Keeping an eye on prices

Australia agribusiness monthly

RaboResearch Food and Agribusiness

October 2025

Rabobank

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This report is based on information available as at 2/10/2025

Commodity outlooks

Climate

September rainfall was strong in Western Australia but often below average in many crop and fodder growing regions elsewhere in the country. Above-normal rain is forecast for the latter half of October through December 2025 across most regions, excluding Western Australia.

Wheat and barley

Global wheat prices are finding support from Algeria's recent tender and firm Black Sea values, but rising carryover in Australia and Canada, subdued importer demand, and strong US shipments continue to weigh on market sentiment ahead of the new crop harvest

Canola

Canadian canola markets remain under pressure amid a larger harvest, weak export outlook, and unresolved trade tensions with China, while European prices find support from reduced sunflower yields.

Beef

After a lift in prices through early spring, cattle prices have plateaued and we believe could ease slightly over the coming month. Conditions and markets remain favourable and prices should be supported, but an easing in producer demand will just see prices ease a little.

Sheepmeat

Ongoing low lamb slaughter volumes and sustained high prices suggest we have not yet seen the bulk of new season lambs enter the market. This could potentially lead to a concentration of lambs in the system and, depending on seasonal conditions, we may see a lift in volumes and softening prices late in the year.

Wool

Wool prices are rallying, with the EMI up an impressive 16.5% month-on-month. The rise appears to be due to a mix of declining production prospects and strong buying enquiry.

Cotton

ICE #2 Cotton futures declined 0.5% month-on-month. This, alongside Australian dollar strength translated into Australian cash price weakness. Signs of an improving Chinese crop, alongside demand headwinds appear to be some of the key drivers behind recent price action.

Farm inputs

Over the past month, urea prices have finally shown some signs of relief, with prices down 12% month-on-month in Australian dollar terms. That said, if India seek another tender soon, prices have potential to move back the other way.

Dairy

All eyes are fixed on the strength of global dairy demand, in the face of the approaching Oceania peak milk flows combined with a weak outlook for Chinese import demand into 2026.

Interest rate and FX

Market expectations of RBA rate cuts have been reduced after data released in September showed the economy growing more quickly than expected and inflation running a little hotter than hoped.

Oil and freight

Oil prices rose in September as US inventories fell, US growth accelerated, and President Trump encouraged NATO allies to stop buying Russian energy.

