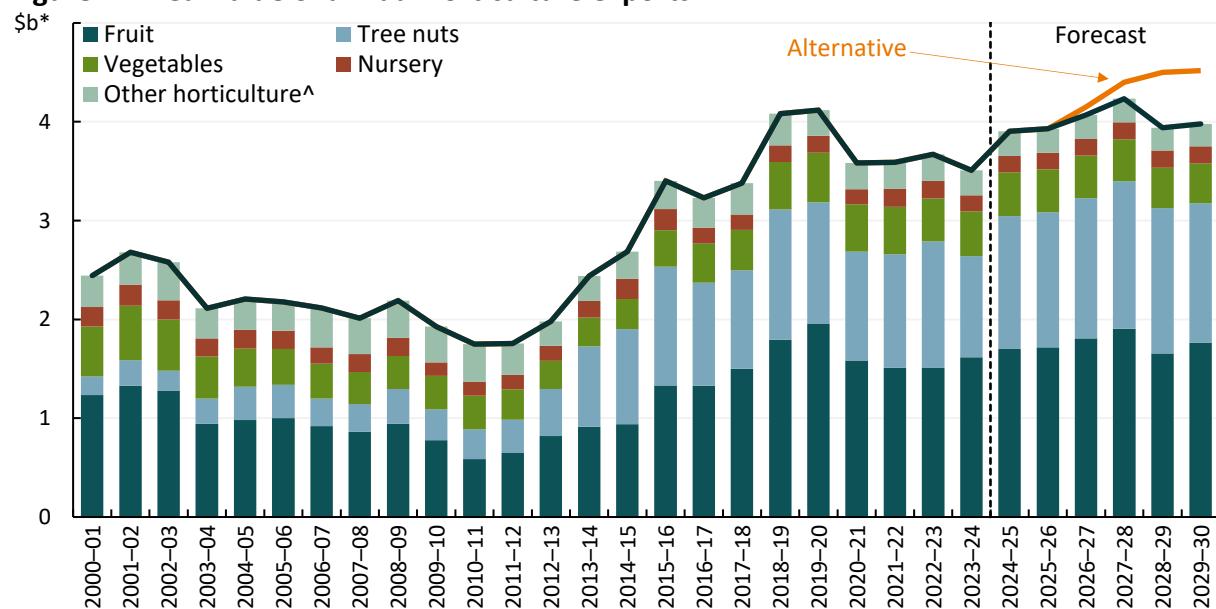
In the alternative scenario, the value of horticulture production is forecast to increase, but by more than in the baseline scenario (see Box 7.1; Figure 7.1). A stronger outlook for consumer spending in Australia and in key export markets is expected to drive increased demand and support horticulture prices (see Box 7.1; *Economic Outlook*).

The nominal value of horticulture production in 2024–25 is forecast to be \$0.2 billion higher than expected in the *December 2024 Agricultural Commodities Report*. This reflects upward revisions to production volumes and prices of some horticulture commodities.

## Rising export values driven by higher export volumes

**Nominal horticulture export values** are expected to rise by 14% to \$3.9 billion in 2024–25, and by a further 4% to \$4.1 billion in 2025–26. Rising export values are driven by increases in fruit and nut export volumes, in line with strong domestic production due to favourable climate conditions. However, horticulture export prices are expected to fall in 2025–26, slightly offsetting increases in export value, with world supply growth to outpace demand growth (see *World supply*).

**Figure 7.2 Real value of annual horticulture exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian Dollars. ^Other horticulture includes mainly coffee, essential oils, spices, tea, vegetables for seed and other miscellaneous horticulture products.

Source: ABARES; ABS

Over the medium term to 2029–30, **real horticulture export values** are projected to grow, ranging between \$3.9–4.2 billion (Figure 7.2). While global prices for export-focused industries are projected to decline in real terms due to subdued global demand, this is expected to be more than offset by higher export volumes. Export values are expected to decline during less favourable growing conditions, such as in 2028–29. In addition, fewer premium-grade products will be shipped to high value markets overseas, which typically receive higher prices (see *Export Prices*).

In the alternative scenario, real horticultural export values are forecast to remain consistently higher, compared to the baseline scenario, driven by a stronger global economic outlook (Figure 7.2; see Box 7.1). Assuming minimal trade restrictions, strong global demand from Asia and a stronger Chinese economy—Australia’s most valuable export market—this scenario is expected to drive positive export growth through higher prices and increased export volumes. However, as Australia’s exchange rate appreciates to its longer-term average, this reduced export competitiveness.

The nominal value for horticulture exports for 2024–25 is forecast to be broadly in line expectations in the [December 2024 Agricultural Commodities Report](#).

#### **Box 7.1 Key differences between the baseline and alternative scenario for horticulture**

The real value of horticulture production is forecast to rise over the outlook period through to 2029–30, for both scenarios. Values in the alternative scenario are expected to increase by more than the baseline scenario as a stronger outlook for consumer spending in Australia and in key export markets is expected to drive increased demand, supporting horticultural prices.

##### **In the baseline scenario:**

Production volumes are expected to continue rising across the entire outlook period, following their long-term growth trend and driven by expanding planted areas and higher yields as more trees reach bearing age. Almond production is expected to grow at a slower pace, with yields falling below average as older trees reach the end of their productive life – potentially encouraging new plantings.

Horticulture production is expected to be less affected by changing seasonal conditions compared to other crops given horticulture's use of irrigated water: for example, assumed wet conditions in 2026–27 and 2027–28 are expected to support high water availability and lower water prices, benefiting irrigated horticulture crops.

However, production increases will be offset slightly by increased occurrence of pests and diseases present in wet climates.

Real average horticulture prices are projected to remain relatively steady over the medium term. Consistent domestic demand, supported by population growth and easing of cost-of-living pressures is expected to match growing domestic supply of fruits and vegetables.

##### **In the alternative scenario:**

Australian production volumes are also projected to rise over the outlook period driven by stable demand and population growth. However, production is forecast to be marginally lower compared to the baseline scenario as drier conditions over the outlook weigh on production – especially in 2026–27 with the assumed onset of very dry conditions (see *Seasonal Conditions*).

Real average horticulture prices are projected to remain relatively stable in the alternative scenario but slightly higher compared to the baseline scenario. The assumed drier climatic conditions are projected to reduce domestic production volumes, particularly in 2026–27, when lower water availability and rising water prices are expected to further constrain production and place upward pressure on horticulture prices. In addition, stronger income growth and consumer confidence relative to the baseline scenario is expected to further drive prices higher, particularly for discretionary horticulture produce.

Production volumes are expected to be steady, from 2027–28 supported by rising domestic prices of fruits and vegetables, with more increased domestic demand. Improved yields with more favourable climate conditions, and high water availability are also expected to support horticulture production.

## **Domestic and export prices to trend differently**

Domestic horticulture prices to decline in 2024–25, but rise over the outlook. In 2024–25, **Australian prices for fruits and vegetables** are expected to decrease marginally as favourable growing conditions support higher domestic supply (Figure 7.4). In addition, subdued demand is also expected to suppress prices as cost-of-living pressures continue to weigh on household spending (see *Economic Outlook*).

In 2025–26, domestic fruit and vegetable prices are expected to increase as improving demand is forecast to more than offset rising domestic supply. Expected rising real disposable incomes in

Australia and a stronger outlook for consumer spending given likely interest rate cuts is forecast to support greater fruit and vegetable consumption (see *Economic Outlook*).

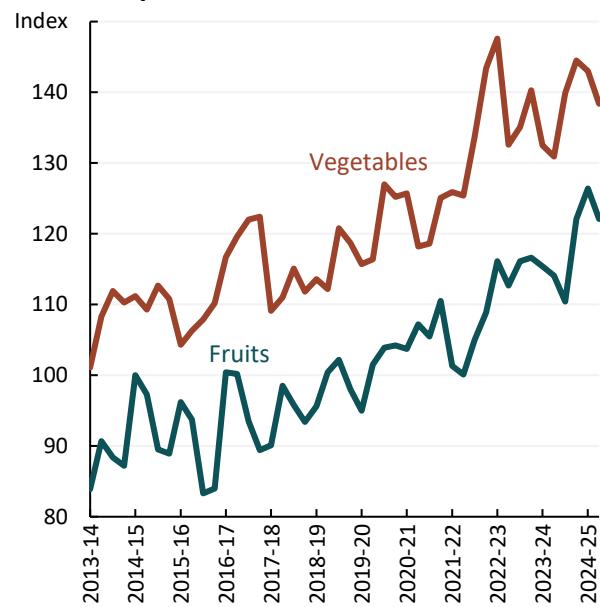
However, expected rising domestic supply of fruits and vegetables given assumed favourable growing conditions, will slightly offset the price increase.

Over the medium term, **real average horticulture prices** are projected to remain relatively steady, supported by consistent domestic demand and population growth. By contrast, real average prices are expected to rise in the alternative scenario given assumed drier seasonal conditions and a more robust economic outlook (see Box 7.1).

### Export prices to decline in 2025–26 and into the outlook period

**Average nominal horticulture export prices** are forecast to rise in 2024–25 as world demand rises at faster rate than world supply. However, nominal prices are expected to fall in 2025–26, particularly for export-focused horticulture industries such as almonds, macadamias, table grapes and citrus (Figure 7.4).

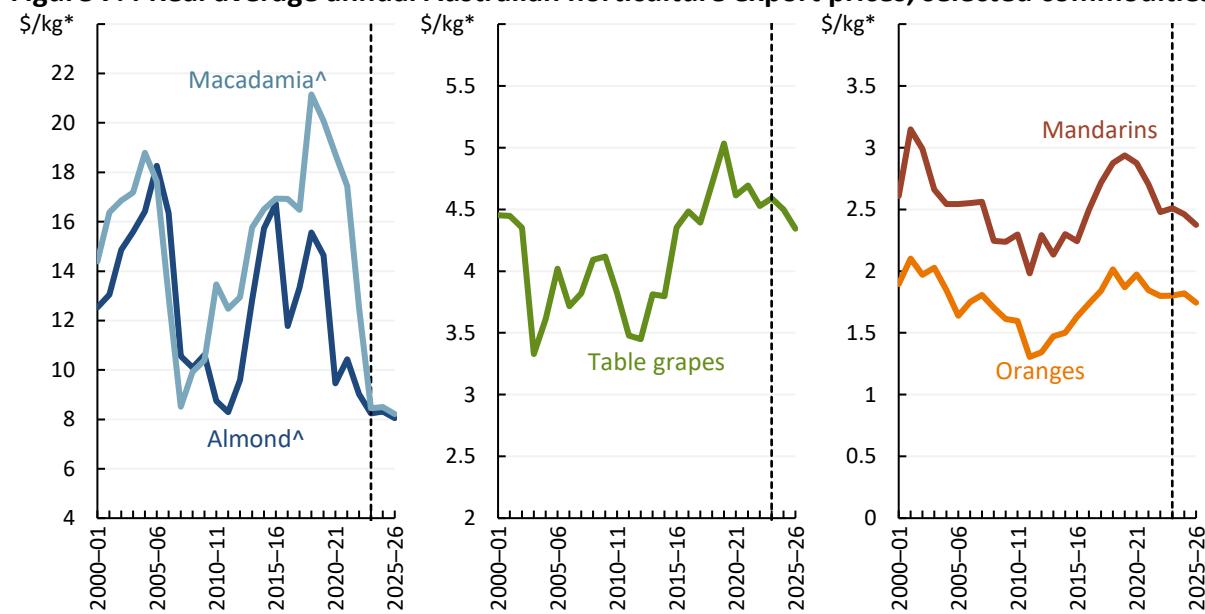
**Figure 7.3 Quarterly fruit and vegetable domestic price index**



Note: Quarterly ABS Consumer Price Index. Price index  
2011–12=100.

Source: ABARES, ABS

**Figure 7.4 Real average annual Australian horticulture export prices, selected commodities**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian Dollars. ^Kernel weight equivalent.

Source: ABARES; ABS

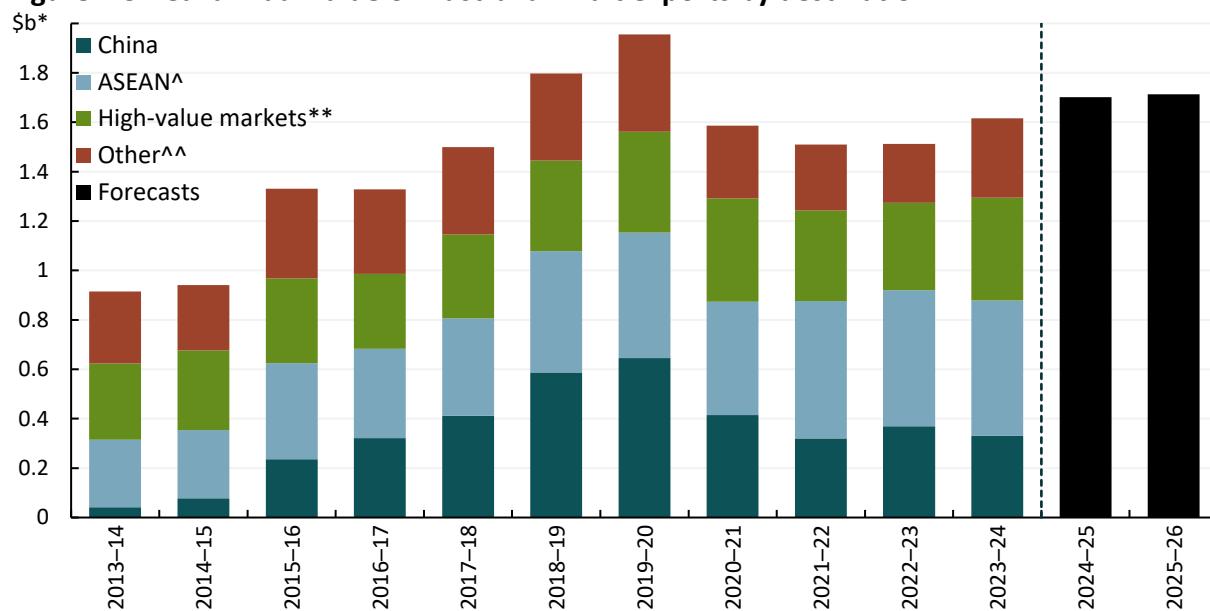
Declining export prices are being driven by:

- Nominal **almond prices** are expected to fall to \$8.30 per kg in 2025–26 due to higher world supply. California, the world's largest almond producer, is expected to reach its [third highest almond crop for 2024–25](#), despite declining from a high in 2023–24; two consecutive years of high

production are forecast to keep global stocks elevated in 2024–25 and 2025–26, pushing down global prices.

- Nominal **macadamia prices** are expected to fall to \$8.47 per kg in 2025–26. Supply growth in key growing regions such as South Africa, China and Australia, has increased at a rate which is outpacing demand growth, and which is expected to persist in 2025–26.
- Nominal **fruit prices**, including table grapes, oranges and mandarins, are expected to decline in 2025–26, due to weaker global demand, including from China, a major importer of Australian fruits.
  - In 2023–24, China accounted for 20% of Australia's total fruit exports, valued at \$330 million in real terms (Figure 7.5). While exports to China remain strong, exports declined by 10% in 2023–24, reflecting subdued Chinese consumer spending. Subdued spending is expected to continue into 2024–25 and 2025–26, placing downward pressure on prices.
  - However, continued rising demand from emerging countries in Asia (including Indonesia, Malaysia, Philippines, Thailand and Vietnam) and high-value markets (such as Japan, Korea and Hong Kong) is expected to partially offset price declines. In 2023–24, exports to these markets remained relatively stable (valued at \$548 million in real terms), and 18% (valued at \$417 million), respectively (Figure 7.5).

**Figure 7.5 Real annual value of Australian fruit exports by destination**



Note: Data to the right of dotted line indicates forecasts and projections. \*2024-25 Australian dollars. ^Includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. \*\*Japan, Korea and Hong Kong. ^^Rest of world.

Source: ABARES; ABS

Over the outlook period, **real horticulture export prices** are expected to slightly decline as global supply outpaces demand. By contrast, Australian prices are expected to remain steady, as recovering consumer demand is forecast to offset the increase in supply (see [Australian Prices](#)). For the nut sector, global almond and macadamia trees are continuing to reach full maturation, leading to steady annual increases in global supply. Higher supply, combined with an assumed weaker global economy, is expected to put downward pressure on prices. For fruits, prices are also projected to decline in real terms; however, continued strong demand from key markets such as Korea and Japan may provide some support. In the alternative scenario, a stronger global economy is expected to drive prices higher than in the baseline scenario.

## Production and export volumes to rise over the outlook

### Domestic production rising with favourable growing conditions

**Australian horticulture production** is forecast to rise in 2024–25, driven by increases to planted area and higher yields for fruits and nuts. New plantings of fruit and nut trees, in recent years, are expected to reach bearing age and enter production in 2024–25, therefore raising crop yields. However, horticulture production volumes have been revised slightly down compared to the [December 2024 Agricultural Commodities Report](#). Over the summer of 2024–25, heavy rainfall in north Queensland affected various fruit commodities, particularly banana production.

#### Box 7.2 Flooding impact in North Queensland over the summer of 2024–25

During late January and early February 2025, a series of low-pressure systems brought persistent heavy rainfall and widespread flooding across parts of north and far north Queensland leading to widespread flooding, crop and farm infrastructure losses and lengthy road closures (see *Seasonal Conditions*).

Reports indicate that sugarcane and bananas have been impacted by the flooding, damaging some crops, and farm infrastructure. While total impacts are still unclear, this is likely to affect aggregate 2024–25 production, with short-term supply shortages and supply chain disruptions expected to drive banana prices up. Once flood waters recede, the effects on other key horticulture crops, such as sweet corn, tomatoes, beans, capsicums, mangoes, melons, and avocados can be determined.

Australian sugar production is currently forecast to rise in 2025–26 to 4.2 million tonnes – reflecting an improvement in labour availability and more favourable seasonal conditions relative to 2024–25. However, as with horticulture, the impacts of flooding are yet to be determined.

In 2025–26, Australian production is forecast to continue increasing, supported by average to above average seasonal conditions and high water availability. The continued maturation of fruit and nut trees will drive increases in production volumes.

Over the medium term, production volumes are projected to continue rising, following their long-term growth trend. Australian production is also projected to rise over the outlook period in the alternative scenario, but is expected to be marginally lower compared to the baseline scenario given assumed drier seasonal conditions (see Box 7.1).

### Export volumes to increase over the outlook with increased production

**Australian horticulture export volumes** are expected to rise in 2024–25 and 2025–26, consistent with rising domestic production. In addition, a relatively low USD exchange rate is also expected to support demand for Australian exports denominated in Australian dollars.

- **Nut export volumes**, including almonds and macadamias, are forecast to increase in both financial years. However, an expected large US almond crop in 2024–25 is expected to increase global stocks and could reduce demand for Australian exports.
- **Fruit export volumes**, such as table grapes, oranges and mandarins are forecast to increase in 2024–25 and 2025–26, alongside rising domestic production. Furthermore, strong demand from both emerging economies, such as India, Vietnam and Thailand, as well as high-value markets such as China, Japan and Korea, is expected to drive increasing export volumes.

Export volumes in the baseline and alternative scenarios are projected to rise over the outlook period consistent with production volume projections, with export volumes slightly higher in the alternative scenario driven by drier seasonal conditions (see Box 7.1).

## World supply and demand to rise

**World nut supply** is forecast to increase with higher almond and macadamia production. California's expected large crop in 2024–25 is forecast to increase global stock levels and carry through into 2025–26, slightly putting downward pressure on prices. High macadamia prices prior to 2022–23 – given strong global demand – led to significant plantation expansion particularly in China, South Africa, and Australia.

**World table grapes supply** is expected to increase in 2024–25, as higher volumes in China, India and the United States more than offset expected production losses in the European Union. Sustained high global prices and strong demand into 2025–26 is expected to support further supply growth.

In contrast, **world citrus supply**, including oranges and mandarins, is expected to decline in 2024–25, before recovering slightly in 2025–26 with expected better seasonal conditions in key growing regions. In 2024–25, lower orange production in Egypt, Turkey, the United States, and European Union, is expected to outweigh supply increases in Brazil, driving global prices higher. Unfavourable weather and lower yields in Turkey will also reduce mandarin production. However, as production recovers among global producers, citrus prices are expected to ease.

**World demand for horticulture commodities** is forecast to increase in 2024–25 and 2025–26. Rising incomes and population growth in emerging markets like India and Southeast Asia will continue to drive demand for fruits and nuts. Additionally, high-value markets such as China, Korea and Japan are anticipated to maintain strong demand for premium-quality produce, particularly from Australia.

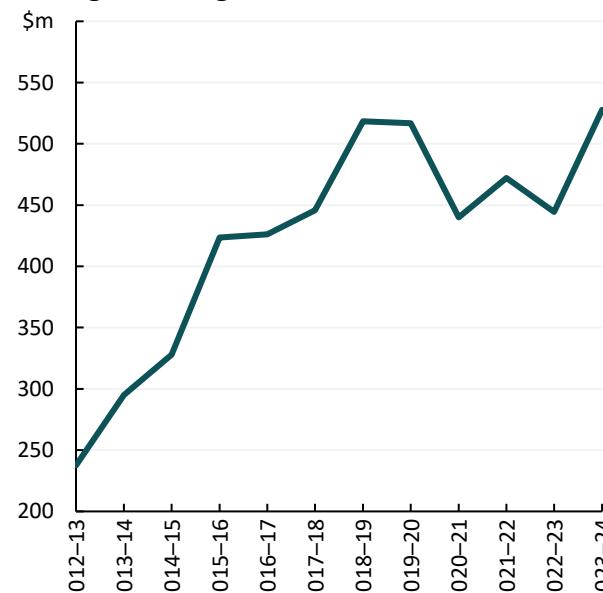
## Opportunities and challenges

### Western Sydney Airport to facilitate horticulture exports

A new airport in western Sydney due to commence operations in 2026 creates an opportunity to expand Australia's horticulture exports, leveraging this supply chain to deliver fresh produce internationally. The [Western Sydney \(Nancy-Bird Walton\) Airport](#) is located in the suburbs of Luddenham and Badgerys Creek in New South Wales. This full-service airport is expected to operate curfew-free to deliver both domestic and international services.

Given expected ongoing strong demand for Australian horticultural produce, particularly in Asia – [where the population is projected to reach 5.3 billion by 2050 \(55% of the global population\)](#) – the new airport offers Australia the potential to tap into a vast and diverse consumer market. In 2023–24, Australian horticulture exports transported by air was valued at \$527 million, representing 15% of Australia's \$3.4 billion horticulture exports total export value (Figure 7.6). In 2023–24 horticulture exports by air grew 19% over the previous year.

**Figure 7.6 Australian horticulture exports through air freight**



Note: Horticulture exports via air freight.

Source: ABS; ABARES

## ACCC inquiry investigation into supermarket pricing

The [Horticulture Code of Conduct](#) is a mandatory industry code prescribed under the Competition and Consumer Act 2010, regulating transactions between wholesalers and growers. However, this industry code does not directly apply to Australian supermarkets, unless they purchase produce directly from growers, without involving a wholesaler. Instead, Australian supermarkets operate under a voluntary grocery code of conduct governing their relationships with farmers.

On 24 January 2024 the Australian Government directed the Australian Competition and Consumer Commission (ACCC) to conduct an inquiry into Australia's supermarket sector, including the pricing practices of supermarkets and the relationship between wholesale (including farmgate), and retail prices.

The *year-long inquiry* will also examine competition in the supermarket sector and how it has changed since the ACCC's last inquiry in 2008. On 27 September 2024, the ACCC released its interim report. The final report, including recommendations, was due to the government on 28 February 2025.

# 8 Wine grapes

Fred Litchfield

f Australian average farmgate  
price of wine grapes.

**Wine grapes**  
Prices to rise driven by  
increased demand for  
premium wine from China.

## Key points

- Value of Australian wine grape production to rise by 3% to \$966 million in 2025–26.
- Value of Australian wine exports to increase by 4% to \$2.7 billion in 2025–26.
- Average wine grape prices expected to increase but remain below long-term averages.
- Real value of wine grape production and wine exports to trend down over the medium term to 2029–30.

## Value of wine grape production to rise but remain below average

The nominal value of wine grape production is forecast to rise by 7% to \$937 million in 2024–25.

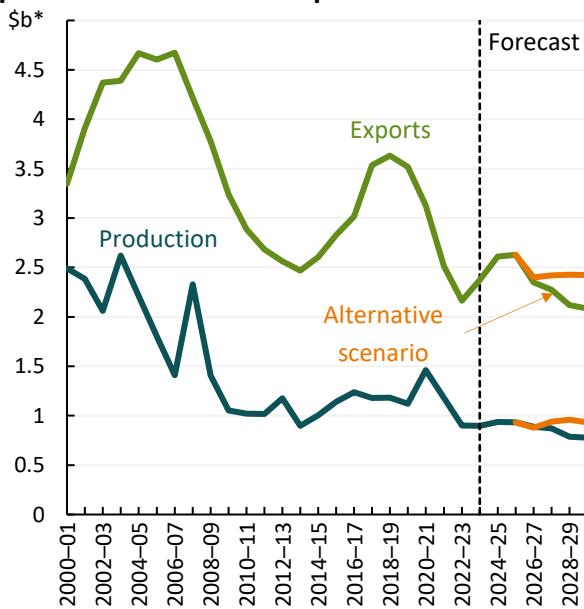
Rising production values reflect a larger wine grape crush and higher prices for both red and white wine grapes. In 2025–26, the nominal value of wine grape production is forecast to increase by 3% to \$966 million, as wine grape prices are expected to rise, albeit remain below long-term averages.

Over the outlook period to 2029–30, real wine grape production values in the baseline scenario are projected to decline and range between \$780 million to \$890 million (Figure 8.1) reflecting both lower wine grape crush projections and subdued prices.

In the alternative scenario, the real value (adjusted for expected inflation) of wine grape production is expected to be higher and remain relatively steady over the outlook period (Figure 8.1). Prices are projected to be higher in this scenario with a stronger outlook for disposable income growth and in turn greater demand for discretionary products in (see Box 8.1).

The nominal value of wine grape production in 2024–25 is expected to be 3% lower than forecast in the [December 2024 Agricultural Commodities Report](#). This is driven by a downward revision to the wine grape crush.

**Figure 8.1 Real value of annual wine grape production and wine exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS.

## Value of exports to increase in 2025–26 but fall over outlook

**Nominal wine export values** are forecast to increase to \$2.6 billion in 2024–25, up by 13% from \$2.3 billion in 2023–24. Higher export values are driven by both higher export volumes and predominantly higher prices, particularly for premium wine. Nominal export values are forecast to increase by a further 4% in 2025–26 to \$2.7 billion as demand from buyers in China remains strong, and a weak Australian dollar supports exports to other key markets.

In contrast to the forecast increases in the near term, **real wine export values** are projected to fall over the medium term (ranging between \$2.1 and \$2.3 billion) to 2029–30 (Figure 8.1). Real export values are expected to be lower due to a relatively subdued global economic outlook in the baseline scenario, which is projected to reduce discretionary spending on products such as wine.

In the alternative scenario, the real value of wine exports is also projected to fall over the outlook period, but by less than in the baseline scenario, remaining relatively steady around \$2.4 billion annually (Figure 8.1). Demand for wine in key export markets is expected to be supported by a stronger economic outlook for consumption in this scenario (see *Overview*), albeit partly offset by a higher Australian dollar and continued consumer substitution into other beverages.

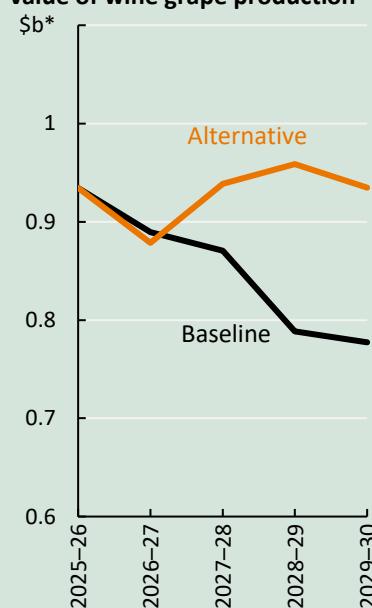
The forecast value of wine exports for 2024–25 is expected to be 3% higher than forecast in the [December 2024 Agricultural Commodities Report](#). This is driven by an upwards revision to export prices and volumes in recent export data.

### Box 8.1 Key differences between the baseline and alternative scenario for wine grape production value

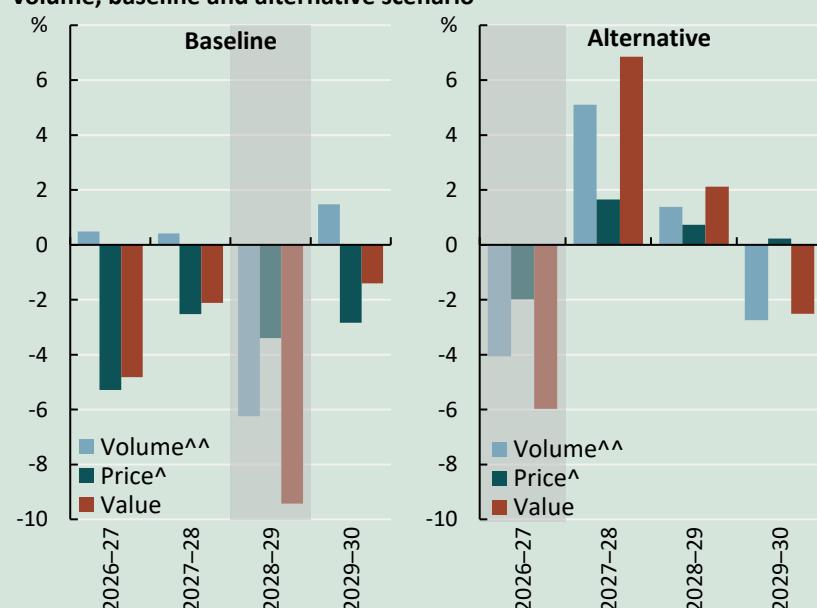
The real value of wine grape production over the medium-term outlook period from 2026–27 to 2029–30 is \$385 million higher (in aggregate over four years) in the alternative scenario compared to the baseline (Figure 8.2).

Real wine grape prices are expected to be lower overall in the baseline scenario than in the alternative (Figure 8.3), with global wine consumption projected to decline at a faster rate because of subdued household discretionary spending. A more optimistic outlook for household disposable income and consumer confidence in the alternative scenario is expected to result in higher wine grape production values due to greater demand from winemakers.

**Figure 8.2 Projected annual real value of wine grape production**



**Figure 8.3 Annual change in value of wine grape production by price and volume, baseline and alternative scenario**



Note: Shaded bar represents assumed dry year. ^Gross unit value (c/kg); ^^Production (kt). In 2024–25 Australian dollars.  
Source: ABARES

**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30. Global economic growth is assumed to be below average, with the presence of trade disruptions; however, an assumed lower exchange rate is expected to support the competitiveness of Australian wine exports.

- Relatively wet seasonal conditions in the early years of the baseline scenario are projected to increase water availability, driving strong wine grape production, partially offset by an increase in disease pressures. In contrast, the drier seasonal conditions assumed for 2028–29 and a return to neutral conditions in 2029–30 are projected to lower water availability but lead to earlier fruit ripening. Across all years in this scenario, reduced bearing area of vines and, in turn production, is expected due to subdued demand for grapes from winemakers.

**In the alternative scenario**, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30. Global economic conditions and demand are assumed to be more robust; however, a stronger exchange rate assumption (see *Economic Outlook*) is expected to reduce the competitiveness of Australian wine exports.

- Relatively dry seasonal conditions in 2026–27 are expected to reduce production in both that year and the subsequent one, because of expected flow-on effects on the availability of irrigation water. However, global economic conditions are assumed to be stronger in the alternative scenario than in the baseline leading to greater grape demand from winemakers and increased production in this scenario, particularly in 2027–28 and 2028–29.

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

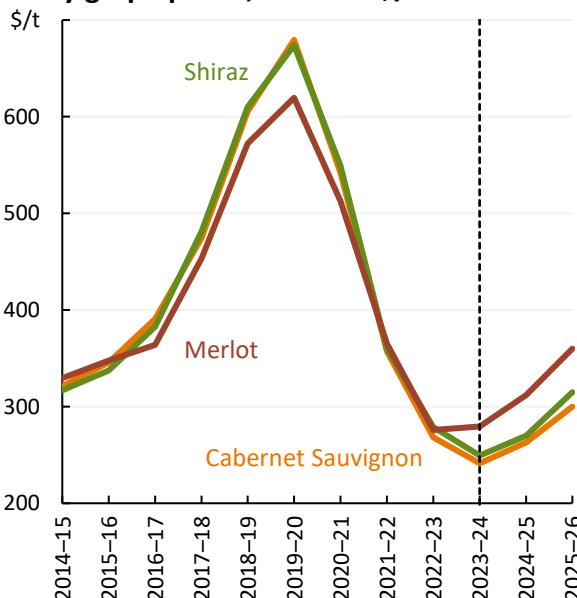
## Red wine grape prices to rise but remain below average

Australian wine grape prices are forecast to rise on average in 2024–25, but to differing degrees across varieties and regions. Prices are forecast to rise further in 2025–26, driven by improved demand from winemakers; however red wine grape prices are still forecast to remain well below the 10-year average to 2023–24.

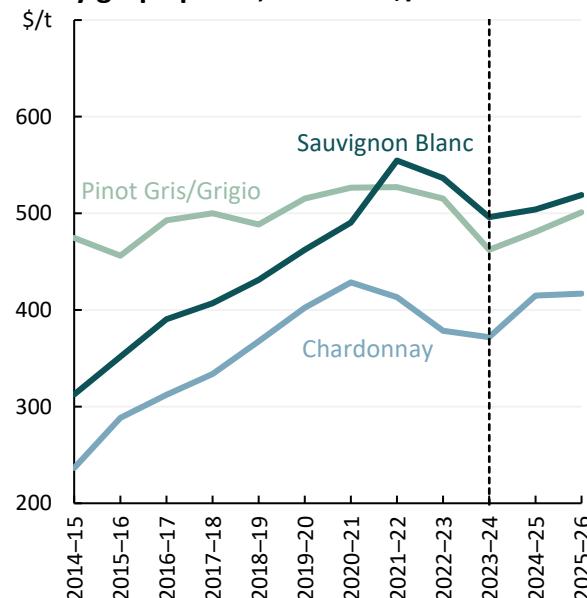
**Prices for red varieties in warm inland regions** are expected to increase slightly in 2024–25, with 8%–12% annual increases forecast for Shiraz, Cabernet Sauvignon, and Merlot grapes (Figure 8.4). Somewhat improved winemaker demand given higher wine export prices on average is expected to support red wine grape demand. However, high stock levels and declining wine consumption both in Australia and overseas are expected to keep prices well below the long-term average. Red grape prices in warm inland regions are expected to increase by 14%–17% in 2025–26, but nonetheless remain 30%–43% below the 10-year average to 2023–24 in real terms.

**Prices for white varieties in warm inland regions** are expected to increase in 2024–25, particularly for Chardonnay (Figure 8.5). A lower expected crush – arising from frost damage early in the season to a large area of mostly Chardonnay vines in the Riverland and other regions – is expected to support greater competition among winemakers for Chardonnay grapes. The consumption outlook for white variety grapes is expected to remain more favourable than reds into 2025–26, with white wine grape prices nationally forecast to be just 4% below the 10-year average to 2023–24 in real terms.

**Wine export prices** are forecast to increase by 10% to average \$4.01 per litre in 2024–25, primarily driven by the re-opening of the Chinese market. Chinese demand for Australian wine exports to date in 2024–25 has been particularly strong for **cool climate and premium** Australian wines. Wine export prices are forecast to remain relatively steady in 2025–26 and average around 1% below the 10-year average in real terms.

**Figure 8.4 Average annual warm inland red variety grape prices, nominal \$/t**

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 8.5 Average annual warm inland white variety grape prices, nominal \$/t**

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.

## Production to be constrained by subdued demand

**Wine grape production** is forecast to remain relatively steady in 2024–25 at 1.44 million tonnes (increasing by 1% from 2023–24). This level of production is well below the 10-year average to 2023–24.

**White wine grape production** is expected to decline by 8% due to frost damage to some vines in the major producing regions of the Riverland, Riverina, and Barossa Valley. This has reduced the yield and quality potential, incentivising growers to leave some blocks unpicked. Outside of frost affected regions, high water storages and a mostly hot and dry summer (reducing disease risk) has led to early ripening in many regions and is expected to lead to strong production outcomes.

**Red wine grape production** is expected to rebound somewhat in 2024–25 on the back of stronger export demand. Favourable climate conditions over summer are supporting yield potential in most regions and fewer growers are expected to leave grapes unpicked due to a modest improvement in winemaker demand. However red grape prices for bulk wine are expected to remain significantly below average and below the cost of production for many growers, constraining the overall volume of red grapes expected to be crushed in 2024–25.

In 2025–26, wine grape production is forecast to remain relatively steady at 1.43 million tonnes. This forecast is based on an expected increase in white grapes crushed, assuming a return to average climate conditions; and a partially offsetting decline in red grapes crushed with reduced bearing area and some grapes remaining unpicked. The total wine grape crush is expected to remain below average and below potential capacity based on vineyard area due to still high red wine stocks and subdued demand from winemakers.

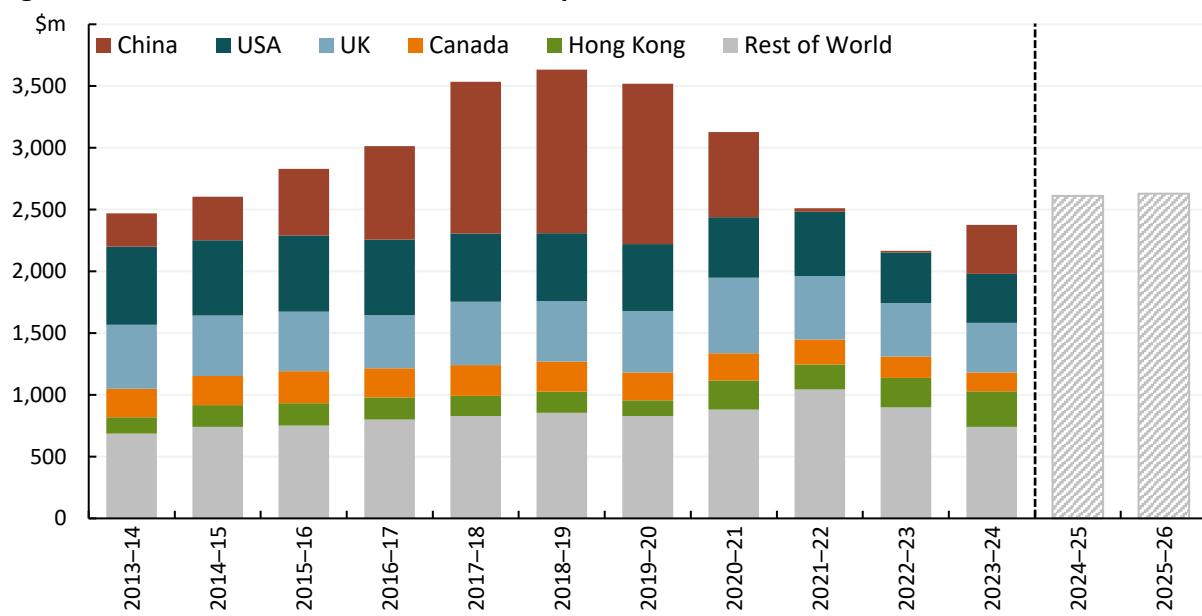
## Chinese demand driving a modest rise in wine export volumes

Australian **wine export volumes** are forecast to increase by 3% to 651 million litres in 2024–25 as greater demand from China offsets weaker demand from Hong Kong, the United States and the United Kingdom. Australian **wine exports to China** increased significantly following the removal of

trade restrictions in late-March 2024, particularly for premium and luxury brands. The volume and value of wine exports to China in 2025–26 is expected to remain steady but below pre-COVID levels (Figure 8.6) due to several factors:

- Lower wine consumption driven by greater competition from other alcoholic beverages, such as Baijiu, and a trend towards lower alcohol consumption amongst some sectors of the population.
- Subdued consumer confidence and lower household wealth limiting discretionary product spending.
- Strong competition from other exporters and Chinese domestic producers keeping wine retailer stocks high.

**Figure 8.6 Real value of Australian wine exports**



Note: In 2024–25 Australian dollars. Data to the right of the dotted line indicate forecasts.

Source: ABARES; ABS.

## World wine supply expected to fall in 2024–25

World wine production is expected to fall in 2024–25 driven by a lower Northern Hemisphere harvest in 2024. Poor climate conditions across **France** and **Italy** are expected to have led to significantly below average harvests. In **California** and **South America**, wine production is expected to continue to be constrained by elevated bulk wine inventory and a reduced bearing area following significant vineyard removals in recent years. However, declining world wine supply is expected to be more than offset by lower aggregate wine consumption across major markets in 2024–25.

## World wine consumption

**World wine consumption** is expected to continue to decline in 2024–25. Per capita wine consumption in major wine consuming markets (particularly **China**) has been falling for the past decade, driven by competition from other alcoholic beverages and the rise of health-conscious consumers seeking to reduce alcohol consumption. The shift in alcohol preferences is most pronounced in younger cohorts, with a stronger preference towards spirits. The outlook for world **white wine** consumption is slightly more favourable due to the prevalence of lighter wines and those available in alternative packaging and flavour formats.

Wine consumption in key markets such as the **United States** and **United Kingdom** is also being limited by weak growth in household disposable income, which in turn weighs on discretionary

spending. High inflation and interest rates in recent years have cut into household budgets and undermined consumer confidence. This has also been the case in **Australia** where wine consumption has been falling. Wine Australia data indicates that the domestic consumption market accounted for an average of 40% of Australian wine production over the 5 years to 2023–24. Total wine sales have also been limited by reduced cellar door tourism as some consumers cut back on discretionary spending. However, the outlook for disposable income growth is expected to improve in 2025–26 (see *Economic Outlook*), providing some support to wine consumption.

Over the medium term to 2029–30, the long-trend of declining wine consumption per capita is consistent in both the baseline and alternative scenario. However, a stronger economic outlook for global consumption and discretionary spending in the alternative scenario is expected to support more robust global demand for wine.

## Opportunities and challenges

### Potential for increased barriers to global wine trade

Most economic forecasters have discussed the risk of increased tariffs to global trade flows in 2025 given recent announcements from the US government administration (see *Economic Outlook*). In 2023–24, the United Kingdom, China, and the United States were Australia's most valuable wine export markets.

The potential for increased barriers to global wine trade in 2025 and 2026 creates uncertainty concerning demand for Australia's wine exports across world markets. However, the magnitude, scope, and secondary effects of trade barriers (such as policy responses or trade diversification) can impact the competitiveness of Australian wine exporters in a variety of channels.

### Independent analysis of regulatory improvements for the Australian grape and wine sector

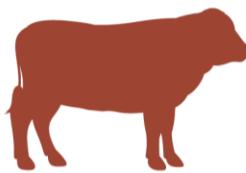
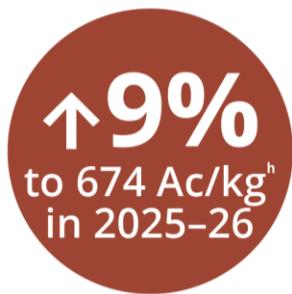
On 23 August 2024, the Hon Julie Collins MP, Minister for Agriculture, Fisheries and Forestry, announced that Dr Craig Emerson has been appointed to lead an independent impact analysis of regulatory options for the Australian grape and wine sector concerning fair trading, competitive relationships, contracting practices and risk allocation. Consultation has concluded and the report and recommendations are due to government in early 2025.

Currently in Australia, the Code of Conduct for Australian Winegrape Purchases is a non-prescribed voluntary industry code. Winemakers who elect to become signatories are governed by the Code in their commercial dealings with growers. However, the forthcoming report will include analysis of whether there is market failure in the grape and wine sector that should be addressed with further regulatory or other interventions. In future this may provide an opportunity for wine grape growers to better manage input use in relation to market price signals.

Separate to this analysis, on 19 September 2024, the Senate referred an inquiry into the Australian winegrape purchases code of conduct to the Rural and Regional Affairs and Transport References Committee, with a [report](#) released on 28 February 2025. The Committee's recommendations include: a mandatory code of conduct for Australian winegrape purchases; enhanced collection and dissemination of wine and grape information; support to aid growers transition out of winegrapes; and investment in supporting exports and cellar door sales.

# 9 Beef and veal

Alistair Read



<sup>h</sup> An average of heavy steer and processor cow saleyard prices.

## Beef and veal

Cattle saleyard prices to rise with higher processor demand.

### Key points

- Value of beef, veal and live cattle production to rise by 1% to \$18.4 billion in 2025–26.
- Value of beef, veal and live cattle exports to fall slightly to \$15.8 billion in 2025–26.
- Cattle saleyard prices and beef export prices to rise in 2025–26, reflecting strong demand.
- Real value of beef, veal and live cattle production and exports to be lower over the medium term.

### Value of production to rise in 2025–26 but fall over outlook

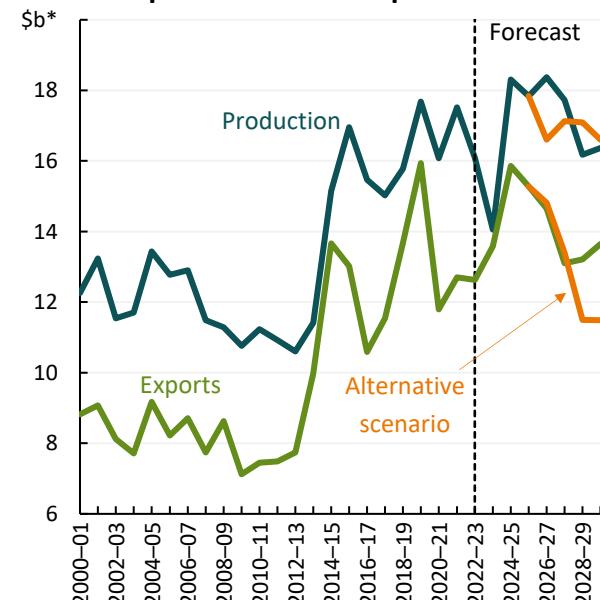
Nominal beef, veal and live cattle production values are forecast to rise to \$18.3 billion in 2024–25, up by 34% from an estimated \$13.7 billion in 2023–24. Rising production values reflect both higher cattle saleyard prices and production volumes. In 2025–26, the nominal value of beef, veal and live cattle is forecast to rise to \$18.4 billion (up by 1%), as higher cattle saleyard prices are expected to more than offset a small fall in beef production.

Over the outlook period to 2029–30, real beef, veal and live cattle production values are projected to rise initially and then fall (ranging between \$16.2–18.4 billion), ending at \$16.4 billion in 2029–30 (Figure 9.1). The lower production values reflect falling beef production, due to herd rebuilding, outweighing higher saleyard prices.

In the alternative scenario, the real value of beef, veal and live cattle is also expected to fall over the outlook period, ending slightly higher than in the baseline scenario at \$16.6 billion in 2029–30 (ranging between \$16.6–17.1 billion) (Figure 9.1). Prices are projected to be lower in this scenario while production is expected to be higher initially (see Box 9.1).

The nominal value of beef, veal and live cattle production in 2024–25 is expected to be \$1.4 billion higher than forecast in the *December 2024 Agricultural Commodities Report*. This is driven by an upwards revision to cattle saleyard prices and beef production volumes to reflect recent data.

Figure 9.1 Real value of annual beef, veal and live cattle production and exports



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

## Value of exports to increase in 2025–26 but fall over outlook

**Nominal beef, veal and live cattle export values** are forecast to rise to \$15.9 billion in 2024–25, up by 20% from \$13.2 billion in 2023–24. Higher export values are driven by both higher export volumes and prices for beef, veal and live cattle. Nominal export values are forecast to fall slightly in 2025–26 to \$15.8 billion as lower production volumes result in lower export volumes, more than offsetting expected higher export prices.

In contrast to the forecast increases in the near term, **real export values for beef, veal and live cattle** are projected to fall over the medium term (ranging between \$13.1–14.6 billion), ending at \$13.6 billion in 2029–30 (Figure 9.1). Real export values are forecast to fall over the first few years of the outlook period due to expected lower Australian export prices (in real terms) and lower export volumes. Real export values are expected to stabilise towards the end of the outlook as export volumes rise, reflecting higher Australian beef production.

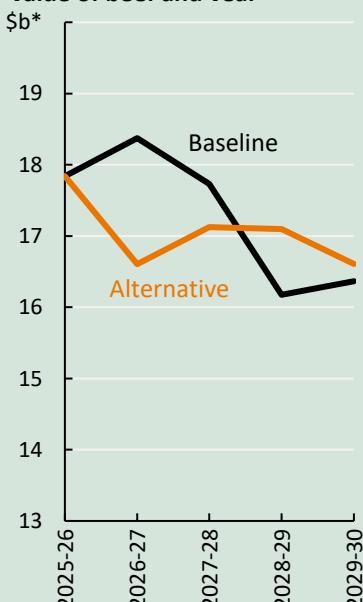
In the alternative scenario, the real value of beef, veal and live cattle exports is also projected to fall over the outlook period, ending at \$11.5 billion in 2029–30 (ranging between \$11.5–14.8 billion) (Figure 9.1). Export values are similar to the baseline scenario in the first half of the medium term as expected lower prices are offset by higher export volumes; values end lower in 2029–30 reflecting a further fall in prices (see Box 9.1).

The forecast value of beef, veal and live cattle exports for 2024–25 is expected to be 6% (\$920 million) higher than forecast in the *December 2024 Agricultural Commodities Report*. This is driven by an upwards revision to export prices and volumes reflecting recent export data.

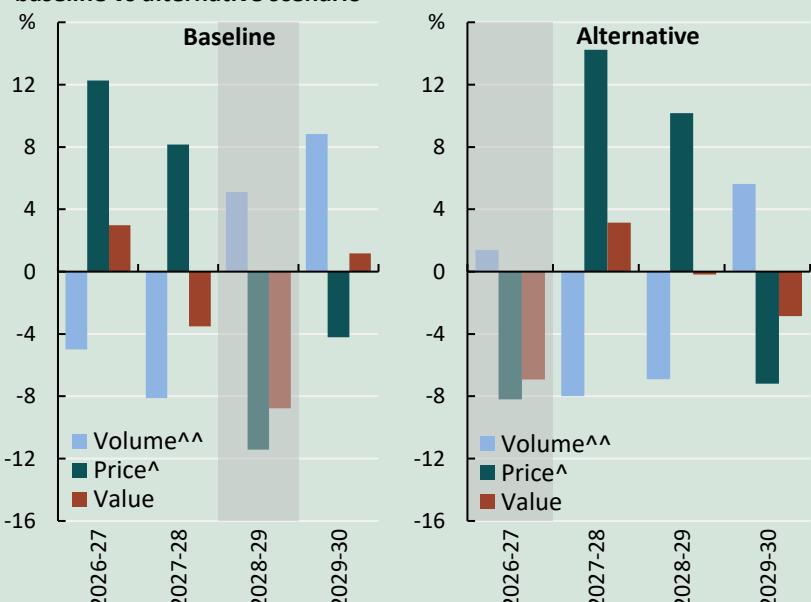
### Box 9.1 Key differences between the baseline and alternative scenarios for beef and veal

The aggregate real value of beef and veal over the outlook period from 2026–27 to 2029–30 is similar over both scenarios (cumulatively \$1.2 billion lower in the alternative scenario). In the baseline, values rise early as increasing prices offset falling production but later drops with decreasing prices. In contrast, in the alternative, prices fall before rising. (Figure 9.2; Figure 9.3):

**Figure 9.2 Projected annual real value of beef and veal**



**Figure 9.3 Annual change in value of beef and veal by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; ^Real price (c/kg); ^^Production (kt); \*2024–25 Australian dollars. Values exclude live exports.

Source: ABARES

**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Wet seasonal conditions are projected to increase pasture availability, driving rebuilding of the Australian cattle herd, thus lowering beef production and export volumes and increasing saleyard prices. However, higher cattle prices are expected to reduce demand for live feeder/slaughter cattle exports, lowering live export volumes.
- Drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to reduce pasture availability, increase cattle turn-off and lower the cattle herd, driving higher beef production and export volumes and weigh on saleyard prices. Lower cattle prices are expected to support stronger demand for live cattle exports and higher export volumes.

**In the alternative scenario**, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30. Despite global economic conditions and demand assumed to be more robust in this scenario, a stronger exchange rate assumption (see *Economic Outlook*) is expected to reduce the competitiveness of Australian exports and weigh on export prices. Together the stronger economic outlook and drier seasonal conditions at the start of the outlook period are expected to drive higher production and lower real prices compared to the baseline scenario:

- Dry seasonal conditions are assumed to incentivise turn-off, beef production and export volumes, thus lowering saleyard prices and delaying the Australian cattle herd rebuild compared to the baseline scenario. Lower cattle prices and increased turn-off are projected to support higher live export volumes.
- The assumed onset of wetter seasonal conditions in 2027–28 and 2028–29 and improved pasture availability is then projected to cause the cattle herd to enter a rebuilding phase, lowering production and increasing prices. Higher cattle prices are projected to reduce demand for live feeder/cattle exports, lowering live export volumes.
- A return to neutral conditions in 2029–30 is expected to then increase production and lower prices.

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

## Real beef prices to remain high over the outlook

### Cattle saleyard prices to rise in 2024–25 and remain elevated

Nominal average cattle saleyard prices are forecast to rise by 33% to 619 cents per kilogram (carcass weight) over 2024–25, from 466 cents per kilogram in 2023–24. The forecast recovery in saleyard prices reflects saleyard demand for cattle rising by more than the increase in supply to saleyards. Elevated beef export prices – driven by near peak US beef import demand as continued US herd destocking leads to a decline in US beef production (see Box 9.2) – are expected to increase domestic processor demand and drive-up local saleyard prices. Despite this strong rise, average cattle saleyard prices are expected to be 6% below the 10-year average to 2023–24 in real terms.

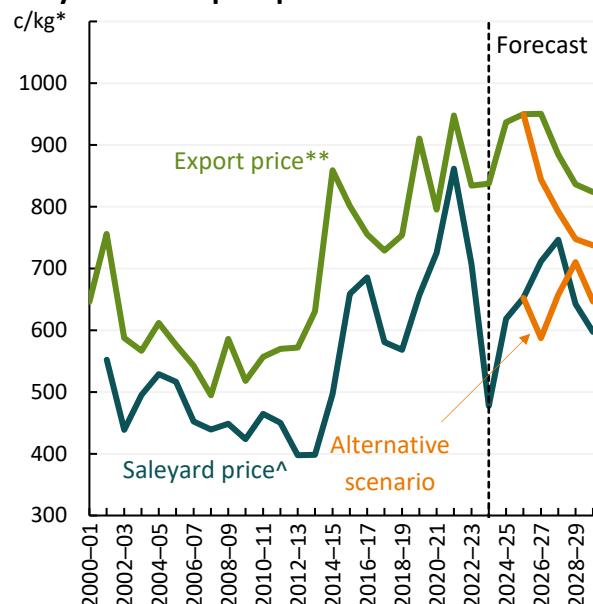
The nominal average saleyard price for cattle is forecast to rise further in 2025–26 to 674 cents per kilogram (up by 9% and around the 10-year average to 2023–24 in real terms) as saleyard demand continues to increase. Rising saleyard prices are expected to continue to be driven by strong demand from processors due to high US import demand and a relatively weak Australian dollar supporting export prices in Australian dollar terms. Restocker demand is also expected to rise modestly in 2025–26 with assumed improved seasonal conditions and pasture availability.

Over the outlook to 2029–30, the **real average cattle saleyard price** is expected to rise to 2027–28 before falling over the rest of the outlook, ending at 597 cents per kilogram in 2029–30 (ranging between 597–747 cents per kilogram) (Figure 9.4). The forecast trajectory for saleyard prices is

largely driven by assumed seasonal conditions and their expected impact on the cattle herd size and turn-off (see Box 9.1).

In the alternative scenario, the real average saleyard price of cattle is projected to initially be lower than the baseline scenario (ranging between 587–710 cents per kilogram) before rising to be higher later in the outlook, ending at 646 cents per kilogram in 2029–30 (Figure 9.4). Lower saleyard prices are largely driven by destocking during dry conditions in 2026–27 shifting restocking in line with wetter conditions thereafter (see Box 9.1).