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Climate

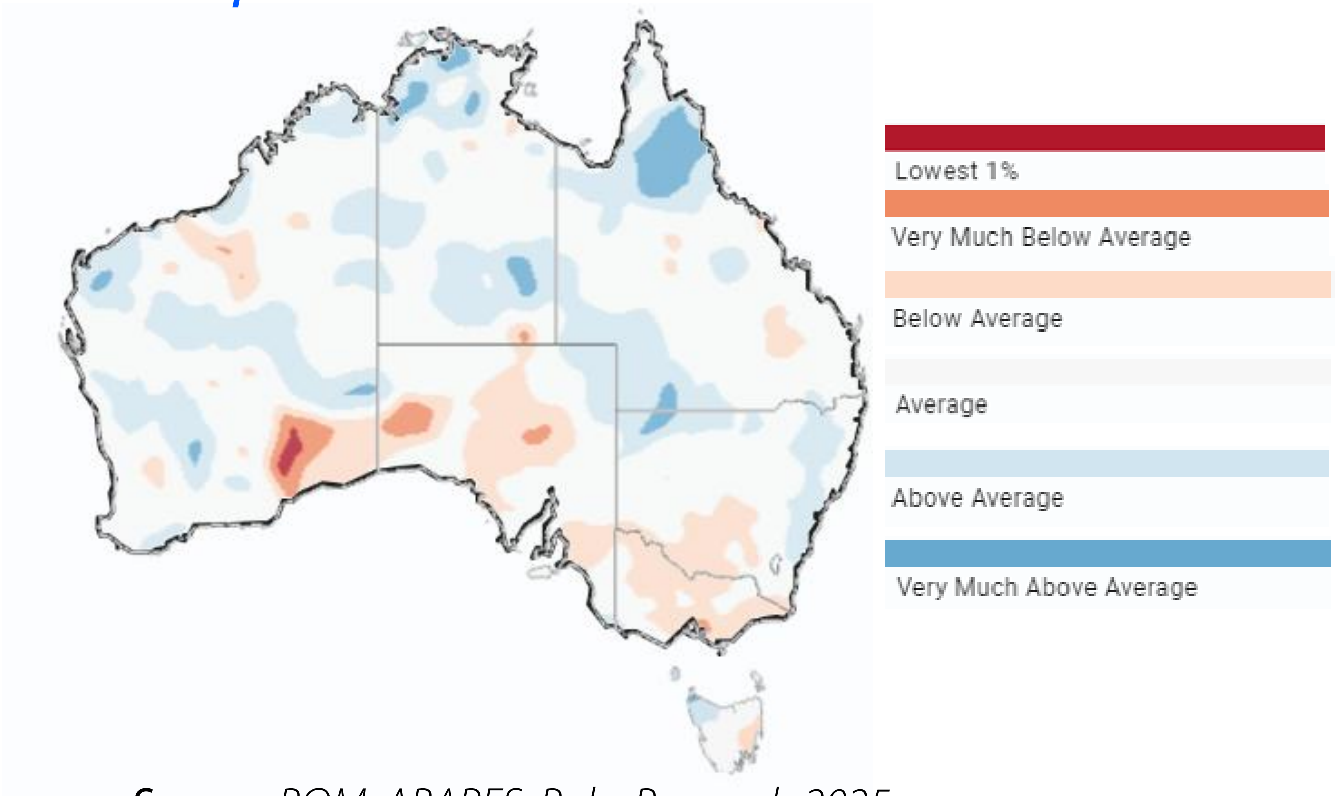
Limited heat, but patchy rains

Many growing regions in the eastern half of Australia received below-normal rainfall and would benefit from more rains. Temperatures stayed near to below-normal, benefiting grain filling.

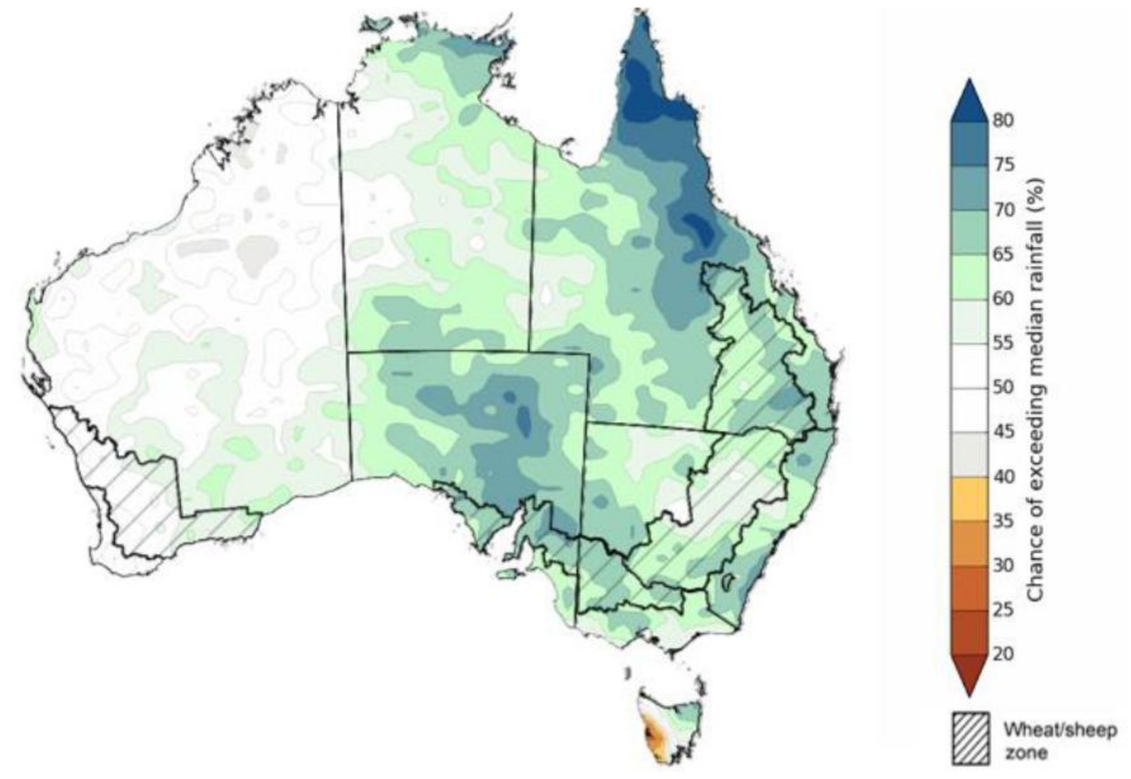
The Bureau of Meteorology (BOM) October to December long-range forecast predicts above-normal rains across most of Australia's farming regions, excluding Western Australia.