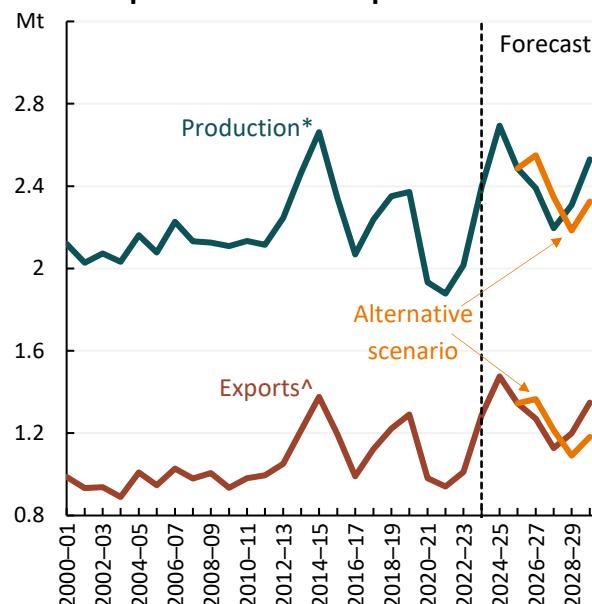
**Figure 9.4 Real average annual cattle saleyard and export price**



Note: Data to the right of dotted line indicate forecasts and projections. ^carcase weight. \*\*US 90CL CIF price, in AUD. CIF stands for ‘cost, insurance and freight’ prices include all transport, insurance and freight costs for the shipping journey. \*2024–25 Australian dollars.

Source: ABARES; MLA

**Figure 9.5 Annual volume of Australian beef and veal production and exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*Million tonnes, carcase weight. ^Million tonnes, shipped weight.

Source: ABARES; ABS

## Export prices to rise in 2025–26 before falling over the medium term

Like saleyard prices, nominal Australian beef export prices (measured by the US90CL) are also forecast to be higher in 2024–25, up by 15% to 963 cents per kilogram driven by strong US demand and falling world supply.

Nominal beef export prices are forecast to increase further in 2025–26, up by 5% to 1,006 cents per kilogram as growth in world demand is expected to outpace rising world supply. Declining US production, competitive US market access for Australian beef, and a weak Australian dollar are expected to support strong US demand for Australian beef exports throughout 2025–26.

The difference between beef export prices and Australian cattle saleyard prices is expected to narrow in 2025–26 as saleyard prices rise by more than beef export prices, reflecting strong processor demand (Figure 9.4). Although narrowing, a price gap is expected remain – due to the strong domestic availability of cattle in Australia – supporting strong profitability for export-orientated processors and strong processor saleyard demand in the near term. Australian lean ground beef export prices to the United States (measured by the US90CL in Figure 9.4) are expected to remain particularly strong due to declining US production of lean trimmings and strong demand. However, prices for exports of alternative cuts of Australian beef to other markets such as Japan and the Republic of Korea are expected to rise by less.

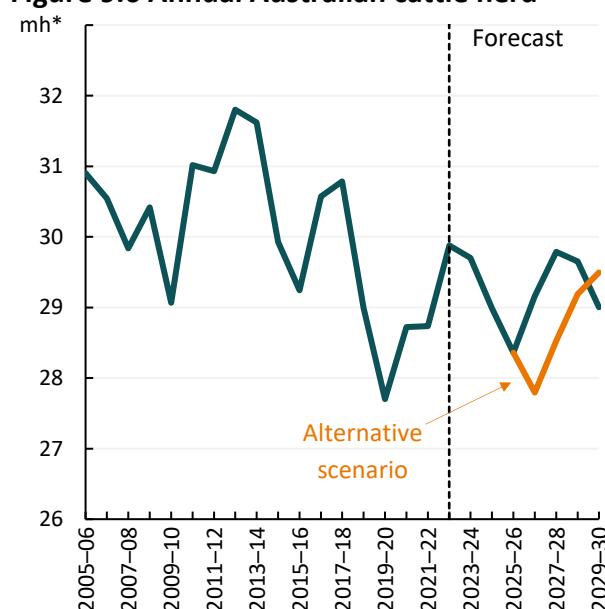
Over the medium term – from 2026–27 to 2029–30 – **real Australian beef export prices** are expected to slowly decline as world beef supply – driven by Brazil and the United States (Box 9.2) – grows by more than world demand (Figure 9.4). Real export prices are expected to fall from 950 to 824 cents per kilogram.

In the alternative scenario, real beef export prices are also projected to fall in the medium term from 844 to 737 cents per kilogram (Figure 9.4). Lower export prices in this scenario, if realised, reflect stronger Australian beef supply and the reduced competitiveness of beef exports because of an assumed stronger Australian dollar (see Box 9.1).

## Australian production to fall over the medium term

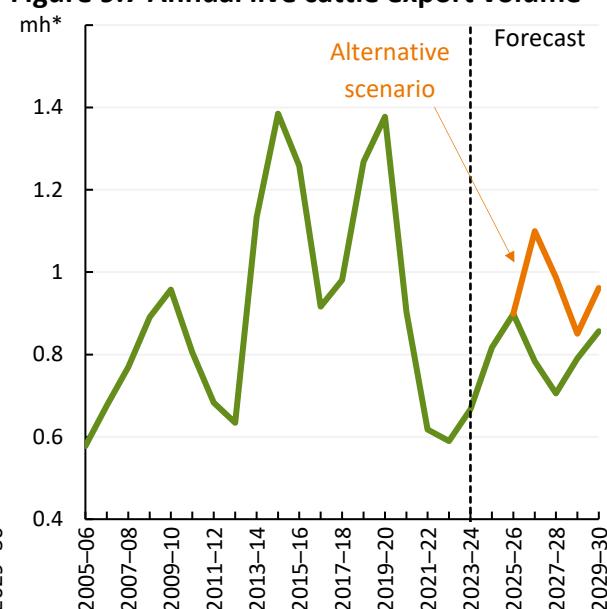
**Australian beef and veal production volumes** are forecast to rise by 12% to 2.7 million tonnes (carcass weight) in 2024–25 – the highest production volume on record – reflecting higher slaughter volumes (Figure 9.5). Despite improved seasonal conditions relative to 2023–24 in many areas, cattle turn-off and slaughter are expected to rise driven by robust global demand. The **Australian cattle herd** is forecast to decline by 2% to 29.0 million head in 2024–25, 2% below the average size over the 10-years to 2022–23 (Figure 9.6). Significant rebuilding activity in the beef herd from 2020–21 to 2022–23 resulted in a younger beef herd. As these animals are now reaching production maturity, and given strong global demand, turn-off of cattle for slaughter is expected to increase. Increased domestic beef production is expected to lead to a 15% increase in **Australian beef and veal export volumes** in 2024–25 (Figure 9.5).

**Figure 9.6 Annual Australian cattle herd**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. Cattle herd at 30 June, includes beef and dairy cattle. This data is experimental and should be used with caution. The ABS anticipates releasing updated estimates following additional research and development. This may include revisions back to 2004–05. \*Million head.  
Source: ABARES; ABS

**Figure 9.7 Annual live cattle export volume**



Note: Data to the right of dotted line indicate forecasts and projections. Includes live feeder/slaughter and breeder/dairy cattle exports. \*Million head.  
Source: ABARES; ABS

Beef and veal production is expected to fall by 8% to 2.5 million tonnes in 2025–26 as lower cattle slaughter volumes – given the declining cattle herd – outweigh increased cattle weights. If realised, this would still be the third highest production volume on record. Cattle and calf slaughter is forecast to fall by 10% to 8.3 million head in 2025–26. Despite falling, slaughter volumes are expected to remain high as the supply of cattle for slaughter and processing capacity remain

elevated. Increased Australian beef export prices – driven by strong US demand – are expected to incentivise processors to retain strong slaughter capacity despite a forecast increase in saleyard prices. The Australian cattle herd is forecast to decline by around 2% to 28.4 million head in 2025–26 as higher saleyard prices – supported by strong processor demand – and herd maturation incentivise elevated turn-off (Figure 9.6). Beef export volumes are expected to fall by 9% to 1.3 million tonnes (shipped weight) in 2025–26, reflecting the decrease in domestic beef production.

In the medium term, beef and veal production is projected to fall until 2027–28 before rising over the remainder of the outlook period largely driven by the scenario's seasonal conditions (see Box 9.1). Likewise, the Australian cattle herd is expected to increase over the medium term with the onset of wet conditions before contracting in 2028–29 with expected drier years (Figure 9.6). Beef export volumes are projected to follow changes in beef production.

In the alternative scenario beef production rises initially before contracting over much of the remaining outlook period as restocking takes place. Production volumes are higher than the baseline scenario for the first half of the outlook period, largely driven by assumed seasonal conditions, especially the early onset of a drier year in 2026–27 (see Box 9.1). Similarly, beef export volumes are expected to fall over the outlook with declining beef production.

### **Live cattle export volumes to increase with strong demand**

**Live cattle export volumes** are forecast to increase by 23% to 817 thousand head in 2024–25, driven by live feeder/slaughter cattle:

- **Live feeder/slaughter cattle** exports are forecast to increase by 24% to 758 thousand head in 2024–25. Export prices for live feeder/slaughter cattle are expected to fall to remain well below the 10-year average, supporting strong demand from Indonesian buyers and increased export volumes. Lower prices for live cattle reflect a stronger supply of cattle for live export across northern Australia.
- **Live breeder cattle** export volumes are expected to rise by 6% to 59 thousand head in 2024–25 reflecting stronger Chinese demand for dairy breeder cattle. Despite rising, live dairy breeder export volumes to China are forecast to remain below the 10-year average, reflecting strong growth in Chinese milk supply over recent years and low Chinese milk prices.

In 2025–26, live cattle export volumes are forecast to rise by 10% to 898 thousand head but remain below the 10-year average. Indonesian demand for live feeder/slaughter cattle is forecast to rise, reflecting improved consumer demand and reduced competition from Indian buffalo meat due to changes in the allocation of import permits. Live cattle export prices are expected to remain at relatively affordable levels for Indonesian buyers – below the 10-year average to 2023–24 in real terms. Live dairy breeder cattle exports to China are forecast to remain subdued as high Chinese milk production keeps Chinese milk prices relatively low (see *Dairy*).

Over the medium term, live cattle export volumes are projected to fall to 2027–28 but rise over the remainder of the outlook; this is driven by a projected rise and then ease in real Australian saleyard prices (see Box 9.1). However, total live export volumes are projected to remain below the 10-year average to 2023–24.

Policy changes in Indonesia – Australia's largest importer of live cattle – present an upside risk for demand to Australian exports over the outlook period: Indonesian cattle producers are being encouraged to import more breeder cattle to develop the Indonesian Government's free milk and meals program for children and pregnant women. This may increase Indonesian demand for Australian live breeder cattle exports in the short-term. However, any market access expansion for

live cattle imports (such as from Brazil and New Zealand) to support implementation of this policy may mitigate upside risk for Australian exports.

In the alternative scenario, live cattle export volumes are projected to rise to 2026–27 before falling over the remainder of the outlook reflecting the alternative scenario for Australian saleyard prices (see Box 9.1). Live export volumes are projected to be higher than the baseline scenario over the outlook period because of lower prices for Australian cattle.

## Rising world supply driven by Australia and South America

In 2025–26, world beef prices are forecast to increase as **world beef supply** rises, but at a slower rate than demand. World beef supply is expected to rise slightly as higher production from Australia, Brazil and Argentina more than offsets lower production in the United States:

- **Brazil's** beef exports are forecast to rise slightly with growth in Brazilian beef production. Strong demand for Brazilian exports, and reduced supply from competitors such as the US are forecast to encourage increased export volumes.
  - As of 17 January 2025, the [\*'Other Country' quota for beef imports to the United States\*](#) – which includes imports from Brazil – has been filled in record time. As a result, Brazilian beef exports to the US are exposed to an out-of-quota tariff of 26.4% for the remainder of 2025, increasing the competitiveness of Australian beef exports to the US.
- **Argentina's** beef export volumes are expected to rise driven by increased beef production and strong world demand. Additionally, falling beef consumption in Argentina (reflecting increased demand for cheaper meats such as pork and poultry) and government trade policy reform to reduce barriers faced by beef exporters are expected to increase beef export volumes.
- **United States** beef production and exports are expected to fall as the US beef herd transitions from a destocking to rebuilding phase (see Box 9.2).

In contrast, over the outlook period to 2029–30 world beef supply is projected to grow at a faster rate than world beef demand, leading to a lower world beef price in real terms. High world beef supply is expected as Brazil's beef herd continues its destocking phase and the size of the US beef herd increases:

- **Brazil's** beef production is expected to increase over the medium term, reflecting a continued trend of productivity improvements that increase the availability of cattle for slaughter. [USDA reports](#) indicate that Brazilian beef producers have invested in reducing slaughter ages to meet demand from importers for younger animals. This has led producers to invest in improved genetics, pastureland, animal feed and management techniques. The volume of beef exports from Brazil is expected to rise as beef production grows at a faster rate than Brazilian domestic beef consumption.
- **United States** beef production – and beef export volumes – are expected to rise towards the end of the outlook as the size of the US beef herd increases (see Box 9.2).

### **Box 9.2 Contraction of the United States cattle herd forecast to end in 2025–26**

The USDA projects that the US beef herd will cease destocking in 2025–26 and enter a rebuilding phase in 2026–27 as improved seasonal conditions increase feed availability, particularly across central United States (Figure 9.8). Destocking activity has continued throughout 2024–25, with the US cattle herd falling to its lowest level since 1951 on 1 January 2025. This has delayed the onset of the US beef herd rebuild and will slow

the rate of rebuild over the coming years. When the US beef herd does shift into a rebuilding phase, it is expected to last for around five years.

As a large exporter and importer of beef products, changes in US beef production can greatly impact both world beef supply and demand. The US herd rebuild presents two opportunities for Australian beef exports over the medium term:

- Falling US beef export availability is expected to increase import demand for Australian beef exports where Australian and US beef exports compete in similar markets including China, the Republic of Korea and Japan.
- Falling US beef production is also expected to support high US import demand for Australian beef products above the long-term average over the outlook period (Figure 9.8). US import demand is expected to fall but remain above the long-term average over the remainder of the outlook period. With Australian production expected to remain relatively high until 2026–27, and competitive access to the US market, Australia is well positioned to meet increased US import demand (see *Opportunities and challenges* for detail).

These factors are expected to support elevated export prices for Australian beef products over the medium term.

**Figure 9.8 United States cattle (including calves) inventory<sup>^</sup>**



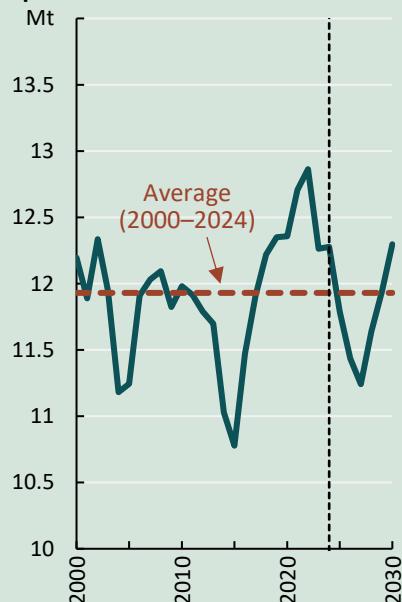
Note: ^USDA forecast. Historical figures use USDA's January producer survey as at 1 January every year.  
\*Million head.  
Source: USDA; USDA Agricultural Baseline Database

**Figure 9.9 United States beef imports<sup>^</sup>**



Note: ^USDA forecast.  
Source: ABARES; USDA Agricultural Baseline Database

**Figure 9.10 United States beef production<sup>^</sup>**



Note: ^USDA forecast.  
Source: ABARES; USDA Agricultural Baseline Database

## Higher world demand driven by the United States

**World beef demand** is expected to grow at a faster rate than world supply in 2025–26. World beef demand is expected to rise in 2025–26 as rising demand from the United States more than offsets weak demand from China and Japan:

- **United States** demand for beef imports is expected to rise in 2025–26 as the destocking of the US cattle herd ends and producers look towards rebuilding, lowering US beef production (Figure 9.10). In particular, US demand for Australian beef exports is expected to remain elevated due to Australia's competitive access status with the US (Box 9.2).

- **China's** demand for beef imports in 2025–26 is expected to be similar to 2024–25 as challenging economic conditions, relatively high domestic beef stocks, and increased availability of other protein sources such as pork, weigh on import demand. On 27 December 2024, People's Republic of China (PRC) Ministry of Commerce Trade Remedy Investigation Bureau announced a safeguard investigation on global beef imports (see *Opportunities and challenges* for further detail). The outcome of this investigation is a key uncertainty for Australian beef producers in 2025–26.
  - Brazil, Argentina and Uruguay are expected to remain major Chinese import sources reflecting competitive pricing. Limited access for Brazilian beef exports to the US, and rising Brazilian production, is expected to cause large volumes of beef exports to be directed towards China.
  - By contrast, Australian beef products remain a relatively premium product. As such, Chinese demand for Australian exports may be relatively more affected by continued challenging economic conditions than cheaper beef exports from other countries.
- **Japan's** demand for beef imports is expected to remain subdued in 2025–26 given high import prices – reflecting high world beef prices and a weak Japanese Yen. Despite this, low US export availability as the US herd rebuild commences will help support Japanese demand for Australian beef exports (the US was the largest beef exporter to Japan in 2023).

While demand growth is forecast to outpace supply growth in the short term, this is expected to reverse over the medium term, driving lower real beef prices. Growing world demand over the outlook period is expected to be driven by China:

- **Chinese** beef demand is expected to slowly rise over the outlook period, reflecting a growing preference for beef among Chinese consumers and increasing per capita income. However, Australian exports of lower value cuts will face continued competition from cheaper South American beef exports; higher value cuts will face growing competition from the US towards the end of the outlook period. Worse than expected economic conditions in China over the outlook period pose a downside risk on demand for more expensive Australian beef exports.
- Rising **United States** beef production over the outlook period is projected to lead to a decline in US demand for beef imports. Nonetheless, import demand is expected to remain above the post-2000 average (Box 9.2).

## Opportunities and challenges

### Australian exports are well positioned to meet rising US beef demand

US demand for Australian beef is expected to increase over the outlook period driven by lower US beef production as the US beef herd enters its rebuilding phase (expected in 2025). Over the 5 years to 2024, Canada and Mexico were the first and second largest exporters of beef and veal to the US, accounting for 26% and 18% of US imports respectively. Australia was the third largest exporter, accounting for 17% of US beef imports.

Australian beef exporters are well positioned to meet this expected rise in demand as Australia maintains competitive market access status with the United States. Beef production in Canada (the largest exporter of beef to the United States in 2023) is expected to fall, reflecting a long-term trend of falling beef cattle numbers. This will likely constrain Canada's ability to service rising US beef import demand.

### United States imposes tariffs on imports from Canada, Mexico and China

On 1 February 2025, the [United States announced the imposition of 25% tariffs on imports from Canada \(Canadian energy imports face a 10% tariff\) and Mexico, and a 10% tariff on imports from](#)

[China](#). The tariffs on China came into effect on 4 February 2025, while the tariffs on Canada and Mexico are due to come into effect in early March. In response, China has filed a WTO complaint, implemented retaliatory tariffs on select US imports and placed export controls on critical minerals.

The isolated effect of tariffs on economic conditions is difficult to quantify given uncertainty regarding actions by both individual affected governments and exporters in response, as well as potential secondary effects. Tariff imposition – particularly those on Canada and Mexico – may place upward pressure on US domestic beef prices; this could see some US production redirected from exports to the domestic market. This may increase the competitiveness of Australian beef exports in both the US market, and in other international markets. However, flow on effects remain to be seen.

Tariffs on live cattle imports from Canada and Mexico could also have a longer-term impact on US beef supply by slowing the rebuild of the US cattle herd. To the extent tariffs on US live cattle imports increase domestic US cattle and beef prices, US cattle herd rebuilding may slow as restocker cattle becomes more expensive for US producers.

### **Biosecurity remains a key risk for the cattle industry**

**Foot-and-mouth disease (FMD)** and **lumpy skin disease (LSD)** have both been reported in Indonesia, a near northern neighbour of Australia. If introduced to Australia, these diseases would reduce market access for Australia's exports and be extremely disruptive to Australia's cattle industry. The Australian Government is continuing to work with industry and the Indonesian Government to develop and strengthen prevention and preparedness measures. The [incidence of FMD in Indonesia has stabilised](#), with case numbers now comparable to other countries where FMD is present.

### **China announces a safeguard investigation on imported beef**

On 27 December 2024, China's Ministry of Commerce (MOFCOM) initiated a [global safeguard investigation into beef imports](#). The investigation will examine fresh, chilled and frozen beef product ['bovine meat'] imports into China from all countries between 1 January 2019 and 30 June 2024.

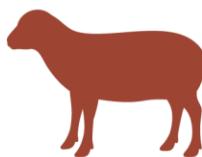
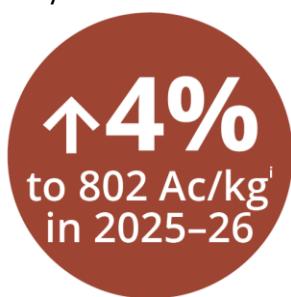
The investigation is examining claims from Chinese industry associations that there is a causal relationship between a sharp increase in beef import volumes and 'serious damage' to China's domestic industries. The outcome of this safeguard investigation, including the potential imposition of safeguard measures on imports, is a key uncertainty for global beef exporters such as Australia in 2025–26.

The investigation does not target or single out Australia. The Chinese Government has emphasised that the investigation "does not target any specific countries or regions, nor does it differentiate products based on origin", and that "normal trade will not be affected during the investigation period", which is expected to be concluded within eight months (subject to extension under special circumstances).

The Australian Government is working with Australian industry stakeholders to engage with the Chinese Government throughout the investigation process. While Australia only represented around 8% of China's total beef imports by volume in recent years, China has long been an important market for Australian beef exporters, with beef and veal exports topping \$2.2 billion in 2023–24. Australia has been a trusted and reliable supplier of beef to China, helping to meet Chinese consumer demand including during disruptions to domestic Chinese meat supply chains.

# 10 Sheep meat

Gaby Coulthard

i MLA national trade lamb indicator

## Key points

- Value of sheep meat and live sheep production to rise by 3% to \$5.0 billion in 2025–26.
- Value of sheep meat exports to fall by 5% to \$4.5 billion in 2025–26.
- Lamb and mutton saleyard prices to rise in 2025–26 reflecting increased saleyard demand.
- Real value of sheep meat production and exports to be higher over the medium term.

## Sheep meat

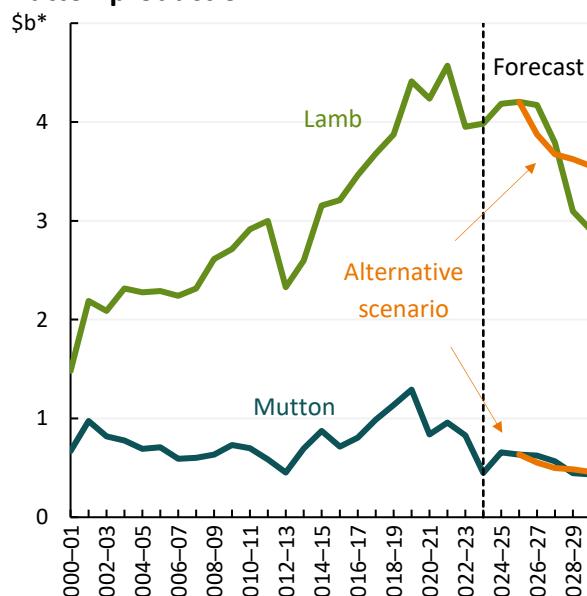
Lamb saleyard prices to rise due to higher saleyard demand.

## Production values to rise in 2025–26 yet fall over outlook

Nominal sheep meat and live sheep production values are forecast to rise to \$4.9 billion in 2024–25, up by 12% from an estimated \$4.4 billion in 2023–24. The forecast rise in production values reflects rising saleyard prices offsetting a fall in production. Nominal sheep meat and live sheep production values are forecast to rise in 2025–26, up by 3% to \$5.0 billion as higher saleyard prices more than offset a decrease in production.

Over the medium term, real sheep meat and live sheep production values are projected to rise initially before falling, ranging between \$3.4–\$4.8 billion and ending at \$3.4 billion in 2029–30 (Figure 10.1). Lower sheep meat production is expected to outweigh higher saleyard prices as assumed wetter seasonal conditions cause flock restocking (see Box 10.1).

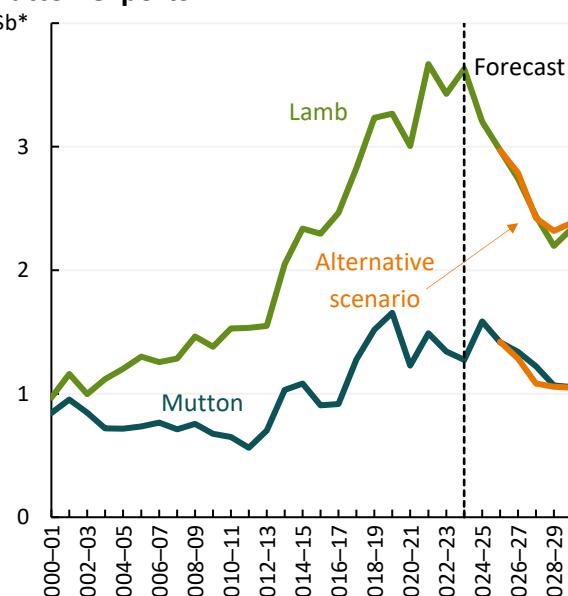
**Figure 10.1 Real value of annual lamb and mutton production**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

**Figure 10.2 Real value of annual lamb and mutton exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

In the alternative scenario, the **real value of sheep meat and live sheep production** is also projected to fall over the medium term, ending higher than the baseline scenario, at \$4.2 billion in 2029–30 (ranging between \$4.2–4.5 billion). Real values are projected to be lower over much of this scenario driven predominantly by lower saleyard prices (see Box 10.1).

The nominal value of sheep meat and live sheep production in 2024–25 is expected to be \$400 million lower than forecast in the [\*December 2024 Agricultural Commodities Report\*](#). This is driven by a downwards revision to lamb production volumes to reflect recent data.

## Export value to rise in 2025–26, fall over outlook

The **nominal value of sheep meat and live sheep exports** is expected to remain stable at \$4.8 billion in 2024–25, remaining 12% above the 5-year average (Figure 10.2). Elevated export values are driven by higher export prices for lamb and mutton more than offsetting lower export volumes. The nominal value of sheep meat and live sheep exports is forecast to fall in 2025–26 to \$4.5 billion (down by 5%) as lower export volumes outweigh higher export prices; despite the fall, export values are projected to be the third highest on record.

Despite remaining elevated in the near term, **real export values for sheep meat** are projected to fall over the medium term before rising in 2029–30 to reach \$3.4 billion, ranging between \$3.3–4.1 billion (Figure 10.2). The fall over the medium term primarily reflects lower real export prices and export volumes for both lamb and mutton, lifting slightly in 2029–30 as increased sheep meat production lift export volumes (see Box 10.1).

Real sheep meat export values follow a similar path in the alternative scenario, falling before rising in 2029–30 and ending higher than in the baseline at \$3.6 billion (ranging between \$3.5–4.2 billion) (Figure 10.2). Export values fall but remain higher in this scenario as higher export prices – due to stronger economic conditions – outweigh lower export volumes (see Box 10.1).

The forecast value of sheep meat exports for 2024–25 is expected to be \$730 million lower than forecast in the [\*December 2024 Agricultural Commodities Report\*](#). This is driven by a downwards revision to lamb export volumes reflecting recent export data.

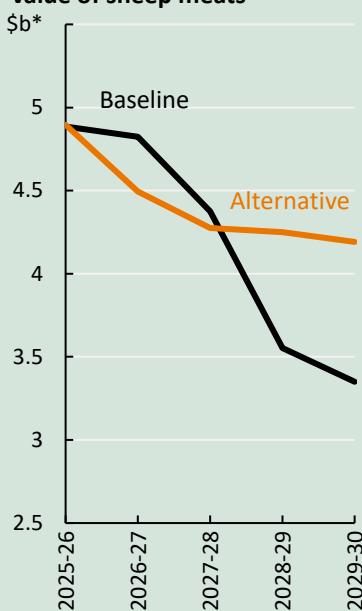
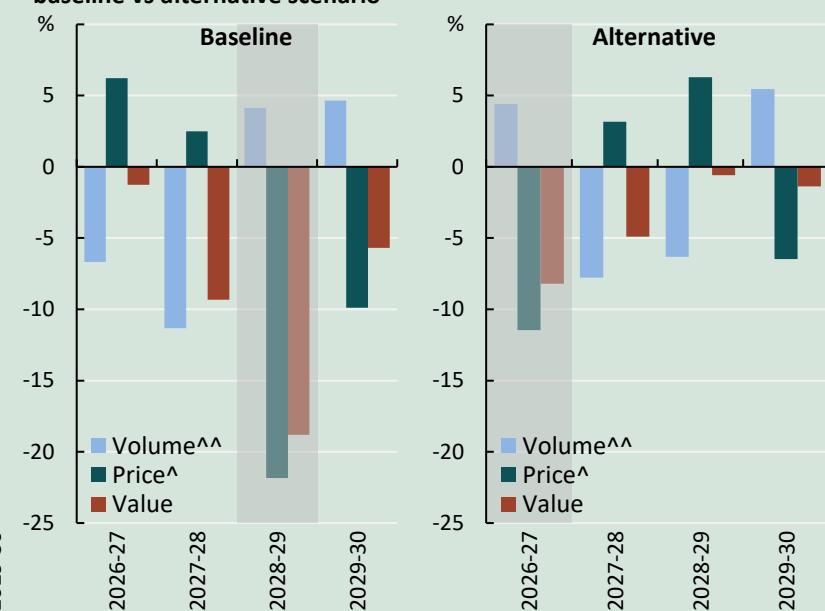
### **Box 10.1 Key differences between the baseline and alternative scenario for sheep meat and live sheep**

The real value of sheep meat is projected to fall over the outlook period in both the baseline and alternative scenario, ending higher in the alternative scenario driven by stronger real prices at the end of the medium term. Production volumes are projected to fall and then stabilise in both scenarios:

**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Wet seasonal conditions are projected to improve pasture availability and incentivise flock rebuilding, thus lowering sheep meat production and export volumes and increasing saleyard prices.
- Drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to reduce pasture availability, increase turn-off and lower the sheep flock, driving higher sheep meat production and weigh on saleyard prices. Export volumes are also projected to rise given higher production and ongoing robust global demand.

**In the alternative scenario**, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30. Global economic conditions and demand are assumed to be more robust, however, a stronger exchange rate assumption – driven by both stronger economic growth in China and the US and relatively unimpeded supply chains (see *Economic Outlook*) – are expected to impact the competitiveness of Australian exports and weigh on export prices.

**Figure 10.3 Projected annual real value of sheep meats****Figure 10.4 Annual change in value of sheep meat by price and volume, baseline vs alternative scenario**

Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; ^Gross unit value (c/kg); ^^Production (kt); \*2024–25 Australian dollars.

Source: ABARES

Together the stronger economic outlook and drier seasonal conditions at the start of the outlook period are expected to drive higher production and lower real prices compared to the baseline scenario:

- Dry seasonal conditions are assumed to incentivise destocking, increase livestock supply in saleyards and production volumes, thus lowering saleyard prices and delaying the Australian sheep flock rebuild compared to the baseline scenario.
- The assumed onset of wetter seasonal conditions in 2027–28 and 2028–29 and improved pasture availability is then projected to cause the sheep flock to enter a rebuilding phase, lowering supply to saleyards and production volumes and increasing prices.
- A return to neutral conditions in 2029–30 is expected to then increase production and lower prices.

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

## Real lamb saleyard prices to rise in 2025–26 but remain below average over the medium term

Nominal average lamb and mutton saleyard prices are forecast to rise in 2024–25, as processors drive up saleyard demand in response to rising global demand and outpace increases in supply (Figure 10.6). Lamb saleyard prices are expected to average 770 cents per kilogram (carcase weight), up by 32% from 584 cents per kilogram in 2023–24. Mutton saleyard prices are expected to average 319 cents per kilogram (carcase weight), up by 38% from 231 cents per kilogram in 2023–24. Despite this rise, average lamb and mutton saleyard prices are expected to be 4% and 38% below their 10-year averages to 2023–24 in real terms, respectively.

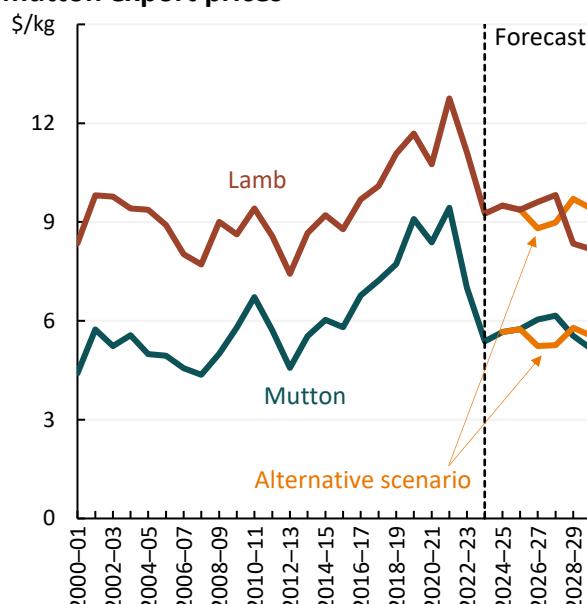
The nominal average lamb saleyard price is forecast to rise by 4% to 802 cents per kilogram in 2025–26 as saleyard demand – particularly from processors – remains elevated and supply falls (Figure 10.6). Strong saleyard demand from processors is expected to continue in 2025–26 as world sheep meat demand drives elevated sheep meat export prices. Expected wetter seasonal conditions in sheep producing regions relative to 2024–25 are also expected to increase pasture availability, leading to higher lamb retention on farms for breeding, lowering supply to saleyards. The nominal

average mutton saleyard price is also forecast to rise by 10% to 351 cents per kilogram in 2025–26; this reflects strong processor and global demand. Lamb and mutton export prices are forecast to remain elevated in 2025–26 with strong global demand and lower global supply particularly from Australia.

**Real mutton and lamb saleyard prices** are projected to rise and then fall over the outlook period in the baseline scenario as expected lower production in wetter years translate to higher prices with the reverse being true toward the end of the outlook period (Figure 10.6; Box 10.1). Real lamb saleyard prices are expected to range between 594–829 cents per kilogram, ending at 594 cents per kilogram in 2029–30. Real mutton saleyard prices are expected to range between 262–384 cents per kilogram finishing in 2029–30 at 262 cents per kilogram. Lamb and mutton export prices are projected to follow the same trend as saleyard prices driven by strong global demand for both lamb and mutton (Figure 10.5).

Real average saleyard prices follow the reverse pattern in the alternative scenario, falling then rising largely due to assumed seasonal conditions and their impacts on production and ending slightly higher than in the baseline scenario (see Box 10.1; Figure 10.6). Lamb saleyard prices are projected to range between 686–740 cents per kilogram and end at 697 cents per kilogram, while mutton between 294–323 cents per kilogram and ending at 291 cents per kilogram (Figure 10.6).

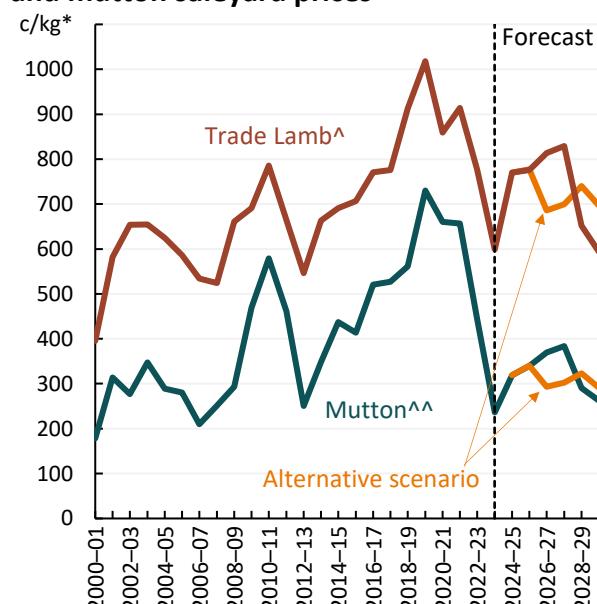
**Figure 10.5 Real average annual lamb and mutton export prices**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source:

**Figure 10.6 Real average annual trade lamb and mutton saleyard prices**



Note: Data to the right of dotted line indicate forecasts and projections. Australian livestock saleyard prices are measured in carcase weight. \*2024–25 Australian dollars.

<sup>A</sup>National Trade Lamb Indicator. <sup>AA</sup>National Mutton Indicator.

Source: ABARES; MLA

## Australian production to rise over outlook period

**Sheep meat production volumes** are expected to fall by 1% to 904 thousand tonnes (carcase weight) in 2024–25, however, remaining the second highest on record. This fall reflects lower weights more than offsetting slightly higher lamb and mutton slaughter volumes (Figure 10.7). Sheep and lamb turn-off are forecast to rise despite improved seasonal conditions relative to 2023–24, driven by strong export demand. Increased processing of light lambs that require less labour – as they are

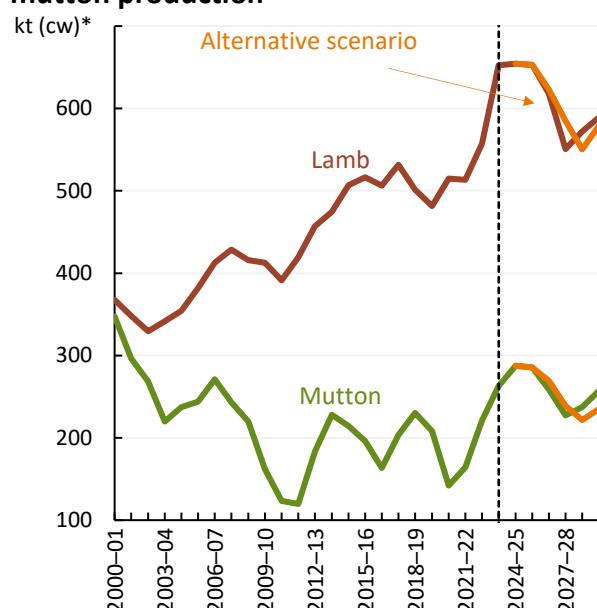
often exported in whole carcass form – has increased processing capacity and production volumes. In 2024–25, the **Australian sheep flock** is expected to decline by 4% to 67.9 million head given turn-off of older sheep and as fewer lambs are retained on farm (Figure 10.9).

In 2025–26, sheep meat production volumes are expected to fall by 3% to 873 thousand tonnes (carcass weight) driven by both lower lamb and mutton slaughter volumes (Figure 10.7); record high slaughter volumes over in 2023–24 and 2024–25 are expected to reduce the availability of animals for slaughter in 2025–26:

- **Lamb production** is forecast to fall slightly to 587 thousand tonnes (carcass weight) in 2025–26 but remain the second highest on record. Lamb slaughter fell by 8% year-on-year to December 2024, however, remains 8% above the 5-year average.
- **Mutton production** is forecast to fall by 9% to 286 thousand tonnes (carcass weight) in 2025–26 from record high slaughter volumes in 2024–25. Mutton slaughter rose by 29% year-on-year to December 2024, reaching the highest quarterly slaughter volume since March 2007. The proportion of mutton processed as a share of total sheep slaughter has continued to rise, as mutton slaughter reached record levels in 2024. In December 2024 mutton accounted for 36% of total sheep and lamb slaughter, above the 5-year average of 25%.

The Australian sheep flock is forecast to decline by 3% in 2025–26 to 65.9 million head despite lower slaughter rates as turn-off of lambs and older breeding ewes is expected to remain elevated. The composition of the Australian sheep flock is also expected to continue shifting towards meat breeds and away from Merino sheep.

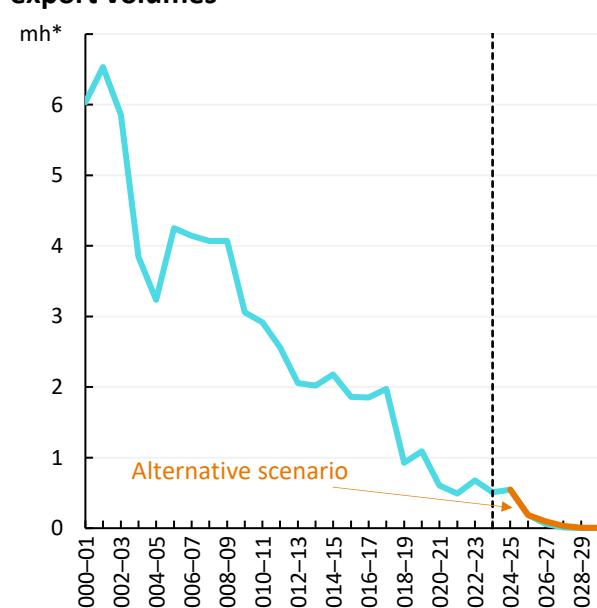
**Figure 10.7 Annual Australian lamb and mutton production**



Note: Data to the right of the dotted line indicate forecasts and projections. \*carcass weight.

Source: ABARES; ABS

**Figure 10.8 Annual Australian live sheep export volumes**



Note: Data to the right of dotted line indicate forecasts and projections. Includes live sheep exports by both sea and air.

\*million head at 30 June.

Source: ABARES; ABS

### Projections for Australia's sheep flock reflect assumed seasonal conditions

Over the medium term slaughter and production volumes are projected to fall and then rise ending at 787 thousand tonnes in 2029–30, largely driven by assumed changes in seasonal conditions (Figure 10.9; see Box 10.1). The Australian sheep flock is projected to rise at the start of the outlook

period as wet seasonal conditions improve pasture availability, incentivise flock rebuilding and increase lamb and sheep retention on farms (Figure 10.9). The sheep flock is then expected to contract as assumed drier conditions reduce pasture availability, leading to higher turn-off. The Australian sheep flock has been steadily falling from a peak of 180 million head in 1969–70 when the sheep industry was predominantly structured around wool production (see *Farm Performance*).

Sheep meat production is also projected to rise and fall in the alternative scenario, ending slightly higher than in the baseline scenario at 831 thousand tonnes in 2029–30 due to higher slaughter volumes and weights following wetter conditions later in the scenario (see Box 10.1).

In the alternative scenario, the Australian sheep flock is projected to fall to lower than the baseline scenario as assumed drier seasonal conditions at the start of the outlook delay flock rebuilding due to reduced pasture availability (Figure 10.9). The sheep flock is then projected to enter a rebuilding phase as two consecutive years of assumed wet seasonal conditions increase pasture availability. Projections for the sheep flock end at a similar level in the baseline and alternative scenarios as variations in assumed seasonal conditions broadly offset each other.

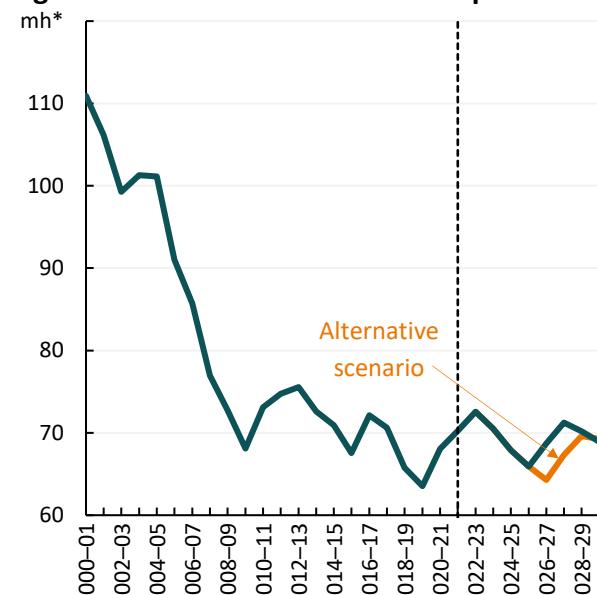
Estimates of the size of Australia's sheep flock – using a new demographic model approach – are expected to be released in 2025 (see Box 10.2).

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

The ABS is currently developing a method to estimate sheep populations, adopting similar stock/flow modelling principles used in experimental cattle herd estimates (see *Beef and veal*). The data are scheduled for release in 2025. For more information, see [Modernising agricultural statistics: Updates on achievements and remaining data gaps](#) jointly published by ABARES and the ABS.

ABARES liaison suggests these new estimates will be crucial given current variation in sheep flock estimates across industry; the latest ABS sheep flock estimate was for 2021–22.

**Figure 10.9 Annual Australian sheep flock**



Note: Data to the right of the dotted line indicate estimates, forecasts, and projections. \*million head at 30 June.

Source: ABARES; ABS

## **Live sheep exports to remain subdued in 2024–25 and fall in outlook period**

**Live sheep export volumes** are forecast to rise by 8% to 547 thousand head in 2024–25 from 507 thousand head in 2023–24. This reflects relatively dry seasonal conditions in Western Australia – where all Australian live sheep exports by sea occurred in 2023–24 – reducing pasture availability and increasing sheep turn-off.

**Live sheep export volumes** are forecast to decline by 40% to 328 thousand head in 2025–26 as an expected contraction in the Western Australian sheep flock reduces the availability of sheep for live export. Producers are expected to increasingly focus on exporting frozen/chilled boxed lamb and mutton, lowering the availability of sheep for live export (Box 10.3). Additionally, producers in

Western Australia – particularly mixed farms – are expected to continue transitioning into cropping (see Box 10.3).

Over the medium term to 2029–30, live sheep exports by sea are expected to end due to the Australian Government's [legislated phaseout of live sheep exports](#) by sea on 1 May 2028 (see Figure 10.8). Live sheep exports **by sea** accounted for around 96% of total live sheep exports in 2023–24 while live exports **by air** accounted for the remaining 4%. Affected producers are projected to transition into sheep meat production for domestic processing and cropping as the phase out date approaches. This is consistent with a trend of falling live sheep export volumes over the past 20 years, reflecting a rising area planted to crops and a rise in demand for Australian sheep meat (see Box 10.3). Live sheep exports by air are projected to continue over the outlook period.

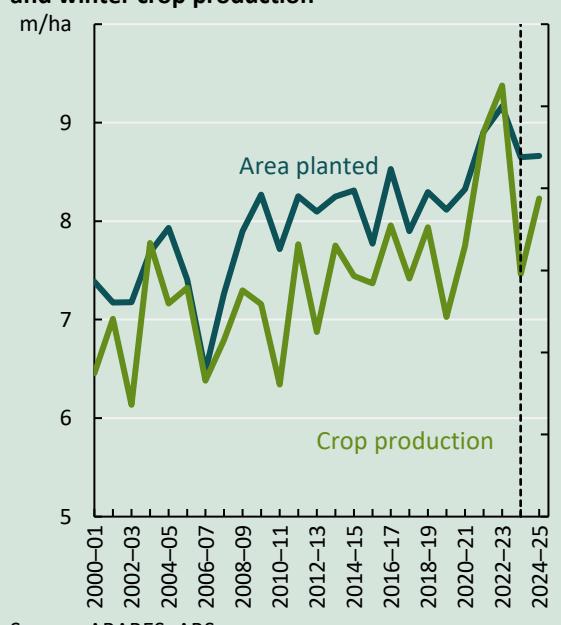
In the alternative scenario, live sheep exports are projected to decline at a faster rate than in the baseline scenario. This reflects assumed drier seasonal conditions leading to increased sheep turn-off, driving slightly higher live sheep exports until the legislated phaseout.

#### **Box 10.3 Long term trends in the Western Australian sheep industry**

Australian live sheep exports have declined significantly over the past two decades. Since peaking in 2000–01, live sheep exports by sea have fallen steadily, representing 1% of the value of Australian sheep exports in 2023–24. The declining trend in live sheep exports has reflected long-term structural shifts and changing profitability:

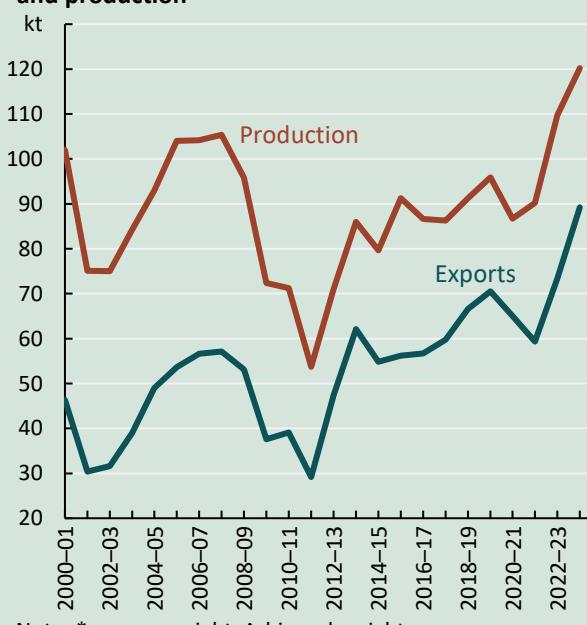
- Over the past twenty years, rising costs of sourcing live sheep from Australia – given both rising domestic saleyard prices as well as higher transportation costs associated with greater distance from key markets – have reduced demand for Australian live sheep in key markets.
  - The EU is the world's largest exporter of live sheep, exporting \$USD 478 million worth of live sheep in 2023, over 71% of which were sent to the Middle East. By comparison, Australia exported \$USD 49 million worth of live sheep in 2023.

**Figure 10.10 Western Australian area planted to crops and winter crop production**



Source: ABARES; ABS

**Figure 10.11 Western Australian sheep meat exports and production**



Note: \*carcass weight. ^shipped weight.

Source: ABARES; ABS

- Falling Australian live sheep exports over the last 20 years has also coincided with increasing cropping profitability and higher area planted to crops (Figure 9.9). [ABARES analysis](#) found a shift towards cropping

in Western Australia – especially by wheatbelt producers – as both productivity improvements reducing crop input costs and strong grain and oilseed prices have supported cropping profitability relative to sheep and wool.

In recent years, Western Australian farmers have also shifted to processing meat domestically to meet growing global demand for boxed/frozen lamb and mutton. Both West Australian production and export volumes were at record levels in 2023–24, at 120 and 89 thousand tonnes respectively. Live sheep export volumes have also been impacted by the additional conditions placed on live sheep exports from the [Northern Hemisphere summer prohibition](#) implemented in 2019 which restricted live sheep exports during summer months.

Global demand for Australian sheep meat exports from Western Australia has grown steadily over the last decade to 2023–24, with expanding markets in China (export volumes up by 215%), Qatar (up by 148%) and United Arab Emirates (up by 15%). In 2023–24 the highest value markets for sheep meat exports from Western Australia were China (worth \$203 million), the United States (\$63 million) and United Arab Emirates (\$62 million).

## World sheep meat demand to rise over the outlook

**World sheep meat demand** is expected to rise in 2025–26 while supply falls, leading to a rise in world sheep prices. Higher demand for sheep meat is expected to be driven by stronger demand from the United States, Middle East and the Republic of Korea:

- **United States** sheep meat demand is expected to remain elevated and remain as Australia's highest value market for sheep meat as US sheep meat production falls. Following record Australian sheep meat export volumes in 2023–24, sheep meat export volumes to the United States have increased by 18% year-on-year between July and December 2024.
- **Middle East** demand for sheep meat is forecast to rise in 2025–26 reflecting strong population growth, rising incomes and an expanding tourism sector. Demand is expected to rise for both lamb and mutton following high demand in 2023–24 and 2024–25, resulting in record export volumes to the region.
- **Republic of Korea** sheep meat demand is forecast to rise in 2025–26 due to improving disposable income growth and changing consumer preferences towards higher value lamb cuts.
- **China's** sheep meat demand is expected to remain subdued in 2025–26 – similar to 2024–25 levels – as economic conditions remain challenging, impacting consumer confidence and spending. Increased domestic competition from other meats – particularly pork – pose a downside risk to Australian sheep meat exports.

World sheep meat demand is also expected to grow over the medium term. Rising demand from the United States and the Middle East is expected to outweigh lower demand from China:

- **United States** demand is projected to rise – particularly at the start of the outlook period – when the US cattle herd enters a rebuilding phase. This is expected to lower US red meat supply, increasing US import demand for red meats such as sheep meat (see *Beef and veal*).
- **Middle Eastern** demand is projected to remain elevated over the medium term as robust income and population growth in key countries supports growing sheep meat consumption.
- However, **Chinese demand** is projected to fall as China's pork production grows, weighing on demand for substitute proteins like mutton. Subdued Chinese demand is also expected to weigh

on demand for Australian sheep meat exports. China was Australia's largest mutton export market in 2023–24.

## Falling world supply driven by Australia

**World sheep meat supply** is expected to fall in 2025–26 while demand rises, leading to higher world sheep meat prices. Lower world sheep meat supply reflects lower production in Australia:

- **Australian** sheep meat production is to fall slightly but remain relatively high with elevated slaughter levels for both lamb and mutton.
- **New Zealand** sheep meat production is expected to fall slightly with a smaller breeding flock and lower lambing rates in 2024–25 leading to fewer lambs per breeding ewe. As *farmers prioritise the retention of breeding cattle over sheep*, higher turn-off of adult sheep has reduced the breeding flock. Sheep flock numbers are projected to continue to decline, leading to a fall in sheep meat exports from New Zealand.

Over the medium term, world supply is expected to fall to 2027–28 before rising over the remainder of the outlook period, driven by projected changes in Australian sheep meat production (see Box 8.1). Sheep meat production in New Zealand – the second biggest exporter of sheep meat – is projected to fall driven by a falling flock size.

- **Australian** sheep meat production is expected to fall to 2027–28 but rise over the end of the outlook period. As the world's largest exporter of sheep meat, changes in Australian exports greatly impact global sheep meat supply. According to the *OECD*, Australia's share of world sheep meat export volumes is projected to increase steadily to 39% over the outlook period.
- **New Zealand** sheep meat production is expected to fall in the medium term. Fewer breeding ewes and structural shifts in land use to forestry and carbon farming are expected to continue constraining the size of the flock. According to the New Zealand Ministry of Primary Industries, sheep supply in the long term will remain relatively flat due to a smaller breeding flock being offset by higher weights and lambing rates. According to the *OECD*, New Zealand's share of world sheep meat export volumes is projected to remain steady at 29% over the outlook period.

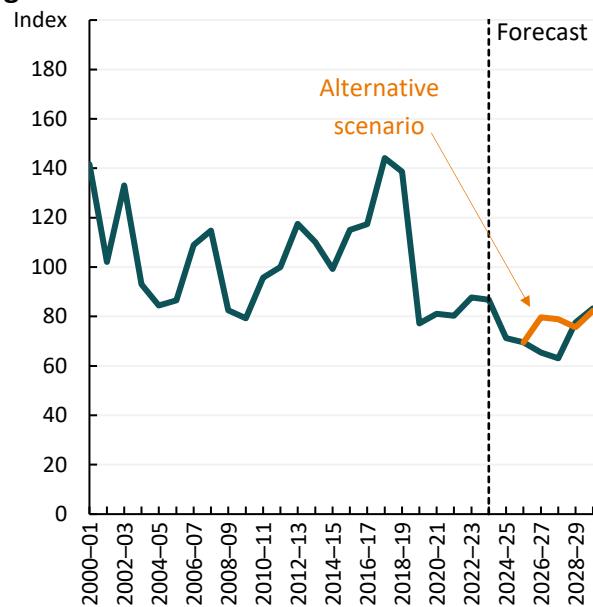
## Opportunities and challenges

### Compositional shifts towards sheep meat breeds in Australian sheep flocks

The composition of the Australian sheep flock has steadily shifted towards sheep meat breeds in and away from Merino and other wool breeds in recent years likely driven by stronger returns for lamb relative to wool since 2019–20 (Figure 10.12; Figure 10.13). Higher returns for lamb relative to wool has been driven by both subdued wool prices and relatively strong lamb saleyard prices.