Crop conditions across most of Western Australia are very strong, with grain and fodder crops in many south- and east coast regions requiring more rains soon. The first half of October might stay rather dry with most regions, other than Tasmania and far southern Victoria, expecting at best 10mm. However, the long-range forecast calls for above normal rains later in October and through to December, which should still benefit crops, but could potentially slow harvest progress.

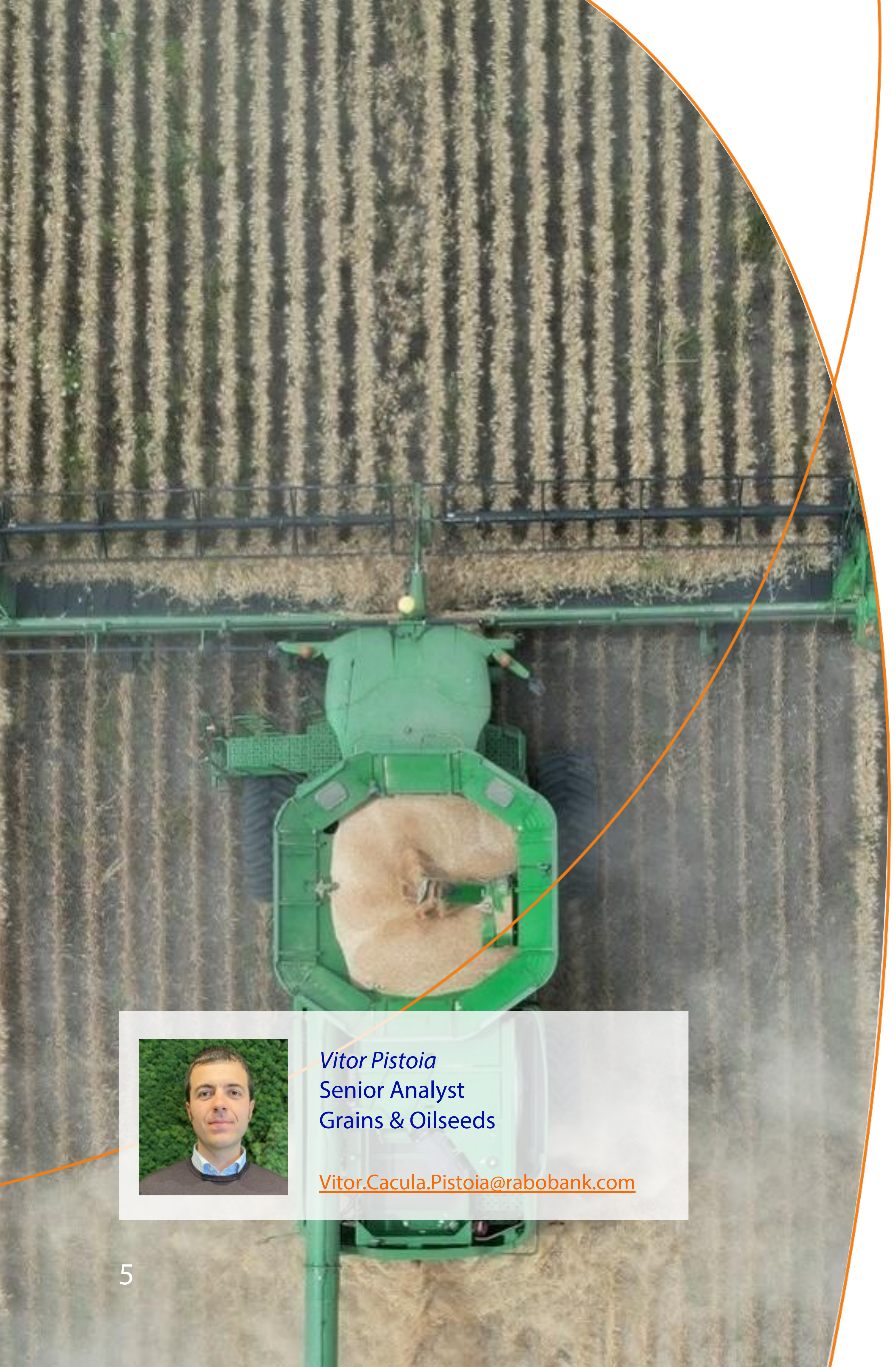
Root zone soil moisture, 30 September 2025