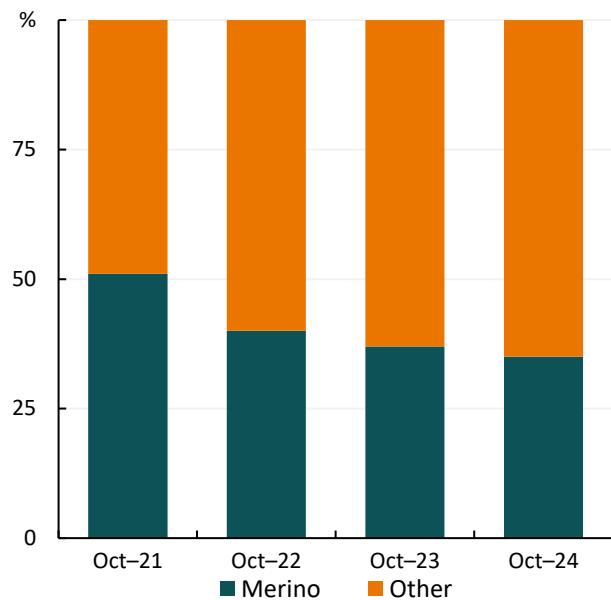
While Merino sheep still comprise 61% of Australia's total breeding ewe flock according to MLA and Australian Wool Innovation data, the shift towards meat breeds is projected to continue over the outlook period given expected elevated lamb prices relative to wool (see *Natural Fibres*). ABARES liaison and industry surveys suggest that producers are responding to the shifting price incentives – as well as costs associated with inputs such as shearing – through increasing the use of shedding breeds to produce lamb.

**Figure 10.12 Average annual wool to lamb gross unit value ratio\***



Note: Index 100 = 2011–12. Data to the right of dotted line indicate estimates, forecasts, and projections. \*Average annual wool price divided by the average annual lamb price.  
Source: ABARES; ABS; AWEX

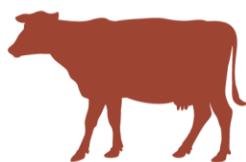
**Figure 10.13 Proportion of breeds in the Australian lamb flock**



Source: MLA

# 11 Dairy

Holly Beale



<sup>k</sup> Australian average farmgate milk price.

## Dairy

### Farmgate prices to rise with improving competition

#### Key points

- Value of milk production to rise by 4% to \$5.7 billion in 2025–26.
- Value of dairy product exports to fall by 10% to \$3.2 billion in 2025–26.
- Dairy product export prices to fall in 2025–26, reflecting rising global production.
- Real farmgate milk price to fall over medium term; Australian production to remain relatively steady.

## Value of production to rise in 2025–26 before falling

The nominal value of milk production is forecast to fall to \$5.5 billion in 2024–25, down by 12% from an estimated \$6.2 billion in 2023–24. Falling production values reflect both lower farmgate milk prices and milk production. In 2025–26, nominal milk production values are forecast to rise to \$5.7 billion, as higher farmgate milk prices more than offset further reductions in milk production.

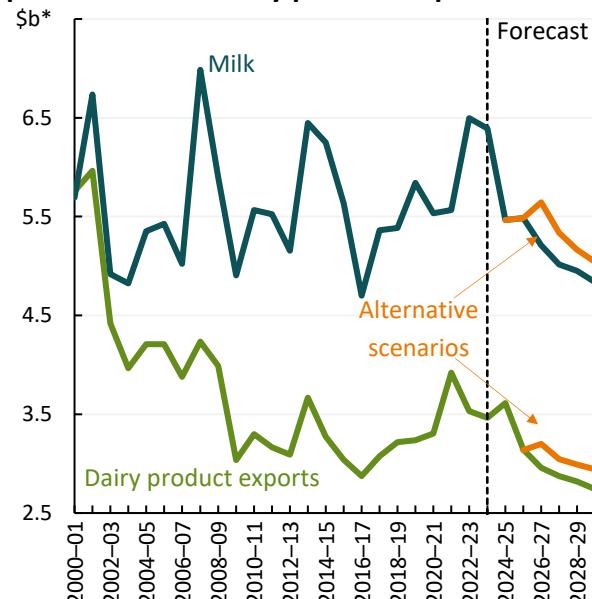
Over the outlook period to 2029–30, the real value of milk production is projected to fall in the baseline scenario from \$5.2 billion to \$4.8 billion (Figure 11.1). Lower production values are driven by largely stable milk production – reflecting lower yields but steady cow numbers – and a projected lower real farmgate milk price. In the alternative scenario, the real value of milk production (ranging between \$5.6–5.0 billion) is projected to initially rise before falling over the outlook period, ending at \$5.0 billion. Real values are higher in the alternative scenario due to expected higher world and farmgate prices (see Box 11.1).

The nominal value of milk production in 2024–25 is forecast to be broadly in line with expectations in the [December 2024 Agricultural Commodities Report](#).

## Value of exports to fall in 2025–26 and over outlook

Nominal dairy product export values are forecast to rise to \$3.6 billion in 2024–25, up by 7% from \$3.4 billion in 2023–24 reflecting both higher global prices and export volumes. By contrast, nominal dairy product export values are expected to fall by 10% to \$3.2 billion in 2025–26, as both export prices and export volumes ease.

Figure 11.1 Real value of annual milk production and dairy product exports



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

**Real dairy product export values** are projected to fall over the medium term to 2029–30, declining from \$2.9 billion to \$2.7 billion (Figure 11.1). Lower values are driven by lower real export prices (in Australian dollars) as world supply rises faster than demand. Dairy product export volumes are projected to remain relatively steady due to a largely stable milk production.

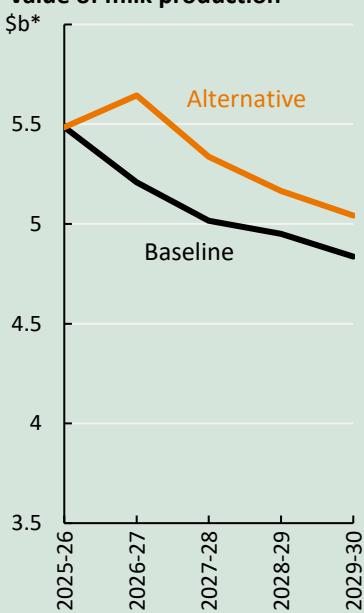
In the alternative scenario, real dairy product export values are projected to fall from \$3.2 billion to \$2.9 billion as higher real prices outweigh lower export volumes. Real export values are higher over the outlook in this scenario as expected higher real global prices more than offset weaker expected milk production and dairy product export volumes (see Box 11.1).

The nominal value of dairy product exports in 2024–25 is forecast to be broadly in line with expectations in the *December 2024 Agricultural Commodities Report*.

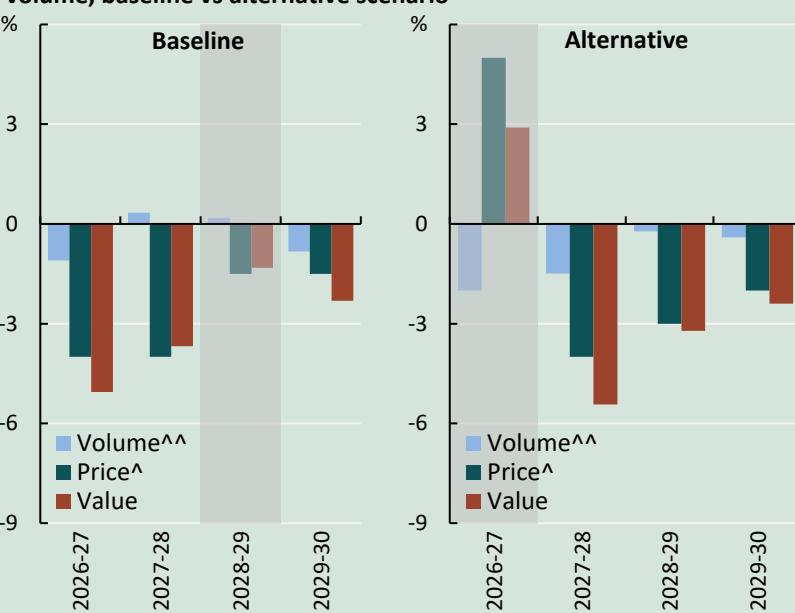
#### Box 11.1 Key differences between the baseline and alternative scenario for milk and dairy products

The higher projected real value of milk and dairy products in the alternative scenario over the outlook period to 2029–30 is driven by higher farmgate and global dairy product prices. These prices offset higher expected production values in the baseline scenario (Figure 11.2; Figure 11.3):

**Figure 11.2 Projected annual real value of milk production**



**Figure 11.3 Annual change in value of milk production by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; ^Gross unit value (c/l); ^^Production (ML); \*2024–25 Australian dollars.

Source: ABARES

**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30:

- Australian milk production and dairy product exports are projected to remain relatively stable over the medium term despite fluctuating seasonal conditions, given offsetting changes in herd size and milk yields; while wetter conditions increase pasture availability and dairy cow numbers, lower yields are also expected given increased cattle lameness and mastitis, with the reverse true for drier conditions.
- By contrast, global production is expected to increase as favourable seasonal conditions in New Zealand and the United States support higher supply. At the same time growth in global demand is expected to be subdued, driving lower real farmgate milk prices and dairy export prices over the outlook period.

**In the alternative scenario**, which is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and return to a neutral year in 2029–30:

- Dry conditions at the start of the medium term are expected to reduce Australian milk and dairy product production with lower pasture availability incentivising cattle turnoff. This is expected to be partially offset by higher yields given higher supplementary feed use and culling of less productive cows.
  - Lower production is expected to drive up real prices, buoyed by assumed stronger global demand in this scenario, especially from China and Southeast Asia.
- The assumed onset of wetter seasonal conditions and improved pasture availability is then projected to support herd retention, stabilising Australian production volumes. Real farmgate milk prices and dairy product export prices are projected to fall over the second half of the medium term as increasing production from China reduces export demand, however, still remain higher than in the baseline scenario.
- An assumed stronger Australian dollar given expected lower global volatility is expected to partially offset higher world prices, leading to a smaller rise in Australian export prices in Australian dollar terms (see *Economic Outlook*).

For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

## Prices to rise in 2025–26 but fall over outlook

### Low milk production to support farmgate prices in 2025–26

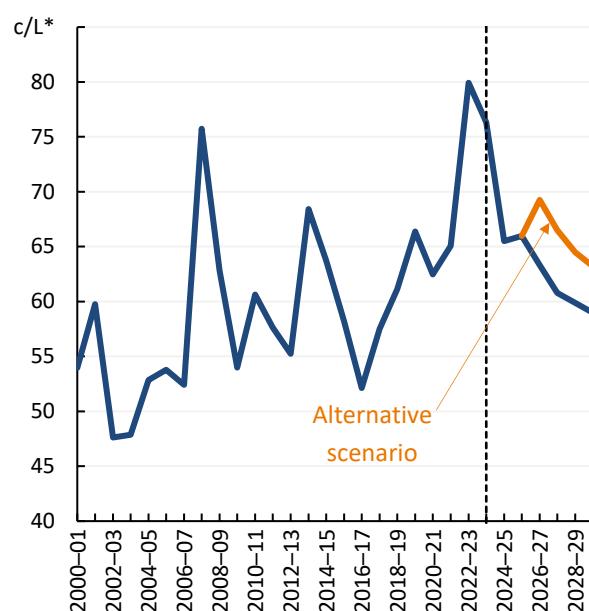
The **nominal Australian farmgate milk price** is forecast to fall by 12% to 65.5 cents per litre (approximately \$8.6 per kilogram of milk solids) in 2024–25, reflecting reduced competition between processors to secure milk supply. As at February, farmgate prices are lower than this forecast. However, rising international dairy prices since the start of 2024–25 – given supply challenges in the northern hemisphere – and an expected slowdown in milk production in the first half of 2025 are expected to encourage step ups in 2024–25 farmgate milk prices over the remainder of the season.

The nominal Australian farmgate milk price is expected to rise in 2025–26, up by 4% to 68.2 cents per litre (approximately \$8.9 per kilogram of milk solids). Farmgate prices are forecast to rise despite an expected fall in world dairy product export prices (Figure 11.5). While recovering global supply in the second half of 2025–26 is expected to ease world prices, pressures continuing into the first half of 2025–26 are expected to support margins and processor competition for milk. This, coupled with declining Australian production, is forecast to support a stronger opening farmgate milk price offering at the start of 2025–26 (Figure 11.5).

Over the medium term, **real farmgate milk prices** are projected to decline from 63 to 59 cents per litre (Figure 11.4). Lower world prices – reflecting subdued Chinese demand and growing production in major dairy product exporting countries – is expected reduce world prices for dairy products, weighing on farmgate milk prices (see Box 11.1).

In the alternative scenario, the real farmgate milk price is projected to rise and then fall but remain higher than the baseline scenario, ending at 63 cents per litre in 2029–30 (Figure 11.4). Higher prices largely reflect assumed stronger global demand and lower Australian production (see Box 11.1).

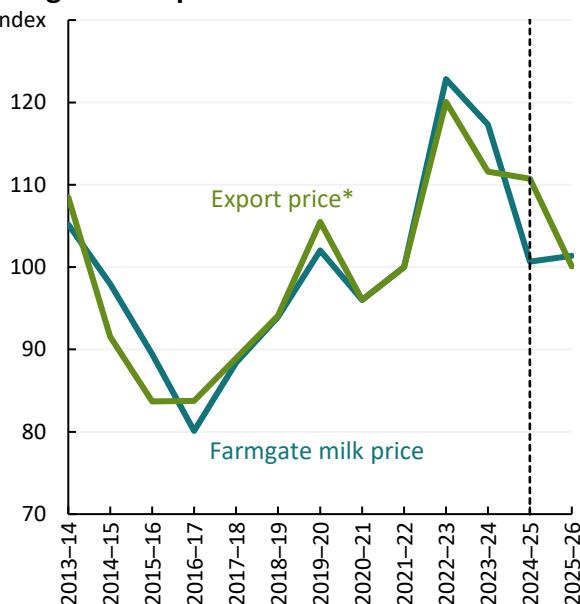
**Figure 11.4 Real annual farmgate milk price**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; Dairy Australia

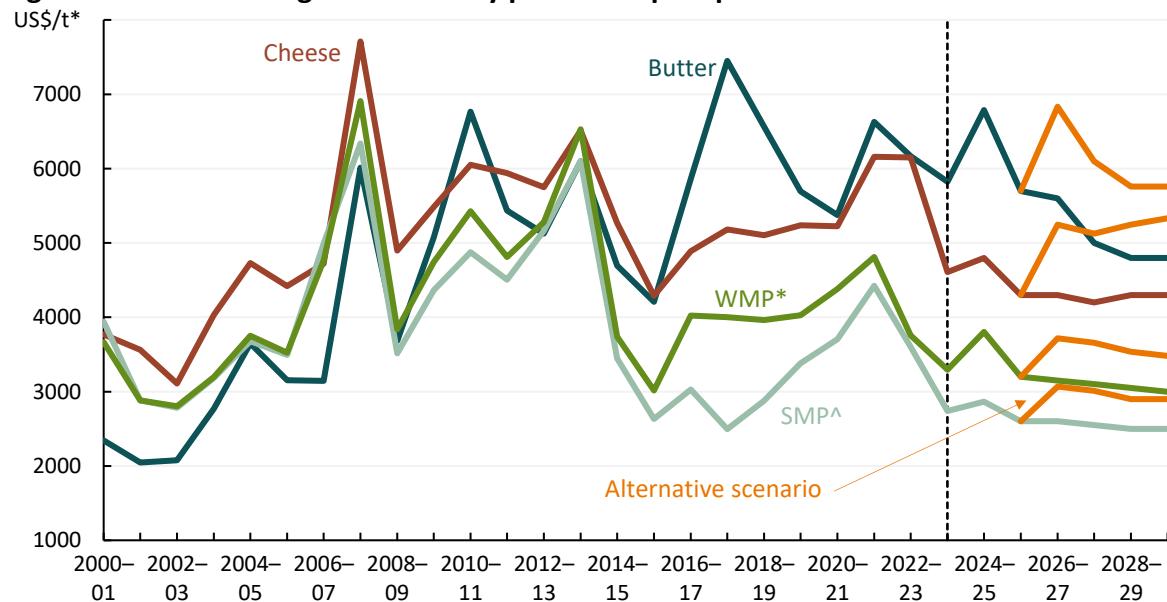
**Figure 11.5 Annual dairy product export and farmgate milk price index<sup>^</sup>**



Note: Index 100 = 2021–22. Data to the right of dotted line indicate estimates and forecasts. \*Weighted by annual export value product mix. <sup>^</sup>Reflects prices at various stages of dairy supply chain. Does not indicate profitability at different stages in the supply chain.

Source: ABARES; ABS; Dairy Australia

**Figure 11.6 Real average annual dairy product export prices**



Note: Data to the right of dotted line indicate forecasts, and projections. \*Whole milk powder. <sup>^</sup>Skim milk powder.

Source: ABARES; Dairy Australia

## Export prices to fall with low international demand and economic growth

**Nominal export prices** for most Australian dairy products are forecast to rise in 2024–25 from recent lows in 2023–24, driven by a lower exportable supply of milkfat globally. Low cow and replacement heifer availability in the United States and the effects of the Bluetongue virus in the European Union have contributed to declines in exportable dairy product supply from major northern hemisphere producing nations. This is expected to have a greater effect on the price of high-milkfat goods such as butter and cheese compared to lower fat products such as skim milk powder.

Nominal export prices for all Australian dairy products are forecast to fall in 2025–26, driven by rising world supply as the US and EU dairy herds recover from biosecurity events. Lower global demand is also expected to weigh on prices as rising Chinese milk production constrains China's import demand for milk powders.

Over the outlook period to 2029–30, **real Australian dairy product export prices** are projected to fall slightly as supply is expected to grow quicker than demand (Figure 11.6). While strong production in New Zealand is expected, subdued economic outlooks for Southeast Asia and China are likely to constrain growth in global demand. However, prices for high-fat dairy products are expected to remain elevated compared to other major dairy products, reflecting strong consumer preferences globally over other milk solids.

In the alternative scenario, real dairy product export prices are projected to rise and then fall, remaining higher than in the baseline scenario (Figure 11.6). Prices are projected to be higher in this scenario as stronger demand growth more than outpaces expected better production in the northern hemisphere (see Box 11.1).

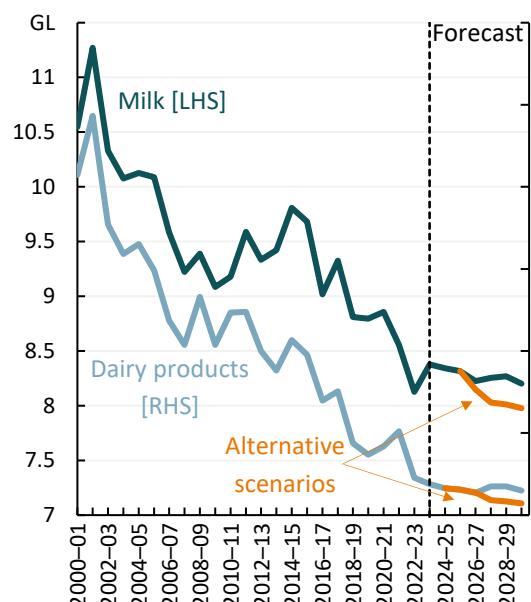
## Australian milk production to decline in 2025–26 and over outlook

**Australian milk production** is forecast to decline marginally in 2024–25 and 2025–26. Marginal production declines in both years are driven by falling dairy cow numbers which are more than offsetting expected higher milk yields (Figure 11.8). Lower dairy cow numbers reflect expected ongoing dairy farm exits as margins remain tight and land values rise. **Dairy product production** is also expected to decline slightly in both 2024–25 and 2025–26 as a result (Figure 11.7).

By contrast, **Australian dairy product export volumes** are forecast to rise by 3% in 2024–25 as high milk production in 2023–24 supports exportable dairy product supply. Dairy product export volumes rose by 6% in the first half of the 2024–25 dairy season including a 145% increase in butter export volumes as low milkfat production in the northern hemisphere increased butter export prices. Export volumes are forecast to decline by 1% in 2025–26 resulting from slight declines in dairy product production as subdued global demand weighs on export prices.

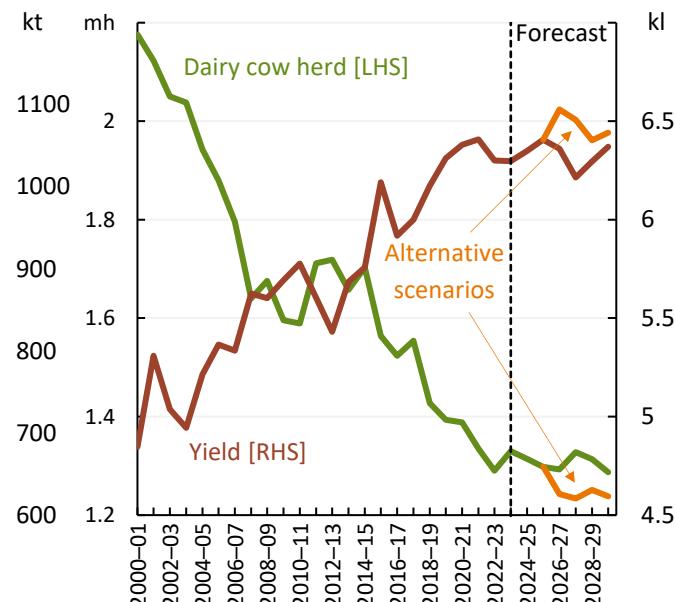
Milk production is projected to remain relatively stable over the outlook period, ending at 8.2 billion litres in 2029–30. While wetter seasonal conditions are expected to support dairy cow numbers, yields are expected to fluctuate inversely, rising in drier and falling in wetter years (see Box 11.1).

In the alternative scenario, milk production is projected to fall over the medium term, ending at 8.0 billion litres in 2029–30. Assumed drier conditions at the start of the outlook is expected to reduce cattle retention on farms, driving down production, slightly offset by higher yields (see Box 11.1).

**Figure 11.7 Annual volume of Australian milk and dairy product production**

Note: Data to the right of dotted line indicate forecasts and projections.

Source: ABARES; Dairy Australia

**Figure 11.8 Annual Australian dairy cow herd and milk yield per cow**

Note: Data to the right of dotted line indicate forecasts and projections.

Source: ABARES; Dairy Australia

## World supply to grow in 2025–26 and over outlook

**World supply of dairy products** in 2025–26 is forecast to grow at a faster rate than demand, weighing on world dairy product prices. Higher world supply reflects increased production in New Zealand and the United States more than offsetting reduced production in the European Union:

- **New Zealand** milk production is forecast to rise in 2025–26 driven by a growing cattle herd and a forecast improvement in seasonal conditions.
- **United States** milk production in 2025–26 is expected to increase. The USDA forecasts that the dairy cow herd is expected to grow offsetting a slight decline in expected milk yields.
- **European Union** milk production is forecast to decline in 2025–26 as an outbreak of Bluetongue disease and possible incentives from environmental policies to address emissions from the rearing of livestock. Falling milk production is likely to lower the proportion of milk allocated to producing milk powders and increase the proportion allocated to cheese production and exports.

Similarly, over the outlook to 2029–30 world supply of dairy products is projected to outpace world demand, leading to a slight decline in real dairy prices. Higher production in New Zealand and the United States are projected to outweigh lower production in the European Union:

- **New Zealand** milk production is expected to rise slightly with rising yields and seasonal production conditions. The [OECD](#) projects a 0.5% annual growth in milk production to 2029–30, attributing slow growth in production relative to other major milk producing nations to policies aimed at reducing livestock emissions.
- **United States** milk production is expected to rise, reflecting rising milk yields and growth in the number of dairy cows. Over the last two decades, US milk production has shown relatively strong growth; the [USDA projects](#) that this is likely to continue, with US milk production expected to grow by an average of 1.1% per year over the outlook period to 2029–30.

- **European Union** milk production is expected to decline, driven by falling dairy cow numbers outweighing higher yields. In its medium-term agricultural outlook, the [European Commission](#) projects that EU milk production will decline by 0.2% annually to 2029–30 driven by national environmental policies aimed at decreasing agricultural emissions. Despite this, EU cheese and whey production are projected to rise relative to other major dairy export products, as a higher proportion of milk production is allocated to cheese production.

## World demand driven by Southeast Asia

**World demand for dairy products** is expected to rise in 2025–26, but at a slower rate than world supply, leading to lower world dairy prices. Rising demand from Indonesia and Japan is expected to outweigh weak demand from China, Australia's primary export destination:

- **Indonesia's** demand is expected to rise in 2025–26 supported by the Free Nutritious Meals Program, which aims to provide free meals, including milk, to communities. This is expected to support demand for Australian milk powder exports.
- **Japan's** demand is forecast to grow in 2025 as improving household disposable incomes support increased domestic consumption of major imported commodities such as Australian cheese. However, this is expected to be somewhat offset by relatively high import prices, reflecting a weak Japanese yen.
- **China's** demand is expected to remain weak in 2025–26 given growing domestic milk production and as uncertain economic conditions weigh on consumer demand; the [USDA reports](#) that Chinese consumption of key imported dairy products, such as cheese and skim milk powder, are likely to fall.

World demand for dairy products is also expected to increase over the outlook period, but at a slower rate than world supply:

- Continued growth in **Chinese milk production** and government support for domestic self-sufficiency in dairy product production is likely to weigh on export demand for milk powder products.
- In addition, expected weaker economic conditions in China are assumed to reduce demand for discretionary dairy products (such as cheese) (see *Economic Outlook*).
- By contrast, **Southeast Asian demand** for dairy products is expected to rise, driven by rising incomes and strong economic growth.

## Opportunities and challenges

### ACCC inquiry into supermarket prices could impact dairy supply chains

On 24 January 2024 the Australian Government directed the Australian Competition and Consumer Commission (ACCC) to conduct an inquiry into Australia's supermarket sector, including the pricing practices of supermarkets and the relationship between wholesale (including farmgate), and retail prices.

The *year-long inquiry* will also examine competition in the supermarket sector and how it has changed since the ACCC's last inquiry in 2008. On 27 September 2024, the ACCC released its interim report. The final report, including recommendations, was due to the government on 28 February 2025.

## Biosecurity incidents may reduce northern hemisphere milk production

Bluetongue virus remains a concern in Europe, with continuing spread across many countries in the European Union and the [United Kingdom](#). Additionally, an outbreak of foot-and-mouth disease has been identified in [Germany](#), a major producer of dairy products in the European Union. In the [United States](#), an ongoing outbreak of Avian Influenza in many states has impacted the dairy cattle herd, with milk production in infected cows declining.

If these biosecurity events continue to spread and grow in severity, this would likely place further downward pressure on milk production in the northern hemisphere. It would also likely reduce the exportable supply of dairy products out of the United States and European Union – two of the world's largest dairy exporters – placing upward pressure on world dairy product prices.

## Biosecurity remains a key risk for the dairy industry

Foot-and-mouth disease (FMD) and lumpy skin disease (LSD) have both been reported in Indonesia, a near northern neighbour of Australia. If introduced to Australia, these diseases would reduce market access for Australia's exports and be extremely disruptive to Australia's cattle industry. The Australian Government is continuing to work with industry and the Indonesian Government to develop and strengthen prevention and preparedness measures. The [\*incidence of FMD in Indonesia has stabilised\*](#), with case numbers now comparable to other countries where FMD is present.

# 12 Natural Fibres

Yilei Ma



## Cotton

Cotton prices to rise reflecting lower global supply and higher demand.

### Key points

- Value of wool and cotton production to fall by 1% and 5% respectively in 2025–26.
- Value of wool exports to fall by 1% and cotton to rise by 2% in 2025–26.
- Eastern Market Indicator wool price to remain relatively low at 1,150 cents per kilogram in 2025–26.
- Cotlook A Index of cotton prices to rise by 4% to 84 US cents per pound in 2025–26.

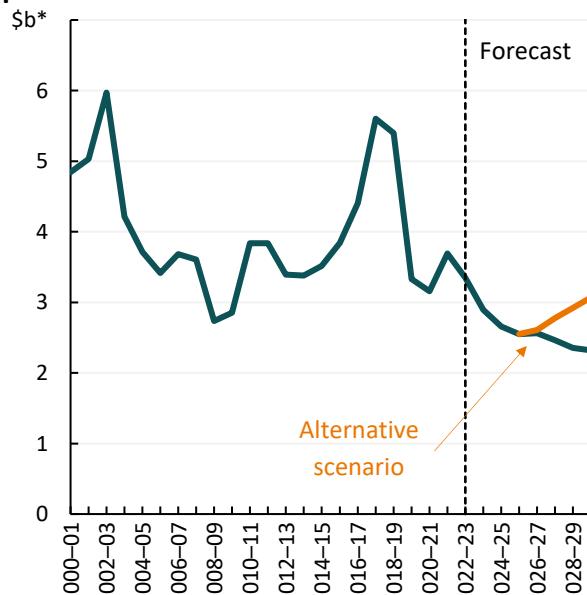
## Value of production to fall over the outlook period

The nominal value of wool production is forecast to fall by 6% to \$2.7 billion in 2024–25, from an estimated \$2.8 billion in 2023–24. This lower production value reflects both lower wool prices and lower production. In 2025–26, the nominal value of wool production is forecast to fall by a further 1% to \$2.6 billion as lower production outweighs slightly higher wool prices.

Over the medium term to 2029–30, real wool production values are projected to fall, ranging between \$2.3–2.6 billion (Figure 12.1). Falling real wool production value over the outlook period is a result of lower total wool production and a projected continued decline in real wool prices.

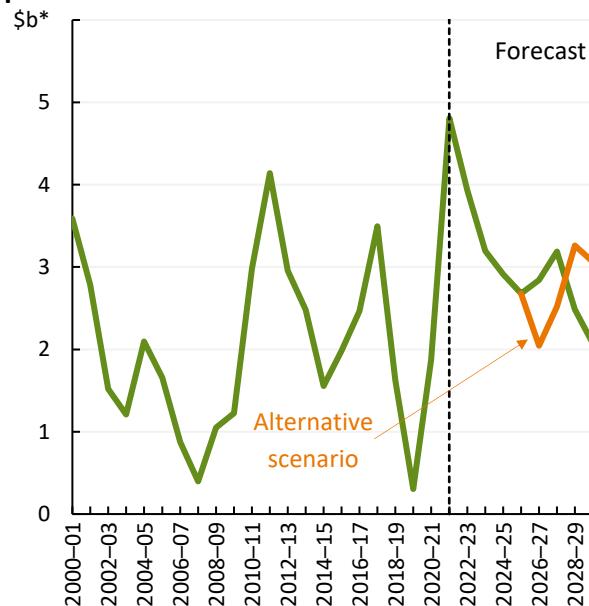
In the alternative scenario, real wool production values are projected to rise over the outlook period and to be higher than those in the baseline scenario, ranging between \$2.6–3.1 billion. Rising wool production values in the alternative scenario reflect higher wool prices – due to rising world demand.

**Figure 12.1 Real gross value of annual wool production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Figure 12.2 Real gross value of annual cotton production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

The value of wool production for 2024–25 is forecast to be 2% (\$70 million) lower than in the [December 2024 Agricultural Commodities Report](#), reflecting a downward adjustment to wool production.

The **nominal value of cotton production** is forecast to fall by 7% to \$2.9 billion in 2024–25, as higher production is outweighed by lower prices. In 2025–26, the nominal value of cotton production is forecast to fall by 5% to \$2.8 billion, as lower forecast production more than offsets higher global prices.

Over the medium term, real cotton production values are projected to peak in 2027–28 before falling through the remainder of the outlook period, ranging between \$2.1–3.2 billion (Figure 12.2). Rising real production values to 2027–28 reflect higher domestic production arising from relatively favourable seasonal conditions. After 2027–28, the assumed onset of drier seasonal conditions is projected to result in lower production volumes and lower real production values. Real cotton prices are projected to fall over the outlook period, reflecting higher growth in global supply than growth in demand (see Box 12.1).

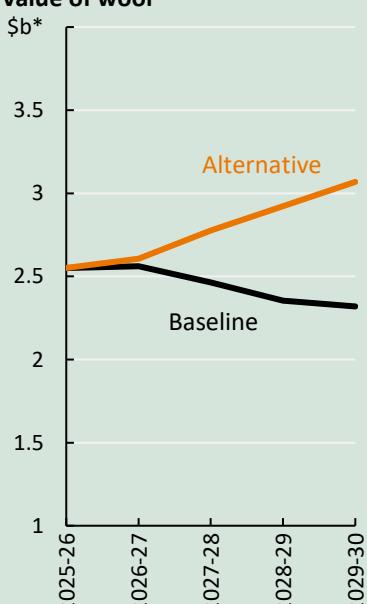
In the alternative scenario, the real value of cotton production is projected to fall in 2026–27 because of assumed drier seasonal conditions. Wetter seasonal conditions in subsequent years in this scenario are then expected to support increases in cotton production volumes and values, before declining slightly in 2029–30 as seasonal conditions return to neutral. Real cotton prices are expected to rise in the alternative scenario from 2028–29, supporting higher production values (see Box 12.1).

The value of cotton production for 2024–25 is forecast to be 7% (\$200 million) higher than in the [December 2024 Agricultural Commodities Report](#), largely reflecting an upward revision to production.

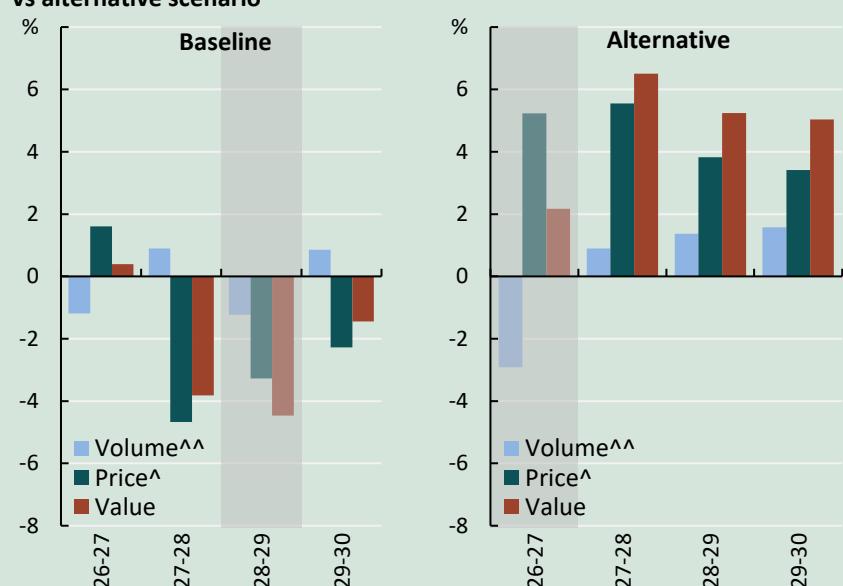
#### **Box 12.1 Key differences between the baseline and alternative scenario for wool and cotton**

The aggregate real value of wool over the medium term (from 2026–27 to 2029–30) is \$1.6 billion higher in the alternative scenario than the baseline, reflecting higher prices, which more than offset slightly lower overall production in this scenario (Figure 12.3). Real wool prices are expected to be lower in the baseline scenario than the alternative because of assumed lower global demand.

**Figure 12.3 Projected annual real value of wool**



**Figure 12.4 Annual change in value of wool by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; ^Gross unit value (c/kg); ^^Production (kt); \*2024–25 Australian dollars.

Source: ABARES

Overall, the aggregate real value of cotton production over the outlook period is similar in the baseline and alternative scenarios, with baseline production values higher in early years and lower later in the forecast period, primarily because of differences in assumed seasonal conditions (Figure 12.5). Real cotton prices are also expected to be lower in the baseline scenario than the alternative, driven by slower growth in global cotton consumption, in turn because of relatively subdued household spending.

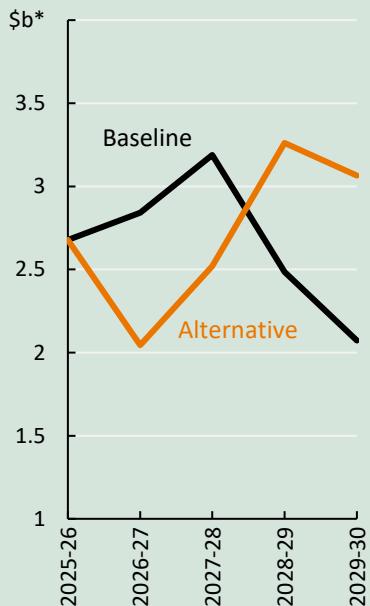
**In the baseline scenario**, the outlook period from 2026–27 is assumed to start with two consecutive years of wet seasonal conditions, followed by a dry year, and return to a neutral year in 2029–30. Global conditions are assumed to be below average with the presence of trade disruptions, however, an assumed lower exchange rate is expected to support the competitiveness of Australian wool and cotton exports:

- Relatively wet seasonal conditions in the early years of the baseline scenario are projected to increase pasture availability, driving rebuilding of the Australian sheep flock and subsequently higher number of sheep shorn and higher wool yields.
- Favourable seasonal conditions are also projected to drive higher dryland and irrigated cotton production.

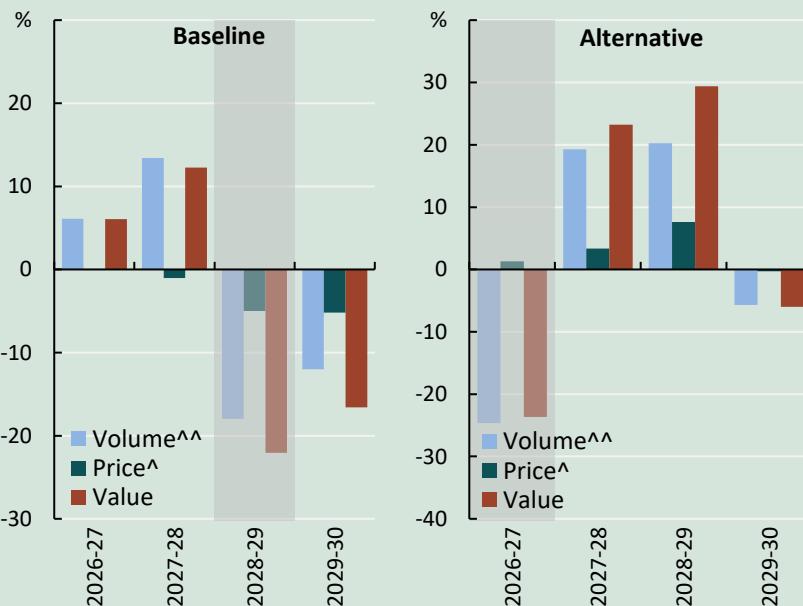
In contrast, the drier seasonal conditions assumed in 2028–29 and a return to neutral conditions in 2029–30 are projected to increase sheep and lamb turn-off, leading to a smaller number of sheep shorn, and is also expected to reduce wool yields. These less favourable seasonal conditions are also projected to drive lower cotton production in these years because of reduced soil moisture and lower water availability.

**In the alternative scenario**, the outlook period from 2026–27 is assumed to start with the onset of a dry year, followed by two consecutive years of wet seasonal conditions, and a return to a neutral year in 2029–30. Global economic conditions and demand are assumed to be more robust, however, a stronger exchange rate assumption – driven by both stronger economic growth in China and the US and minimal trade restrictions (see *Economic Outlook*) – is expected to reduce the competitiveness of Australian exports and weigh on export prices.

**Figure 12.5 Projected annual real value of cotton**



**Figure 12.6 Annual change in value of cotton by price and volume, baseline vs alternative scenario**



Note: Shaded bar represents assumed dry year. Price and volume changes may not sum exactly to change in value due to rounding; <sup>^</sup>Gross unit value (c/kg); <sup>^^</sup>Production (kt); \*2024–25 Australian dollars.

Source: ABARES

- Dry seasonal conditions at the start of the outlook period for the alternative scenario are assumed to delay rebuilding of the Australian sheep flock compared to the baseline scenario. The delayed flock rebuild, together with expected lower yield, are projected to lead to lower shorn wool production until 2027–28. These relatively dry conditions following a projected neutral year are also expected to drive lower cotton production.

The assumed onset of wetter seasonal conditions and improved pasture availability in 2027–28 and 2028–29 is then projected to drive a higher number of sheep shorn and improved yields in the alternative scenario. Consecutive years of relatively wet conditions are also expected to support higher cotton yields and increased area planted in the later years of the outlook period – leading to higher production in the alternative scenario in 2028–29 and 2029–30.

A return to neutral conditions in 2029–30 is then expected to continue the increase in wool production in the final year of the alternative scenario, as the sheep flock continues to rebuild. Cotton production is expected to fall somewhat in this year due to a projected decrease in water availability compared with 2028–29.

- For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

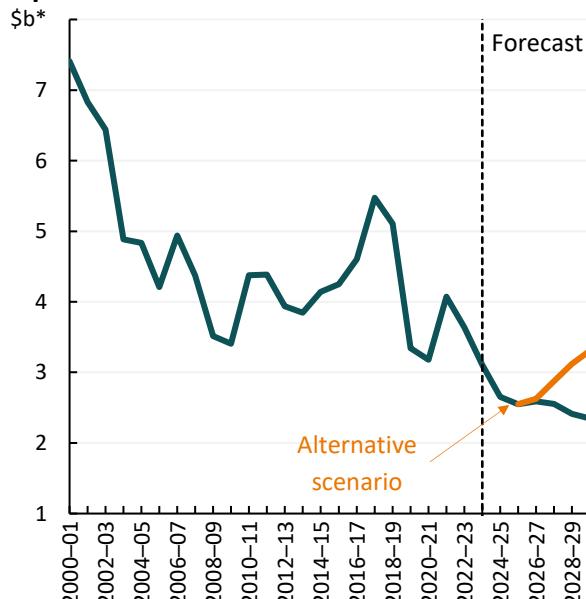
## Value of wool and cotton exports to fall over outlook

The nominal value of wool exports is forecast to fall by 12% to \$2.7 billion in 2024–25 from \$3.0 billion in 2023–24, driven by both falling export volumes and lower export prices. In 2025–26, nominal wool export value is forecast to fall by 1% to \$2.6 billion, as a lower export volume is partly offset by a higher average wool price.

Over the medium term, real export values of wool are projected to generally decline, ranging between \$2.3–2.6 billion (Figure 12.7). Lower real export values reflect a decline in both export prices and export volumes. Falling real prices reflect subdued global wool demand due to assumed slower economic growth and persistent inflation weighing on consumer spending. Lower export volumes are projected to be driven by ongoing declines in total wool production (see Box 12.1).

In the alternative scenario, real wool export values rise over the outlook period (ranging between \$2.6–3.3 billion). In 2026–27, a fall in projected export volumes (primarily caused by assumed poor seasonal conditions and hence lower wool production) are more than offset by higher export prices. For the remainder of the outlook period, higher export values are a result of both higher export volumes and rising prices (see Box 12.1).

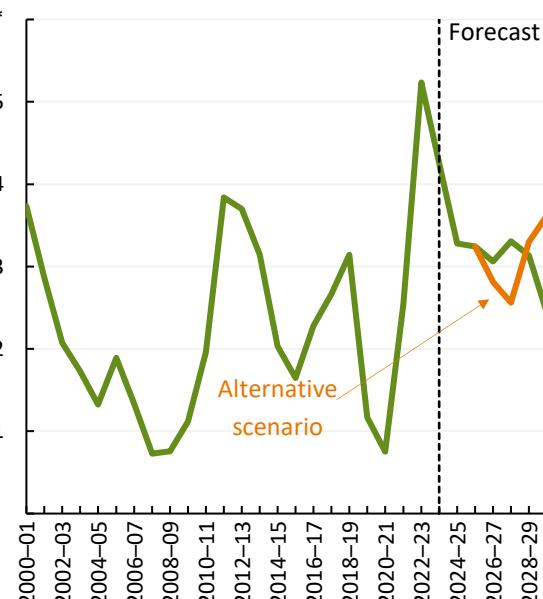
**Figure 12.7 Real value of annual wool exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

**Figure 12.8 Real value of annual cotton exports**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; ABS

The value of wool exports for 2024–25 is forecast to be 4% (\$100 million) lower than expected in the [December 2024 Agricultural Commodities Report](#), reflecting downward adjustments to export volumes.

The **nominal value of cotton exports** is forecast to fall by 21% to \$3.3 billion in 2024–25, driven by lower export volumes and lower prices. In 2025–26, the nominal export value is forecast to rise by 2% to \$3.4 billion, as higher nominal prices outweigh a further fall in export volumes.

Over the outlook to 2029–30, the **real value of cotton exports** is projected to range between \$2.4–3.3 billion, remaining relatively stable until 2027–28 before declining over the remainder of the outlook period (Figure 12.8; see Box 12.1).

In the alternative scenario, real cotton export values are projected to range between \$2.6–3.6 billion, and to increase in the later part of the outlook period – supported by favourable seasonal conditions and higher global demand for cotton (see Box 12.1).

The value of cotton exports for 2024–25 is forecast to be 4% (\$120 million) lower than expected in the [December 2024 Agricultural Commodities Report](#), reflecting downward adjustments to export prices.

## Mixed price outlook for wool and cotton

### Real wool price to remain low over the outlook

In 2024–25, the **nominal wool price**, as measured by the Eastern Market Indicator (EMI) is forecast to fall by 2% to 1,131 cents per kilogram, largely because of ongoing weakness in the global demand for wool (see Box 12.2).

#### **Box 12.2 Low Australian wool prices driven by low world demand for wool**

If ABARES' forecast for the Eastern Market Indicator (EMI) in 2024–25 is realised, this would be 31% below the 10-year average to 2023–24 in real terms. It would also be the lowest price in real terms since 1998–99.

Australian wool prices are largely driven by changes in world demand. There are several factors currently placing downward pressure on world wool prices:

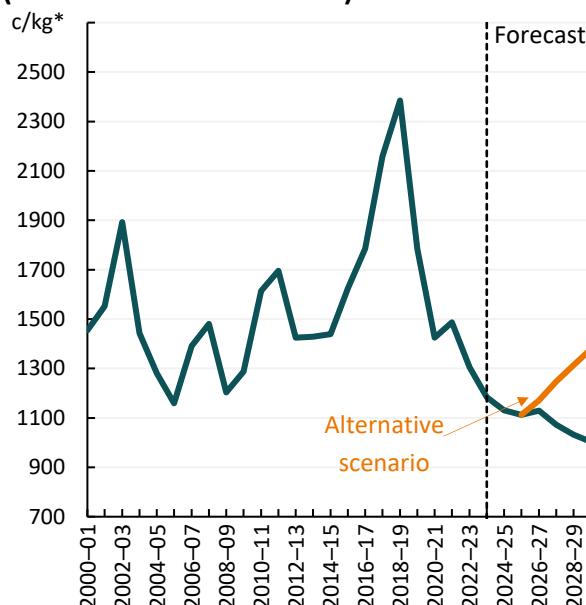
- Long-term competition from cheaper synthetic fibres, particularly oil-based synthetics which has led to falling world demand for wool, and wool consumption, since the 1990s.
- Weak demand from China, in turn driven by:
  - Low consumer spending in China, particularly on discretionary items, and an outlook for slowing economic growth.
  - A weak exchange rate between the Chinese Yuan and US dollar has increased wool import prices and reduced Chinese demand for wool. China is the world's largest importer of wool, which is largely traded in US dollars.
- A relatively weak global economic outlook – particularly across advanced economies – with world growth forecast to be below average as elevated interest rates weigh on consumer discretionary spending.
- Australia is the world's largest producer of fine and superfine wool. These are used in relatively niche, often luxury, discretionary consumer products which are highly sensitive to changes in consumer discretionary spending.

In 2025–26, nominal wool prices are forecast to rise slightly (by 2%) to 1,150 cents per kilogram, but to remain below the 10-year average to 2023–24. While somewhat higher than 2024–25, world wool demand is expected to remain subdued in 2025–26 because of continued weak economic outlooks and relatively low household spending.

Over the medium term to 2029–30, **real wool prices** are projected to fall from 1,130 cents per kilogram in 2026–27 to 1,003 cents in 2029–30 (Figure 12.9; see Box 12.1). Lower real prices are driven by subdued disposable household income. This is expected to decrease consumer spending on discretionary items such as woollen garments (see *Economic Outlook*).

In the alternative scenario, real wool prices are projected to be higher than the baseline scenario, rising steadily over the forecast period from 1,171 cents per kilogram in 2026–27 to 1,379 cents per kilogram in 2029–30. An assumed stronger outlook for the global economy in this scenario is expected to support higher world demand for wool (see Box 12.1).

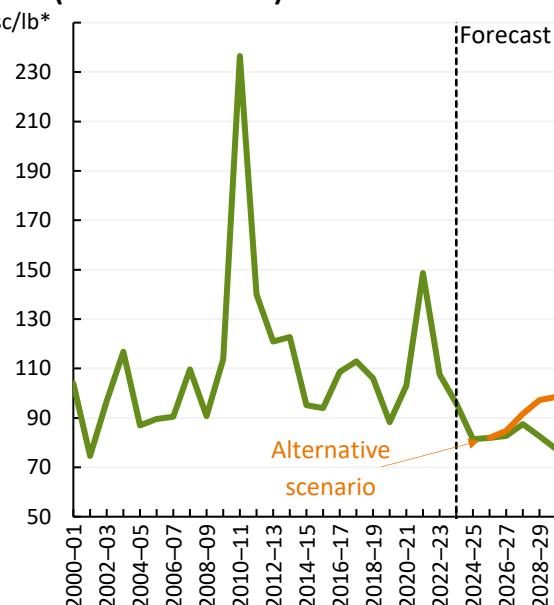
**Figure 12.9 Real average annual wool prices (Eastern Market Indicator)**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES; AWEX

**Figure 12.10 Real average annual cotton prices (Cotlook A Index)**



Note: Data to the right of dotted line indicate forecasts and projections. \*2024–25 US cents.

Source: ABARES; Cotlook

## Real cotton price variable over outlook

In 2024–25, the **nominal cotton price**, as measured by the Cotlook A Index, is forecast to fall by 13% to US81 cents per pound, driven by rising global supply. Australian cotton prices (gin-gate returns) are forecast to fall by 10% to \$585 per bale, largely following movements in Cotlook A Index.

In 2025–26, the cotton price is forecast to rise by 4% to US84 cents per pound, reflecting lower global supply and higher global demand. Assumed neutral conditions in the US, Brazil and other major cotton producers are forecast to bring about a fall in production in 2025–26 compared with the well above average year of 2024–25. Strong economic growth and rising textile consumption in emerging markets are expected to support higher cotton demand.

Over the medium term to 2029–30, **real cotton prices** are expected to range between US77–87 cents per pound, initially rising to 2028–29 before falling over the remainder of the outlook period (Figure 12.10; see Box 12.1). Initial rises are expected to be driven by a falling global stock to use ratio, as global cotton production is projected to fall while consumption to rise. For example, in 2027–28 assumed dry conditions in Brazil, United States, India and China are projected to drive a fall in global cotton supply. Lower global prices towards the end of the outlook reflect rising global supply as wetter seasonal conditions are assumed in the Northern Hemisphere.

In the alternative scenario, the real cotton price ranges between US85–98 cents per pound and rises steadily over the outlook period, reflecting rising consumer spending due to stronger economic

conditions. Assumed favourable seasonal conditions are projected to support higher global cotton production and partly offset rising demand – limiting price increases until 2027–28. For the remainder of the outlook, stronger demand and reduced supply under the assumed dry conditions are expected to drive elevated cotton prices in real terms (see Box 12.1).

## Natural fibre production to fall

In 2024–25, **Australian wool production** is forecast to fall by 4% to 406 thousand tonnes, reflecting a smaller number of sheep shorn and less wool cut per head. **Australian wool export volumes** are forecast to fall by 8% to 411 thousand tonnes in 2024–25, driven by lower production and falling export demand.

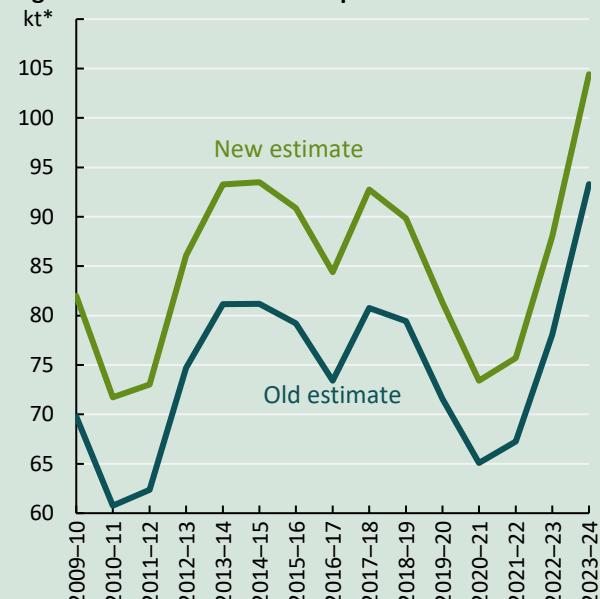
In 2025–26, wool production is forecast to fall by 2% to 396 thousand tonnes, which is 3% below the 10-year average to 2023–24. The ongoing decline in wool production is being driven by several factors, including a shift away from Merinos and towards meat-oriented sheep breeds, and an expansion of cropping enterprises on Australian farms (see *Sheep meat*). Wool export volumes are forecast to fall by a further 3% in 2025–26, reflecting lower production and subdued world demand.

### Box 12.3 Revision of non-shorn wool production estimates from 2009–10

Non-shorn wool – more commonly referred to as sheepskins and fellmongered wool production – accounts for around 21% of total wool production. Production volumes of non-shorn wool have been estimated by ABARES since 2009–10, and are largely driven by the number of lambs and sheep slaughtered. In this edition of *Agricultural Commodities*, ABARES has revised estimates of non-shorn wool production volume upwards post 2009–10 to better reflect higher wool yields on the skins of slaughtered sheep in line with those seen for shorn sheep (Figure 12.11).

The impact of this revision on total non-shorn wool production is an increase of approximately 12% on average from 2009–10 to 2023–24. This change does not affect ABARES estimates of shorn wool production; or the volume and value of wool trade - which is sourced from ABS data.

**Figure 12.11 Non-shorn wool production**

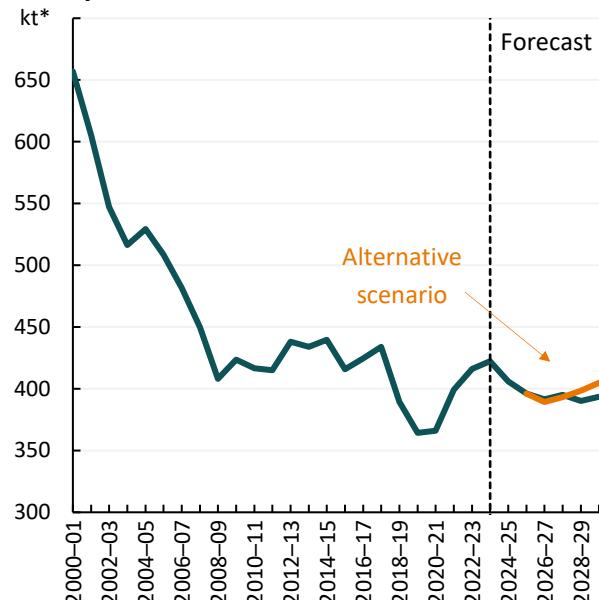


In the medium term, wool production is projected to remain relatively stable between 390–395 thousand tonnes (Figure 12.12). Wool production is projected to rise to 395 thousand tonnes in 2027–28, as two consecutive years of wet conditions are projected to support a flock rebuild and increase wool cut per head. However, assumed drier seasonal conditions in 2028–29 are then expected to reduce wool production as low pasture growth leads to destocking activity. The shift from Merinos to meat sheep is likely to continue, driving lower production in the medium term (see *Sheep meat*). Wool export volumes are also projected to fall, driven by lower production volumes. Subdued export demand, reflecting weak global growth and rising inflation, is also expected to further limit export volumes (see Box 12.1).

In the alternative scenario, overall wool production is projected to be lower than in the baseline scenario, ranging between 384–401 thousand tonnes. In contrast to the baseline scenario, wool

production is projected fall further in 2026–27 as dry conditions drive a contraction in the sheep flock. Wool production is forecast to rise moderately for the remainder of the outlook, as above average pasture growth in 2027–28 and 2028–29 supports rebuilding the sheep flock. Wool export volumes are initially lower than the baseline scenario but higher from 2028–29, reflecting projected wool production levels. More robust global growth is projected to support stronger export demand for wool in this scenario (see Box 12.1).