October to December 2025 chance of exceeding median rainfall



Source: *BOM ABARES, RaboResearch 2025*



Wheat and barley

Two-sided market view

The long-awaited, albeit subdued, demand signal came in late September with **Algeria's 500,000 tonnes wheat tender. Prices ranged from USD 257 to USD 261/tonne (cost and freight), pointing to a Black Sea FOB equivalent around USD 220/tonne.** This level has held in recent weeks and currently acts as a global price support line based on the region's importance to global wheat exports. This is the brighter side of the wheat market, and the downside lies in exports. The US continues to post strong shipments, while others are seeing carryover build. Australia might have its carryover enlarged by 2m tonnes ahead of harvest and Canada new crop might add 1m tonnes to its ending stocks. **With new crop harvest kicking off in October, Australian prices may need to ease to stay competitive.**

The CBOT Dec/25 contract, now front-month, sits at AUD 289/tonne, down 1.4% over the month. MATIF Dec/25 fell 1.9% to AUD 335/tonne, and ASX Jan/26 dropped 0.3% to AUD 316/tonne. Looking to 2026, CBOT May/26 contract fell by 1.3% to AUD 313/tonne. After accounting for opportunity cost and shrinkage, physical carry is virtually zero, suggesting importers' hand-to-mouth behaviour is likely to persist unless a global supply cut arises.

Further fundamentals updates came from Russia and Canada. **Russia's eastern wheat crop continues to outperform, lifting national output to over 87m tonnes.** In Canada, harvest is slightly delayed due to late rains that have boosted yields. **Statistics Canada revised its durum forecast up from 6.0m to 6.5m tonnes, and soft wheat from 28.9m to 30.1m tonnes.**

In the feed market, the US corn harvest is just beginning, and recent dryness may dampen the expected bumper yields, easing some market pressure. Locally, feed barley port prices are around AUD 289/tonne and dropped 1.1% MOM, likely anticipating a further correction to stay competitive with CBOT corn spot, which sits near AUD 234/tonne.

Looking ahead, one could ask: "**Are we there yet with the global price slide?" Winter wheat sowing in the Northern Hemisphere and fertiliser prices over the next two months may provide the answer.** For now, it is harvest mode in Australia.

What to watch:

- **South America summer crops seeding pace –** Brazil did not receive an early season break, and the soybean growing cycle may extend further into 2026, displacing some corn area and limiting yield potential. Most of the country's corn is grown as the second summer crop by Q1.
- **Winter wheat seeding in the US and the Black Sea region –** Winter seeding is underway across key producing regions in the Northern Hemisphere. There is some dryness in the US, and the Black Sea region has experienced a significant dry spell over the past 90 days. Any hectare that drops out of the programme or shows poor development by late November has the potential to give better price support.