**Figure 12.12 Annual volume of Australian wool production**

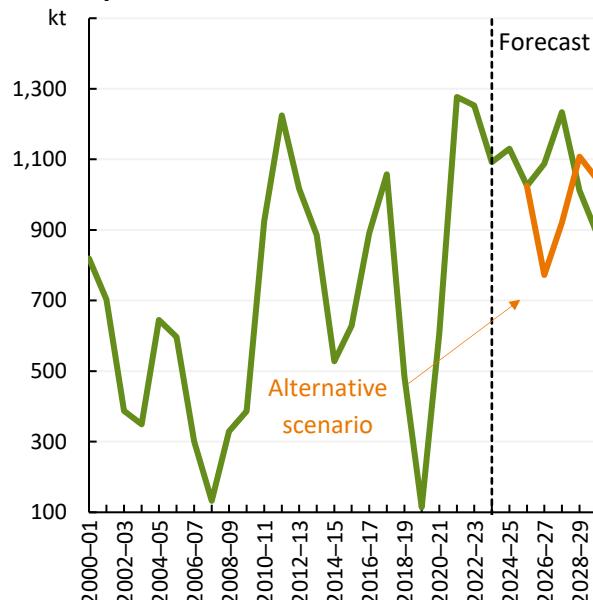


Note: Data to the right of dotted line indicates forecast and projections. Includes sheepskins and fellmongered wool.

\*Greasy equivalent.

Source: ABARES; ABS; AWPFC

**Figure 12.13 Annual volume of Australian cotton production**



Note: Data to the right of dotted line indicate forecasts and projections. Cotton lint production.

Source: ABARES; ABS; Cotton Australia

## Cotton production to fluctuate over the medium term to 2029–30

In 2024–25, **Australian cotton production** is forecast to rise by 4% to 1.1 million tonnes, driven by higher area planted and yields. Forecast production in 2024–25 is 42% above the 10–year average to 2023–24, supported by average conditions and relatively high water availability in key planting regions across New South Wales and Queensland. Australian cotton export volumes are forecast to fall by 10% to 1.1 million tonnes, largely reflecting lower stocks.

In 2025–26, cotton production is forecast to fall by 9% to 1.0 million tonnes, driven by a reduction in area planted, which is expected to arise because of a small reduction in carryover water from 2024–25. Despite this, overall water availability is forecast to remain historically high, supporting above-average irrigated cotton production. Assumed favourable conditions are expected to keep dryland cotton production relatively stable in 2025–26. Cotton export volumes are forecast to fall by 1% to 1.1 million tonnes, reflecting lower exportable supply.

Over the medium term to 2029–30, cotton production is projected to rise to 2027–28 and fall for the remainder of the outlook period, ranging between 890 thousand tonnes and 1.2 million tonnes (Figure 12.13). Assumed wet conditions in 2026–27 and 2027–28 are likely to result in above average soil moisture and rising water availability, supporting both dryland and irrigated production (see *Seasonal Conditions*). In contrast, neutral and dry conditions for the remainder of the outlook are projected to drive lower area planted and yields, leading to the projected fall in production in 2028–29 and 2029–30. Cotton export volumes are expected to rise before falling in 2029–30, in line with changes in production volumes.

In the alternative scenario, cotton production ranges between 772 thousand tonnes and 1.1 million tonnes. Lower production volumes in 2026–27 reflect low soil moisture levels and falling water availability under the assumed dry conditions. However, assumed wet conditions in 2027–28 and 2028–29 are projected to drive rising production for both dryland and irrigated cotton before production falls again in 2029–30 with an assumed return to neutral conditions. Export volumes are lower than in the baseline scenario, following changes in projected production.

## Mixed outlook for world demand of natural fibres

### Wool demand to rise slightly in 2025–26

**World wool demand** is expected to rise slightly in 2025–26, while wool supply is expected to fall – both supporting higher wool prices, but nonetheless remain at relatively subdued levels.

Over the medium term to 2029–30, world wool demand is likely to fall, reflecting subdued demand from China, Europe and other advanced economies as well as longer term factors (see Box 12.2):

- **China** is forecast to remain as a key export market for Australian wool and a global processing centre of woollen products. Slowing population growth and a weak economic outlook is expected to see falling demand of woollen products from China's domestic markets.
- **European** demand for raw wool is likely to remain subdued. Italy is a key export market for fine and superfine Australian wool. Fine and superfine wool demand is expected to remain subdued as moderate economic growth and persistent inflation is likely to limit overall household income and drive lower discretionary spending.
- **Emerging market** demand, such as from India, is likely to rise reflecting higher population growth and greater wool processing capacity for domestic and export markets.

In the alternative scenario, global consumption of wool is expected to increase, reflecting a stronger outlook for global economy, lower interest rates and inflation (See *Economic Outlook*).

### Higher cotton demand supported by robust growth in emerging markets

In 2025–26, **world cotton demand** is expected to rise, and supply is expected to fall, driving higher world cotton prices. Higher demand in India, Vietnam, Bangladesh and other emerging markets are expected to offset falling demand in China.

- **India's** cotton demand is expected to rise in 2025–26, driven by lower domestic production and elevated domestic prices. Lower production volumes in India are forecast to be driven by a reduction in area planted due to higher returns for competing crops. Elevated domestic prices are expected to incentivise cotton mills to source raw cotton from international markets like Australia, rather than domestically.
- **China's** cotton demand is expected to fall in 2025–26. Lower forecast cotton consumption is expected to be driven by lower demand for finished cotton products both domestically and globally. Falling domestic consumption reflects a weaker economic outlook, falling household income and slowing population growth (see *Economic Outlook*). Lower import demand for raw cotton is also expected to be driven by higher domestic supply, reflecting higher production forecasts for 2024–25 and high opening stocks accumulated in 2023–24.

Over the medium term to 2029–30, world cotton demand is expected to rise, driven by rising world population and robust economic growth in emerging markets. China, Bangladesh and Vietnam are expected to remain key consumers of raw cotton and major suppliers of cotton products for global textile markets. The global textile and clothing market is also expected to grow, supporting higher cotton demand across the supply chain.

## World wool and cotton supply to fall

**World wool supply** is expected to fall in 2025–26 driven by lower wool production in Australia and New Zealand. Lower production volumes in [New Zealand reflects a long-term decline in the sheep flock, largely due to shift from sheep grazing to other land uses](#). As Australia and New Zealand are forecast to continue to be world's major wool exporters (with more than 60% of global wool trade), lower production in both Australia and New Zealand is expected to drive lower world wool supply in 2025–26.

Over the medium term to 2029–30, world wool supply is expected to fluctuate but continue the downward trend, driven by changes in wool production in Australia and New Zealand:

- **Australian** wool production is expected to fluctuate but overall trend downwards, largely reflecting changes in sheep breeds as producers shift to other enterprises. Fluctuation in wool production also reflects variable seasonal conditions which drive changes in sheep and lamb turn-off, wool yields and overall sheep numbers.
- **New Zealand** wool production is expected to fall slightly over the outlook, as sheep flock size is constrained by structural shifts in land use and fewer breeding ewes (see *Sheep meat*). An expected lower world wool price is forecast to also lead to lower production, particularly for medium and fine wool.

In 2025–26, **world cotton supply** is expected to fall, driven by lower production in the United States and Brazil:

- **United States'** cotton production is expected to fall in 2025–26 due to average to below average growing conditions.
- **Brazil's** cotton production is expected to fall in 2025–26, reflecting lower yields, as a result of less favourable seasonal conditions.

Over the medium term to 2029–30, world cotton production is expected to rise, driven by productivity improvements in Brazil, India and other major cotton producers. Assumed poor seasonal conditions for major cotton producers in the Northern Hemisphere through to 2027–28 are expected to limit substantial increases in global supply, particularly in the US and Brazil.

## 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.

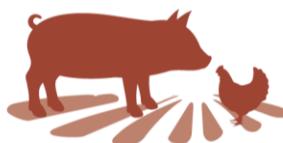
### Traceability and sustainability credentials may support wool demand

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 the animal welfare credentials of products. The Australian wool industry is also working on a range of initiatives with other livestock industries such as The Australian Sheep Sustainability Framework to demonstrate the industry's sustainable performance. These initiatives could help support a sustained increased demand for Australian wool over the long term.

# 13 Pigs, Poultry and Eggs

Amelia Brown

**\$6b**  
Value of  
production  
in 2025–26



## Pig and poultry

Production to increase with lower domestic feed grain prices.

### Key points

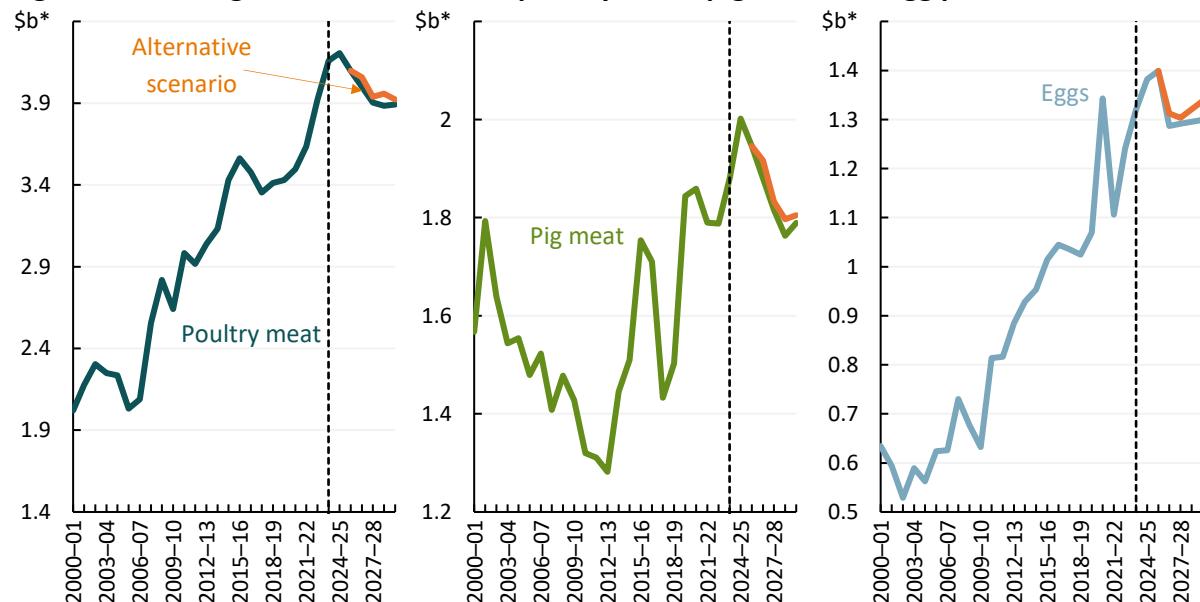
- Value of pig, poultry and egg production to ease slightly in 2025–26 but remain high.
- Production of pig, poultry and eggs projected to grow over medium term, driven by demand growth.
- Egg supply disruptions expected to stabilise, although Avian influenza remains a key risk.
- Biosecurity is critically important to protect Australian pig, poultry and egg producers.

## Value of production to remain elevated in 2025–26 and over the medium term

**Nominal pork and poultry meat production values** are forecast to rise to a record \$2.0 billion and \$4.2 billion respectively in 2024–25, mostly reflecting higher prices. In 2025–26, nominal pork and poultry meat production values are forecast to remain elevated as slightly lower prices are offset by increased production. Despite the recent increase in prices, pork and poultry meat are still more affordable than beef and sheep meat, driving continued demand growth. Beef and sheep meat prices are forecast to increase further in 2025–26, driving higher demand for pork and poultry meat as consumers look for better value substitutes.

Over the outlook period, **real pork and poultry meat production values** are projected to decline but remain relatively high compared to recent averages, as falling prices outweigh rising production volumes; real pork production values are expected to fall from \$2 billion to \$1.8 billion and poultry from \$4.1 to \$4 billion (Figure 13.1)

**Figure 13.1 Real gross value of annual poultry meat, pig meat and egg production**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

Real prices are expected to fall but remain elevated, reflecting high input costs and increasing domestic and export demand. Higher production volumes by the end of the outlook reflect continued growth in pork and poultry meat production to meet growing domestic demand and historically high pork and poultry meat prices.

In the alternative scenario, the real value of pork and poultry meat production is also projected to fall and rise, ending slightly higher than in the baseline scenario at \$1.9 billion and \$4 billion respectively (see Box 13.1).

The nominal value of pork production in 2024–25 is forecast to be \$90 million higher than what was expected in the [December 2024 Agricultural Commodities Report](#), reflecting an upward revision to both production and prices. The value of poultry meat production is unchanged from December.

## Value of egg production to fall in real terms

The **nominal value of Australian egg production** is forecast to increase to a record \$1.4 billion in 2024–25, driven by higher prices outweighing lower production. In 2025–26, the nominal value of Australian egg production is forecast to increase to \$1.5 billion as production volumes recover and offset lower prices.

- Over the outlook period, the **real value of Australian egg production** is expected to fall and then stabilise, ending at \$1.3 billion in 2029–30 as lower real prices more than outweigh continued growth in production. Despite falling, real prices are projected to remain above the five-year average to 2023–24, driven by ongoing costs associated with biosecurity, animal welfare requirements and other input costs – such as electricity, labour and infrastructure. A shift towards non-caged eggs is likely to increase input costs for some farmers:
  - The [Australian Animal Welfare Standards and Guidelines for Poultry](#) – endorsed by state and territory governments nationwide in 2023 – called for the phasing out of most caged production systems currently used by 2036. Cages would have to be updated to meet the standards; whether this timeline is met remains uncertain given New South Wales – one of Australia’s largest egg producing states – has not committed to it.
  - Most major supermarkets have committed to phasing out all caged eggs by the end of 2025.
- Costs associated with implementing additional biosecurity measures are also impacting production costs, keeping egg prices elevated.

In the alternative scenario, the real value of Australian egg production is also projected to fall and then stabilise, ending slightly higher than in the baseline scenario supported by stronger production volumes towards the end of the outlook (see Box 13.1).

The nominal value of egg production in 2024–25 is forecast to be \$40 million higher than expectations in the [December 2024 Agricultural Commodities Report](#), reflecting a slight upward revision to production and higher egg prices.

### Box 13.1 Differences between the baseline and alternative scenario are not significant for pigs, poultry and eggs due to intensive production systems

Differences between scenarios are not as significant as other agricultural industries as intensive production systems – like pigs, poultry and eggs – are more insulated from changes in seasonal conditions. Instead, changes in input costs – which impact profitability – drive change in intensive production systems, with feed grain one of the biggest costs. Real production values are projected to fall and then stabilise in both scenarios, as falling real prices offset gradual production growth.

Prices fall across both scenarios as feed costs ease over the outlook:

- While **wetter seasonal conditions** in both scenarios are projected to increase domestic feed grain supply, high global grain prices are projected to keep domestic feed costs elevated, thus constraining profitability. (see *Wheat and Coarse Grains*). This is expected to be partially offset by lower red meat supply and higher prices, increasing demand for substitutes like pork and poultry (see *Beef and veal; Sheep meat*).
- **Drier seasonal conditions** in both scenarios are also projected to weigh on pork and poultry prices as expected stronger red meat supply and lower beef and sheep meat prices reduces demand for substitutes like pork and poultry meat (see *Beef and veal; Sheep meat*).

By contrast, production volumes are projected to grow steadily over both scenarios, driven by ongoing productivity improvements, stable domestic demand and population growth.

- Pork and poultry production volumes are projected to fall slightly in assumed dry years in both scenarios as expected higher domestic grain prices – given expected lower domestic crop production – weigh on profitability (see *Wheat and Coarse Grains*).

Values are projected to end slightly higher in the alternative scenario as assumed wetter and neutral years ending the outlook period increase domestic feed supply, reducing feed input costs, thus increasing profitability and production volumes. In addition, stronger economic conditions are expected to support higher household spending and increase demand for protein, mitigating the fall in real prices (see *Economic Outlook*).

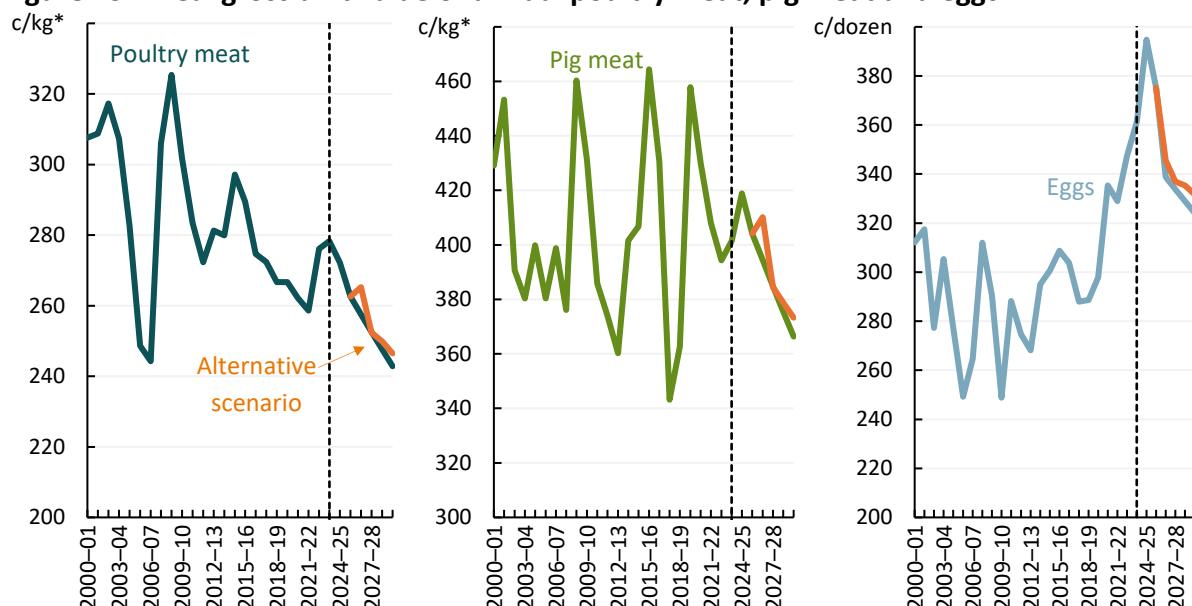
For further detail on overall differences between the alternative and baseline scenarios, see *Overview*.

## Strong demand to support elevated prices over the outlook

### Real pork and poultry meat prices to remain high over the outlook

**Nominal pig prices** are forecast to rise to 419 cents per kilogram (carcass weight) over 2024–25, up by 7% from 391 cents per kilogram in 2023–24. Higher prices reflect increased domestic and export demand, and a slight fall in import volumes.

**Figure 13.2 Real gross unit value of annual poultry meat, pig meat and eggs**



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. \*2024–25 Australian dollars.  
Source: ABARES; ABS

**Nominal poultry prices** are forecast to remain relatively stable in 2024–25 at a high 272 cents per kilogram as rising demand broadly offsets expected higher production. The chicken meat industry has been relatively unaffected by the recent Avian Influenza outbreak, with production volumes

expected to increase as higher red meat prices incentivise consumers to substitute towards chicken meat (see *Beef and veal*).

In 2025–26, pig and poultry meat prices are forecast to continue to remain high – at 417 and 271 cents per kilogram respectively – expected higher red meat prices are forecast to continue driving consumers substitution towards more affordable protein sources such as chicken and pork.

Over the outlook to 2029–30, **real pig and poultry prices** are expected to ease reflecting easing feed costs and increased production (see Figure 13.2). Domestic demand is expected to remain relatively steady over the outlook. Annual fluctuations in pork and poultry prices are expected to be driven by changes to input costs such as feed, electricity, and labour.

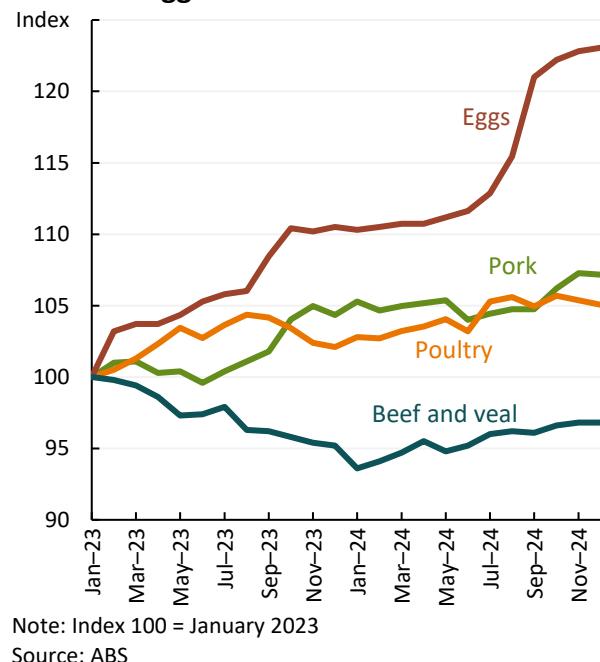
In the alternative scenario, real pig and poultry prices are also projected to ease over the outlook, ending slightly higher than in the baseline scenario. Real prices are projected to rise slightly in 2026–27 as assumed drier conditions increase domestic feed grain costs and reduce production (see Box 13.1).

### Egg prices to ease in 2025–26

Egg prices are forecast to rise by 12% in 2024–25 to 395 cents per dozen driven by lower production. Recent egg shortages across Australia given Avian Influenza outbreaks in the ACT, NSW and VIC exacerbated by seasonal increases in demand saw retail egg prices rise by 11% in 2024 (Figure 13.3); in addition, a structural shift away from caged production systems is also driving up prices. Prices are forecast to ease by 2% in 2025–26 to 387 cents per dozen as supply begins to stabilise but at this price, they are still well above the 5-year average to 2022–23 of 275 cents per dozen.

Real egg prices are projected to ease over the outlook period as production increases and feed costs ease. However, prices are expected to remain above previous averages, driven by ongoing costs associated with biosecurity, animal welfare requirements and other input costs – such as electricity, labour and infrastructure. Fluctuation in real egg prices across both the baseline and alternative scenario reflect variable feed costs driven by assumed seasonal conditions and their impact on domestic and global grain prices (see Box 13.1).

**Figure 13.3 Monthly consumer price index for meat and eggs**



## Production volumes forecast to continue rising

### Pig and poultry meat production to continue to rise over the medium term

**Pig and poultry meat production** is forecast to increase to a record 478 thousand tonnes and 1.5 million tonnes respectively in 2024–25, boosted by lower feed costs and higher slaughter weights (Figure 13.4). Production growth is expected to continue in 2025–26, reflecting increased slaughter volumes.

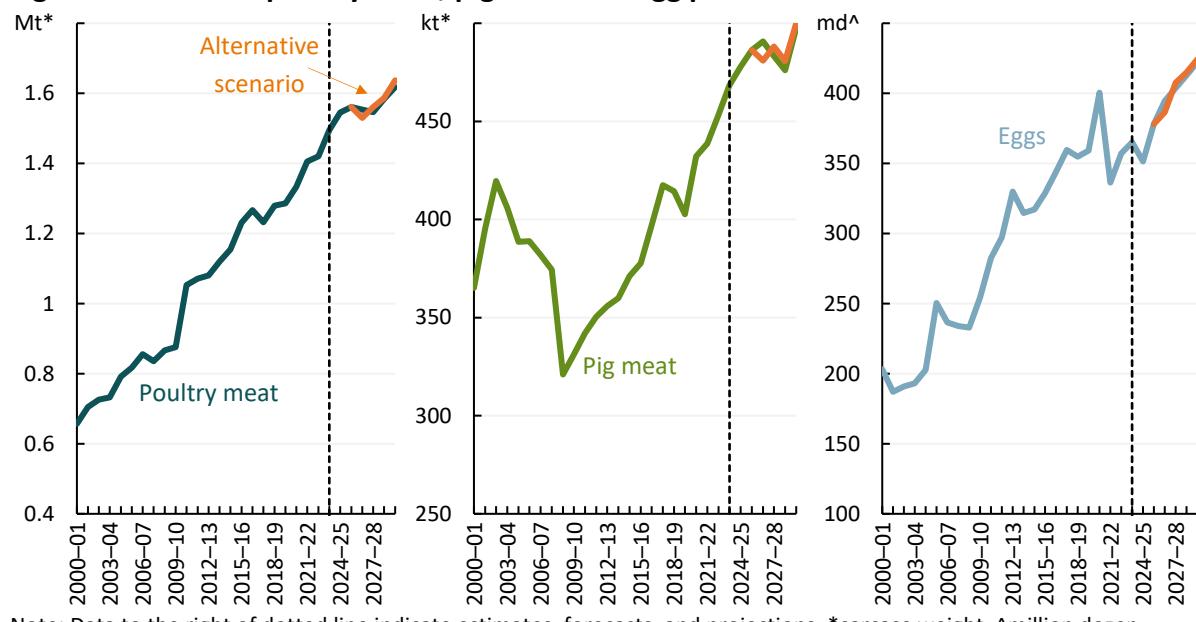
In both the baseline scenario and the alternative scenario pig and poultry meat production is expected to decline slightly then grow steadily over the medium term. Demand is expected to continue to increase in line with population growth (Figure 13.4). Production is expected to dip in the first half of the outlook period, constrained by elevated feed costs, with an earlier fall in the alternative scenario given assumed seasonal conditions (see Box 13.1).

### Egg production to rise over the outlook period

Egg production is forecast to be 4% lower in 2024–25, as Avian Influenza outbreaks in 2024 resulted in the depopulation of an estimated 1.8 million laying birds across NSW, VIC and the ACT (see Figure 13.4). Production is forecast to stabilise in the second half of 2025, provided the most recent Victorian outbreak is effectively contained.

Production in 2025–26 is forecast to increase by 8% and is projected to continue growing over the outlook period to meet increasing demand, in line with population growth.

**Figure 13.4 Annual poultry meat, pig meat and egg production**



### Export volumes continue to grow

In 2024–25, the volume of **pork and poultry meat exports** is forecast to increase by 4% to 99 thousand tonnes, and slightly more in 2025–26 to 100 thousand tonnes (shipped weight) reflecting both higher production volumes and increased export demand.

Pork and poultry meat export volumes are projected to increase steadily over the medium term, ending at 103 thousand tonnes in 2029–30, reflecting rising production volumes and projected consistent growth in export demand.

Most Australian pork and poultry meat production serves the domestic market with exports accounting for only around 6% of production values. However, ongoing African Swine Fever (ASF) outbreaks across Asia and Europe have increased demand for Australian exports. While vaccines are undergoing trials in several countries, there is currently no vaccine for the prevention or treatment of ASF worldwide and further outbreaks are likely.

Australia imports significantly more pig meat than it exports, predominately from Denmark, the Netherlands and the United States. Most of Australia's pig and poultry meat exports are to countries in Oceania and Southeast Asia.

## World poultry meat production to rise, pig meat to fall

The USDA forecasts **global chicken meat production** to increase by 2% in 2025 to a record 105 million tonnes supported by lower feed prices and strong consumer demand. Global exports are also forecast to increase, reaching a record 13.8 million tonnes supported by rising global demand.

**Global pig meat production** is forecast to decrease marginally to 115 million tonnes in 2025 as lower production in China and the European Union more than offset increases in the United States, Vietnam, and Brazil. Despite this, global exports are forecast to increase marginally to 10 million tonnes in 2025 as US and Canadian exports offset lower EU exports. EU exports are forecast fall by 2% as ASF outbreaks and associated trade restrictions lower exportable supply.

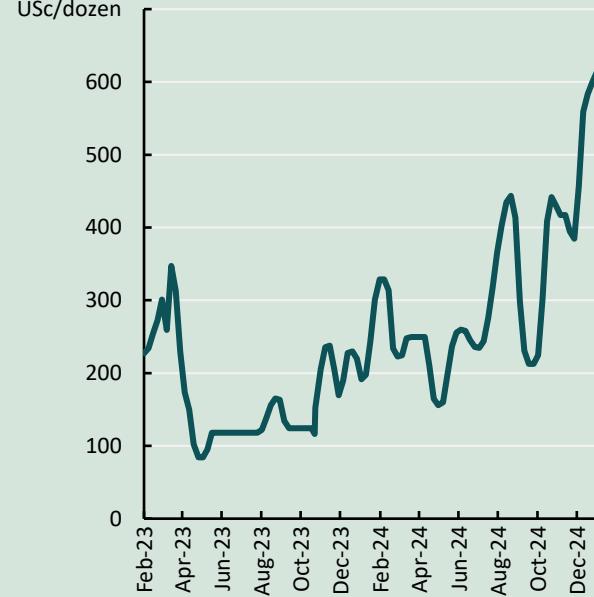
### Box 13.2 Recent surge in Avian Influenza has driven up US egg prices

Egg prices in the United States have surged to record highs in February 2025 following new outbreaks of the highly pathogenic avian influenza (HPAI) – particularly H5 clade 2.3.4.4b HPAI – in commercial layer flocks, which has resulted in the depopulation of millions of birds. As of late-February, 36 confirmed outbreaks in nine states (Arizona, California, North Carolina, Ohio, Pennsylvania, Missouri, Indiana, and Washington) have resulted in the loss of 26.8 million birds – 19 million (71%) in conventional caged systems, 7.8 million (29%) in cage-free systems, and 26,000 organic (0.2%).

How these losses impact US egg supply continues to be influenced by the timing relative to demand patterns, types of production systems affected, legislated restraints in certain states, and the intended use of the production (either for in-shell or egg products). Production losses have significantly affected US retail carton prices which have surged to record levels in 2025 as supply continues to be disrupted (see Figure 13.5).

Containment measures require that if a single chicken tests positive, its entire flock must be culled. Some farms have lost their entire flock several times over the past few years, making repopulation — getting new chickens to laying age — increasingly difficult. These outbreaks and their impact on producers and egg prices reinforces the importance of biosecurity controls. Were a wider outbreak of this strain to occur in Australia, similar impacts on production could occur.

**Figure 13.5 United States Weekly Combined Regional Shell Egg Prices – Large Eggs**



Source: USDA

## Opportunities and challenges

### Biosecurity remains a key ongoing risk for pig, poultry and egg industries

**Avian influenza** remains a significant risk to Australia's poultry and egg industry. Agriculture Victoria has confirmed high pathogenicity H7N8 avian influenza (bird flu) at a fourth egg farm in northern Victoria. All infected properties are within the control area and under quarantine. Diagnostic testing confirmed that the strain differed to the strains that impacted Victorian, New South Wales and the Australian Capital Territory poultry farms during 2024, which have been eradicated.

As of 24 January 2025, the NSW State Government declared that the 2024 outbreak of high pathogenicity avian influenza (HPAI) H7 had been successfully eradicated in the Hawkesbury region,

ending one of the most significant outbreaks in NSW to date. However, as demonstrated by the recent Victorian outbreak, the risk of new outbreaks is high, with ongoing biosecurity measures critical to protecting the industry.

Another strain of HPAI (H5 clade 2.3.4.4b) has been spreading globally, causing widespread outbreaks and deaths of poultry, wild birds, and spillover infections in mammals overseas. **Australia remains the only continent free from this strain**; while preparedness for HPAI as an emergency animal disease has been a national focus for many years, the dynamic global situation requires ongoing monitoring and vigilance. In recognition of the threat posed by H5 HPAI, the Australian Government is investing more than \$100 million to strengthen surveillance, preparedness and response capability. More information can be found on the [DAFF website](#).

**African Swine Fever** also remains a significant biosecurity threat to Australia's pork industry and creates uncertainty for pork producers and consumers. **Australia is currently free of ASF**, with ongoing biosecurity control measures critical for the protection of the Australian pork industry. The most significant risk of entry of ASF is via illegally imported contaminated pork products if included in swill fed to domestic pigs or accessed by feral pigs.

In [February 2025](#), new outbreaks of **Japanese Encephalitis virus (JEV)** were detected at two piggeries in southern Queensland. There have also been detections in New South Wales and Victoria. JEV is a zoonotic disease spread by mosquitoes that can cause reproductive issues in pigs. These are the first detections of JEV in animals in Queensland since July 2022.

### **ACCC inquiry into supermarket prices could impact pig, poultry and egg supply chains**

On 24 January 2024 the Australian Government directed the Australian Competition and Consumer Commission (ACCC) to conduct an inquiry into Australia's supermarket sector, including the pricing practices of supermarkets and the relationship between wholesale (including farmgate), and retail prices.

The year-long inquiry will also examine competition in the supermarket sector and how it has changed since the ACCC's last inquiry in 2008. On 27 September 2024, the ACCC released its interim report. The final report, including recommendations, was due to the government on 28 February 2025.

In the final report, the ACCC will draw on a series of case studies including chicken, pork and eggs, noting that they had selected supply chains with varying market dynamics to compare the issues and outcomes. The case studies will examine (to the extent possible) prices and margins across these supply chains and the difference between the prices paid, and prices charged, by suppliers, wholesalers and retailers for these grocery products. The findings, recommendations and Government response to the report could impact pig, poultry and egg supply chains.

# 14 Fisheries and aquaculture

Angela Cao, Harrison Tuynman, Michael Dylewski and Robert Curtotti

**\$4.2b**

Value of production in 2025–26



## Fisheries and Aquaculture overview

Value forecast to increase 5% from \$4 billion in 2024–25.

### Key points

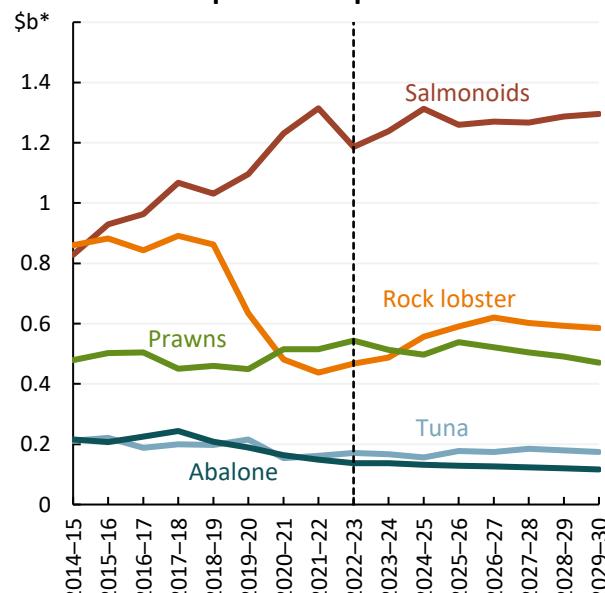
- Value of seafood production to reach record \$4.0 billion in 2024–25, driven by salmonids and rock lobster.
- Over the medium term, high global seafood supply expected to ease seafood prices, except rock lobster.
- Medium term demand growth for premium seafood to support higher Australian seafood export volumes.

### Value of fisheries and aquaculture production to grow

In 2024–25 the **nominal value of fisheries and aquaculture production** is forecast to rise by 5% to \$4.0 billion, driven by strong demand for wild-caught rock lobster and farmed salmonids (Figure 14.1). Aquaculture leads Australian fisheries and aquaculture production, contributing 58% of production value in 2024–25. Tasmanian salmonid production leads the aquaculture sector, along with other farmed species, including prawns, tuna, oysters, barramundi, Murray Cod and kingfish.

The **real value of fisheries and aquaculture production** is projected to decline slightly over the medium term to \$3.9 billion by 2029–30 (Figure 14.2), mainly driven by lower real prices. However, higher domestic production volumes are expected to mostly offset lower prices. The real value of aquaculture production projected to remain stable at \$2.3 billion, while the real value of wild-caught production is projected to decline slightly, reaching \$1.6 billion in 2029–30.

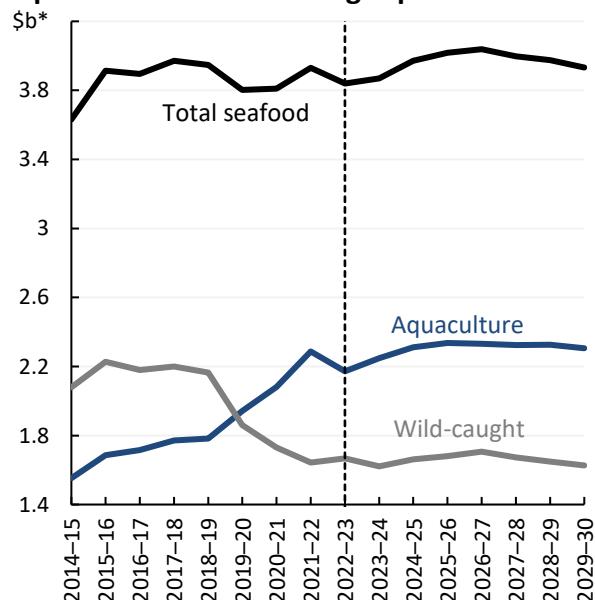
**Figure 14.1 Real annual value of Australian fisheries and aquaculture production**



Note: Data to the right dotted line indicate estimates, forecasts and projections. ‘Other’ fisheries and aquaculture products not included. \*2024–25 Australian dollars.

Source: ABARES

**Figure 14.2 Real annual value of Australian aquaculture and wild-caught production**



Note: Data to the right dotted line indicate estimates, forecasts and projections. \*2024–25 Australian dollars.

Source: ABARES

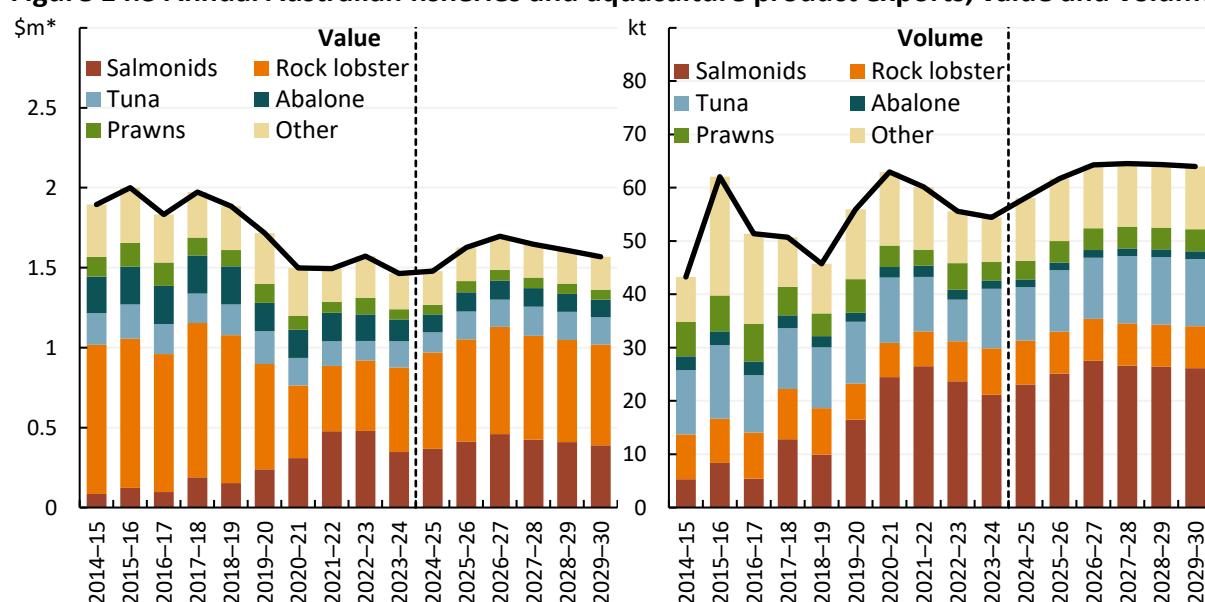
## Rock lobster and salmonids drive export values

The **nominal value of exports** is forecast to rise by 4% to \$1.5 billion in 2024–25 driven by the reopening of direct **rock lobster exports** to China (see Figure 14.3). In 2024–25, rock lobster export value is forecast to rise 17% to \$602 million, while **salmonid export values** are forecast to rise by 8% to \$367 million, bolstered by increasing production and a weaker Australian dollar.

However, challenges are emerging for other seafood categories; **abalone export values** are expected to decline in 2024–25 and continue decreasing in the medium term, driven by increased global supply lowering prices. **Tuna export values** to Japan may soften due to preference shifts favouring land-based proteins. **Prawn sales** are expected to shift toward the domestic market due to rising competition from Ecuador and India in the international market, along with increasing production costs. Rock lobster, salmonids, and tuna are expected to remain Australia's dominant seafood exports by value, worth around 74% of total seafood export values in 2024–25.

Over the medium term, **fisheries and aquaculture real export value** is expected to rise by 4% to \$1.7 billion in 2026–27, driven by higher rock lobster prices and strong global demand for salmonids. However, the growth in export value is projected to be offset by a decline in real prices by 2029–30.

**Figure 14.3 Annual Australian fisheries and aquaculture product exports, value and volume**



Note: Data to the right dotted line indicate estimates, forecasts and projections. 2021–22 prawn export value and volume include estimates. \*2024–25 Australian dollars.

Source: ABS

## Opportunities and challenges

### A growing opportunity for Australian seafood in Asia

Australia's reputation for sustainable, premium seafood and strong export focus on Asia creates diverse export opportunities. The resumption of rock lobster trade to China, boosting export prices, reflects the resilience of the market and rising demand for high-quality seafood in the region.

### Challenges of climate change facing the Australian seafood industry

Rising ocean temperatures and extreme weather events increase risks to marine ecosystems and aquaculture. These impacts may lead to disease outbreaks, disrupt supply and affect species productivity and distribution, requiring timely industry adaption.

# 15 Farm Performance

Patrick Mulcahy, Vernon Topp, Sean Bellew and Mihir Gupta

**\$110k**  
Broadacre farm  
business profit  
in 2025–26



## Broadacre farm performance forecast

Higher prices and lower costs driving increasing profits

### Key points

- National average broadacre farm business profits forecast to rise by \$77,000 in 2025–26 from \$33,000 to \$110,000, driven by higher commodity prices and easing input costs.
- Average farm business profit estimated to increase for broadacre crop and livestock farms.
- Dry conditions in parts of South Australia and Victoria led to below-average farm profits in 2024–25; improving conditions in these states is forecast to lift production and profitability in 2025–26.
- National average dairy farm cash incomes are estimated to fall by \$6,000 in 2024–25 from \$373,000 to \$367,000, driven by lower farm-gate milk prices despite lower cash costs.

## Average broadacre farm business profits and income to rise

**Average broadacre farm business profit** is forecast to increase by \$77,000. This increase will see profit shift from \$33,000 in 2024–25 to \$110,000 per farm in 2025–26. The increase is driven by higher commodity prices, decreases in fuel, fodder, interest costs, and improving weather conditions for states such as South Australia and Victoria that experienced very dry conditions in 2024–25 (Table 15.1; Figure 15.1; *Seasonal Conditions*).

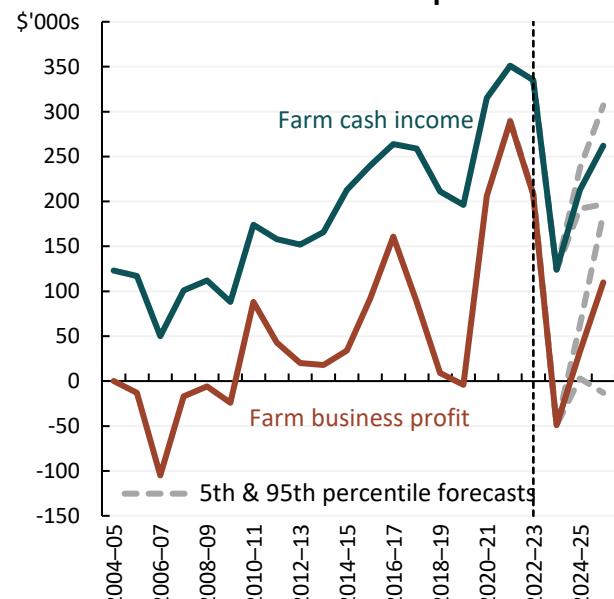
After three consecutive years of high input prices, total cash costs are forecast to fall in 2025–26, driven by a decrease in fuel and fodder prices, as well easing interest rates.

Total cash receipts are forecast to remain high in 2025–26, driven by relatively strong production outcomes across the country and high commodity prices (Table 15.1).

**Average broadacre farm cash income** (total cash receipts less total cash costs) is forecast to increase by \$49,000 from \$213,000 in 2024–25 to \$262,000 per farm in 2025–26.

Forecasts for farm performance in 2024–25 are highly dependent on weather and price forecasts. The forecast range represented in Figure 15.1 and Table 15.1 captures the uncertainty over future weather conditions. Forecast ranges are relatively narrow for 2024–25 given climate conditions have largely been realised. By contrast, wider ranges for 2025–26 reflect significant uncertainty regarding seasonal conditions.

**Figure 15.1 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*

**Table 15.1 Average broadacre farm financial performance forecasts**

Performance measure <sup>A</sup>	2022–23 Observed	2023–24 Preliminary	2024–25 Forecast*	2025–26 Forecast*	2025–26 Lower estimate**	2025–26 Upper estimate**
Total cash costs	662,000	632,000	638,000	570,000	556,000	582,000
Total cash receipts	996,000	756,000	850,000	832,000	786,000	867,000
Farm cash income	335,000	124,000	213,000	262,000	197,000	307,000
<b>Farm business profit</b>	<b>208,000</b>	<b>-49,000</b>	<b>33,000</b>	<b>110,000</b>	<b>-13,000</b>	<b>186,000</b>

Note: ^2024–25 Australian dollars. \*Mean forecast; for forecast methodology, see *Background and methods*.

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

## Average farm business profit to rise in 2025–26

**Broadacre cropping farms** are forecast to have another profitable year, with average farm business profit modelled to increase from \$340,000 in 2024–25 to \$429,000 in 2025–26 (Table 15.2). Rising profitability is being supported by higher global crop prices, easing fuel and interest costs, as well as improving seasonal conditions across South Australia and Victoria (see [Australian Crop Report](#)). In addition, wheat and barley production are expected to remain well above average in 2025–26 with the value of production expected to be the fourth highest on record (see *Wheat; Coarse Grains*).

While average broadacre cropping profits are expected to rise in 2025–26, the outlook includes significant uncertainty as seasonal condition are inherently difficult to forecast. Furthermore, while *farmpredict* simulates agricultural output and financial performance for individual farms, results here are averaged and presented nationally for an ‘indicative farm’. As a result, variability in these results can be expected at a state and individual farm-level.

This variability is reflected in the forecast range for cropping farm profits, which are particularly susceptible to changes in seasonal conditions ([Hughes 2022](#)):

- With less favourable seasonal conditions (represented by the 5<sup>th</sup> percentile), average broadacre cropping farm profit could fall to \$43,000 in 2025–26.
- With more favourable seasonal conditions (represented by the 95<sup>th</sup> percentile), average farm profit could increase to \$682,000 in 2025–26.

**Broadacre livestock farm** profitability is also forecast to improve:

- Beef farms** average profits are forecast to increase from -\$3,000 in 2024–25 to \$68,000 in 2025–26 (Table 15.2), largely driven by rising saleyard prices and easing input costs (see *Beef and veal; Overview*). While the number of cattle sold are forecast to decrease in 2025–26, this is more than offset by higher saleyard prices, leading to an increase in beef farm incomes and profitability.
- Sheep farms** average profits are forecast to increase from -\$94,000 in 2024–25 to -\$49,000 in 2025–26. Low mutton and wool prices as well as very dry conditions in South Australia and Victoria have contributed to reduced profitability in 2024–25. By contrast, sheep farm profitability is forecast to improve in 2025–26 supported by rising sheep and lamb saleyard prices and an improvement in seasonal conditions in South Australia and Victoria (see *Seasonal Conditions; Sheep meat*). Easing inputs costs – such as for fodder and shearing costs – are expected to support average sheep farm business profit (see *Natural Fibres; Economic Outlook*) (Table 15.2). Nevertheless, input costs remain elevated and mutton and wool prices are expected to remain subdued. These factors continue to weigh on sheep farm incomes and profitability.

**Table 15.2 Average broadacre farm business profit, by industry**

Industry^	2022–23 Observed	2023–24 Preliminary	2024–25 Forecast*	2025–26 Forecast*	2025–26 Lower estimate**	2025–26 Upper estimate**
Cropping	762,000	237,000	340,000	429,000	43,000	682,000
Cropping and livestock	102,000	-61,000	9,000	23,000	-126,000	95,000
Livestock – Sheep	-8,000	-136,000	-94,000	-49,000	-89,000	-33,000
Livestock – Beef	116,000	-88,000	-3,000	68,000	-1,000	132,000
Livestock – Mixed	99,000	-167,000	-53,000	59,000	-42,000	116,000
<b>All broadacre farms</b>	<b>208,000</b>	<b>-49,000</b>	<b>33,000</b>	<b>110,000</b>	<b>-13,000</b>	<b>186,000</b>

Note: ^2024–25 Australian dollars. \*Mean forecast; \*\*lower (5<sup>th</sup> percentile) and upper (95<sup>th</sup> percentile) bound estimates.

For forecast methodology, see *Background and methods*.

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

## Dairy farm financial performance eases in 2024–25

Estimates of dairy farm financial performance in 2024–25 are based on farmers' estimates of receipts, costs and milk production collected as part of the ABARES Australian Dairy Industry Survey. These estimates are the latest preliminary survey results. ABARES does not currently forecast dairy farm performance using the model-based methodology applied to broadacre farms.

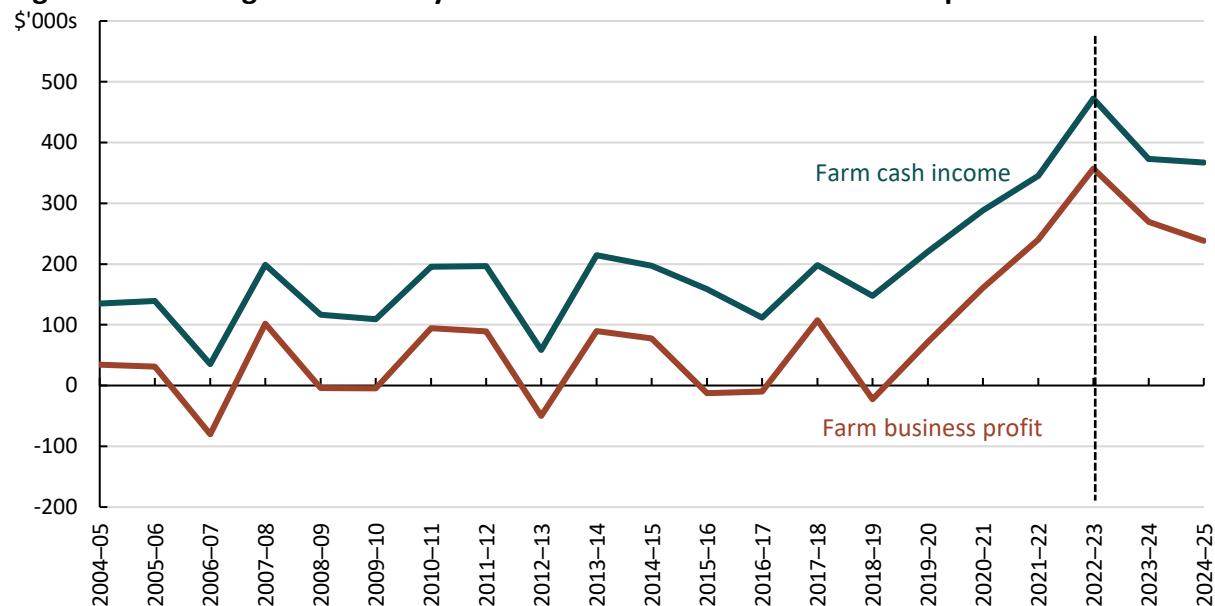
- **Average dairy farm cash income** in 2023–24 is estimated to have been \$373,000 per farm (Table 15.3; Figure 15.2). While significantly lower than the previous year (down 21%), this was still the second-highest average dairy farm cash income on record. The key drivers of the decline in farm incomes were lower farm-gate milk prices and higher fodder cost.
- **Average dairy farm cash income** in 2024–25 is forecast to fall by 2% to \$367,000 per farm, mainly as a consequence of expected lower farm-gate milk prices and despite lower cash costs (Table 15.3; Figure 15.2). However, there is a risk that hot and drier seasonal conditions in some regions will make it harder for some farms to reduce costs this year, particularly for fodder.
- **Average milk production per farm** is forecast to be largely unchanged in 2024–25, based on seasonal conditions for the year to date (Table 15.3). Aggregate milk production data from Dairy Australia show a slowdown in milk production over summer in many regions after a comparatively good start to the season (Dairy Australia, 2024).

**Table 15.3 Farm financial performance, dairy farms, 2022–23 to 2024–25, average per farm**

Performance measure	Unit	2022–23	2023–24p	2024–25y
Total cash receipts	\$	1,721,280	1,742,500	1,673,000
Total cash costs	\$	1,249,120	1,369,500	1,306,000
Farm cash income	\$	472,160	373,000	367,000
Farm business profit	\$	357,070	269,200	238,000
Total milk production	l	1,808,932	1,979,222	1,995,000
Total farm capital at 30 June	\$	10,130,900	11,099,500	n/a
Rate of return excl. capital appreciation	%	4.9	3.9	n/a
Rate of return incl. capital appreciation	%	8.1	6.7	n/a

Note: Financial data are expressed in real (\$2024–25 dollars) terms. p Preliminary estimate, y Projection, n/a Not available.

Source: ABARES

**Figure 15.2 Average annual dairy 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.

Source: ABARES

## Background and methods

ABARES updates to data systems and farm modelling, including *farmpredict* are currently underway. Additional industry and regional analysis for 2025–26 is expected to be covered in the upcoming June 2025 Agricultural Commodities Report.

### 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.
- 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 November Seasonal Outlook 2024 and ABARES March 2025 Agricultural Commodities Report historical and forecast price data as exogenous inputs.

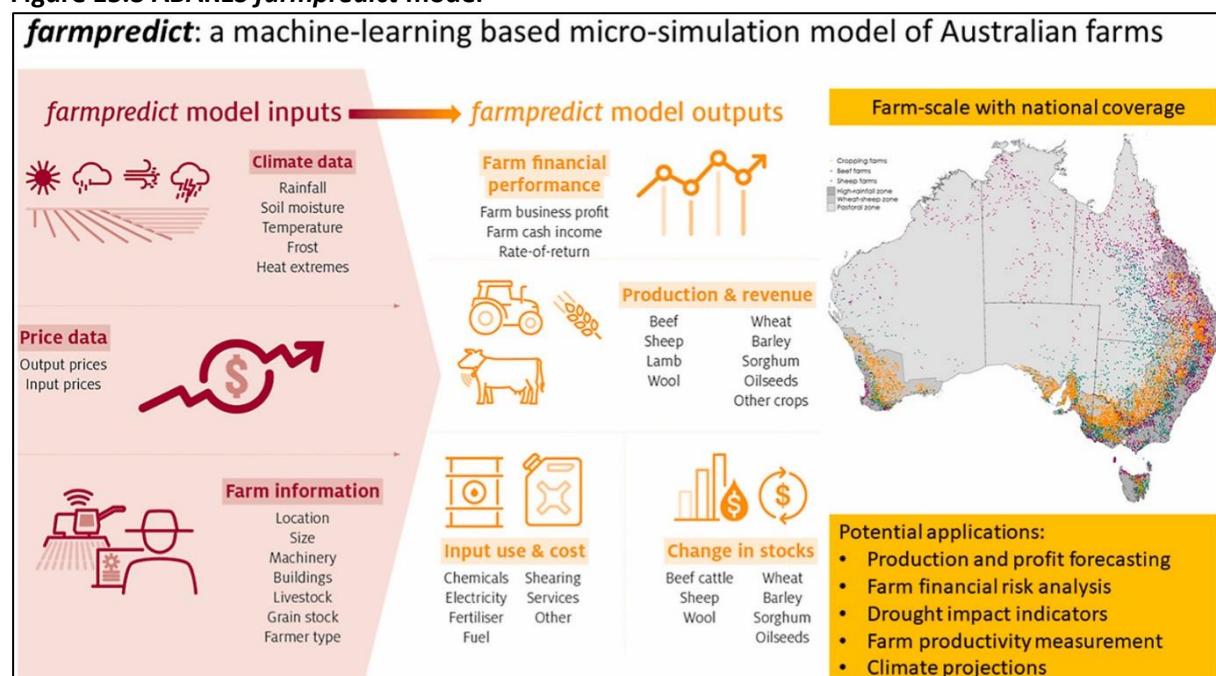
The farm performance forecast uses rainfall and temperature forecasts derived from the Bureau of Meteorology's ensemble seasonal weather forecasts from the ACCESS-S2 model and a range of other spatial and agricultural data. Forecasts that go beyond the current range of the Bureau of

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 (5<sup>th</sup> and 95<sup>th</sup> 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 15.3). 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 15.3 ABARES *farmpredict* model**



Note: For more information, see: [ABARES farmpredict model](#).

Source: ABARES

## The Australian Agricultural Drought Indicators (AADI)

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. For this note, AADI forecasts for 2025–26 climate conditions were taken as an input for the ABARES *farmpredict* model. AADI outputs that simulate farm performance on a 5km grid across Australia can be viewed [here](#).

# 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

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\$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