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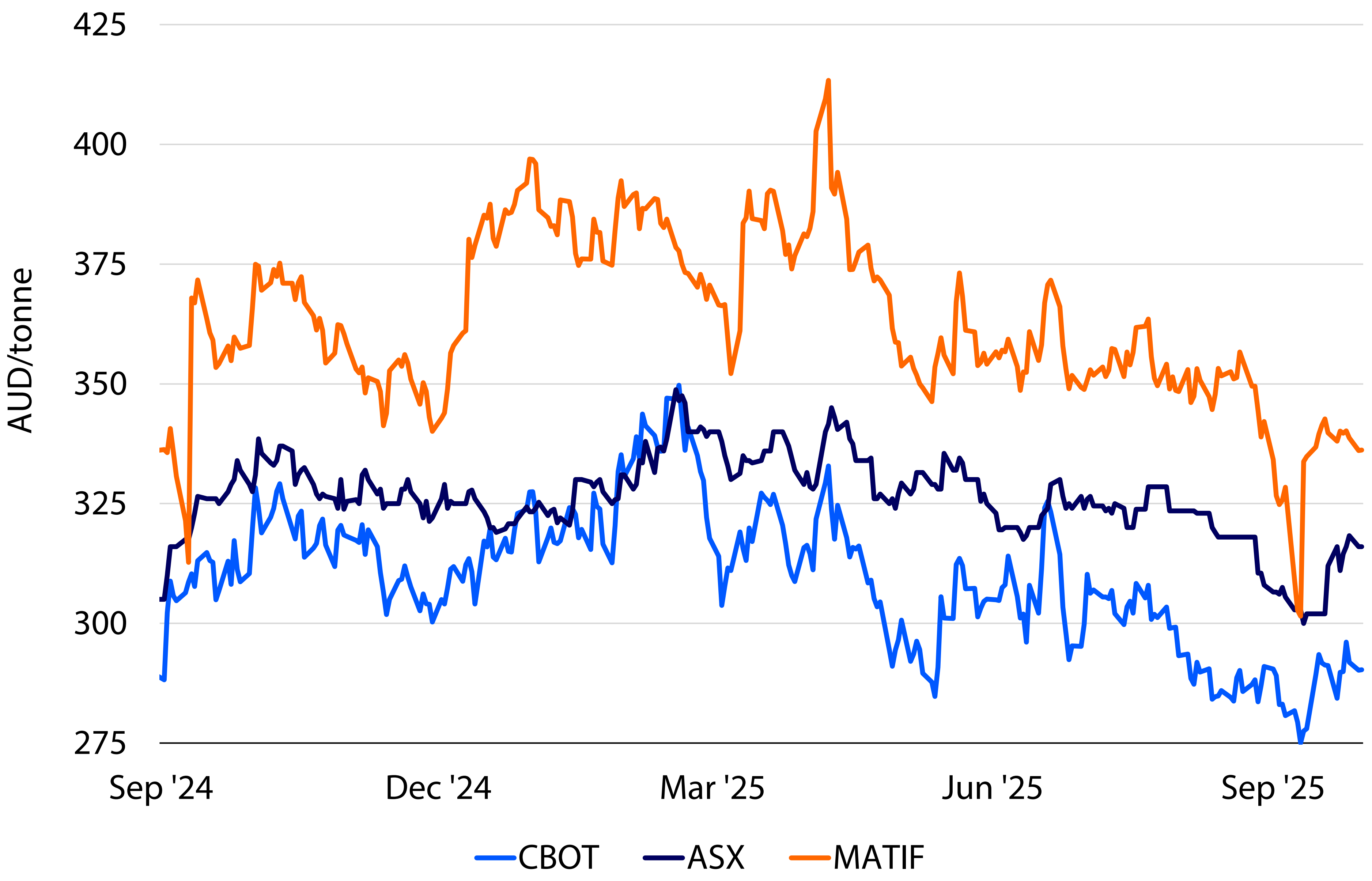
Wheat and barley

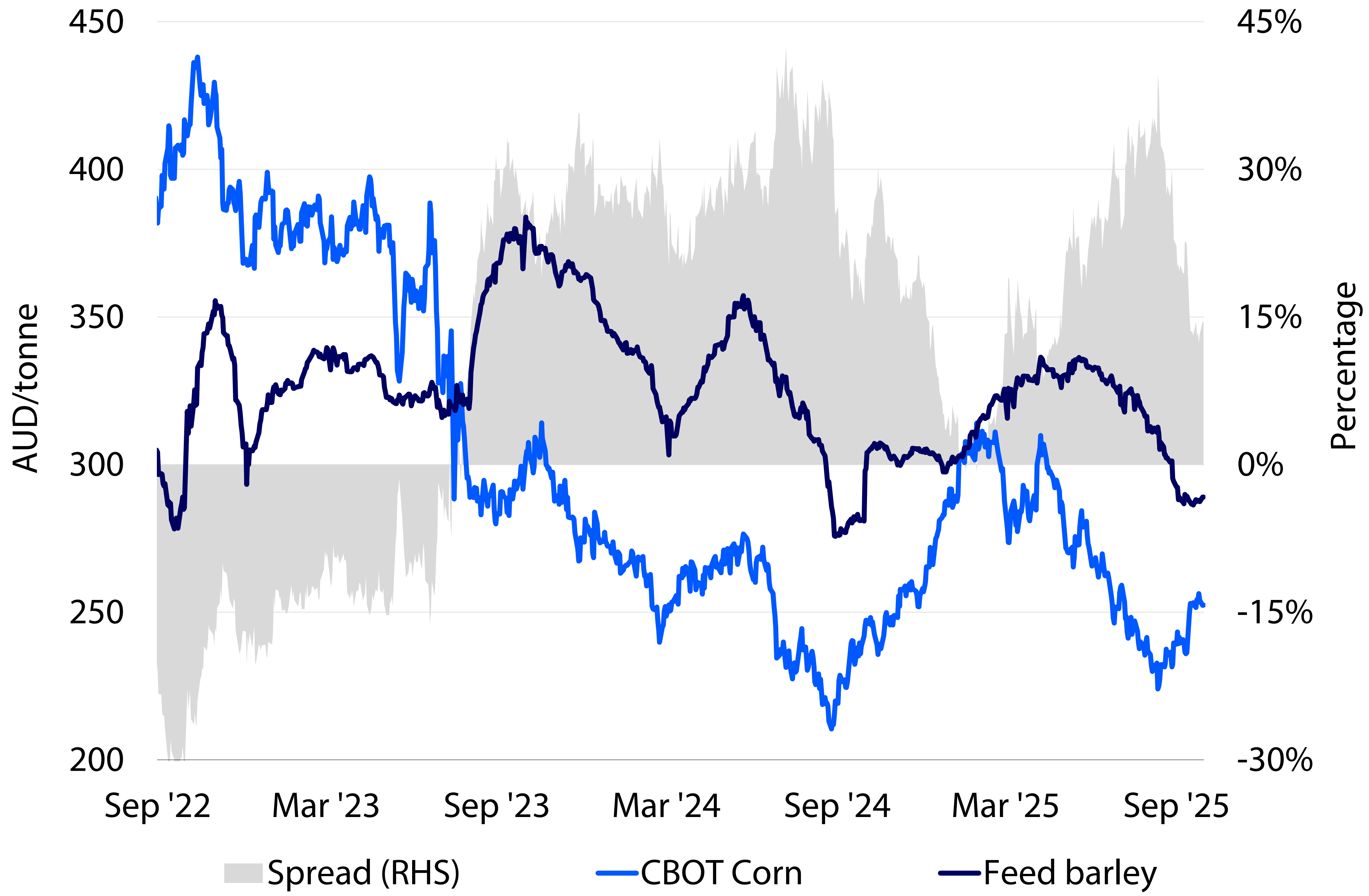
Domestic prices about to be pressured by the local harvest

Wheat spot prices may be bottoming as peak harvest is over in the Northern Hemisphere, but Australian prices might…



Source: *Bloomberg, RaboResearch 2025*

…go lower as harvest progresses. With a record crop ahead, feed barley needs to ease further to be competitive globally



Note: *Australian feed barley prices reflect the weighted average across all states*
Source: *Bloomberg, RaboResearch 2025*

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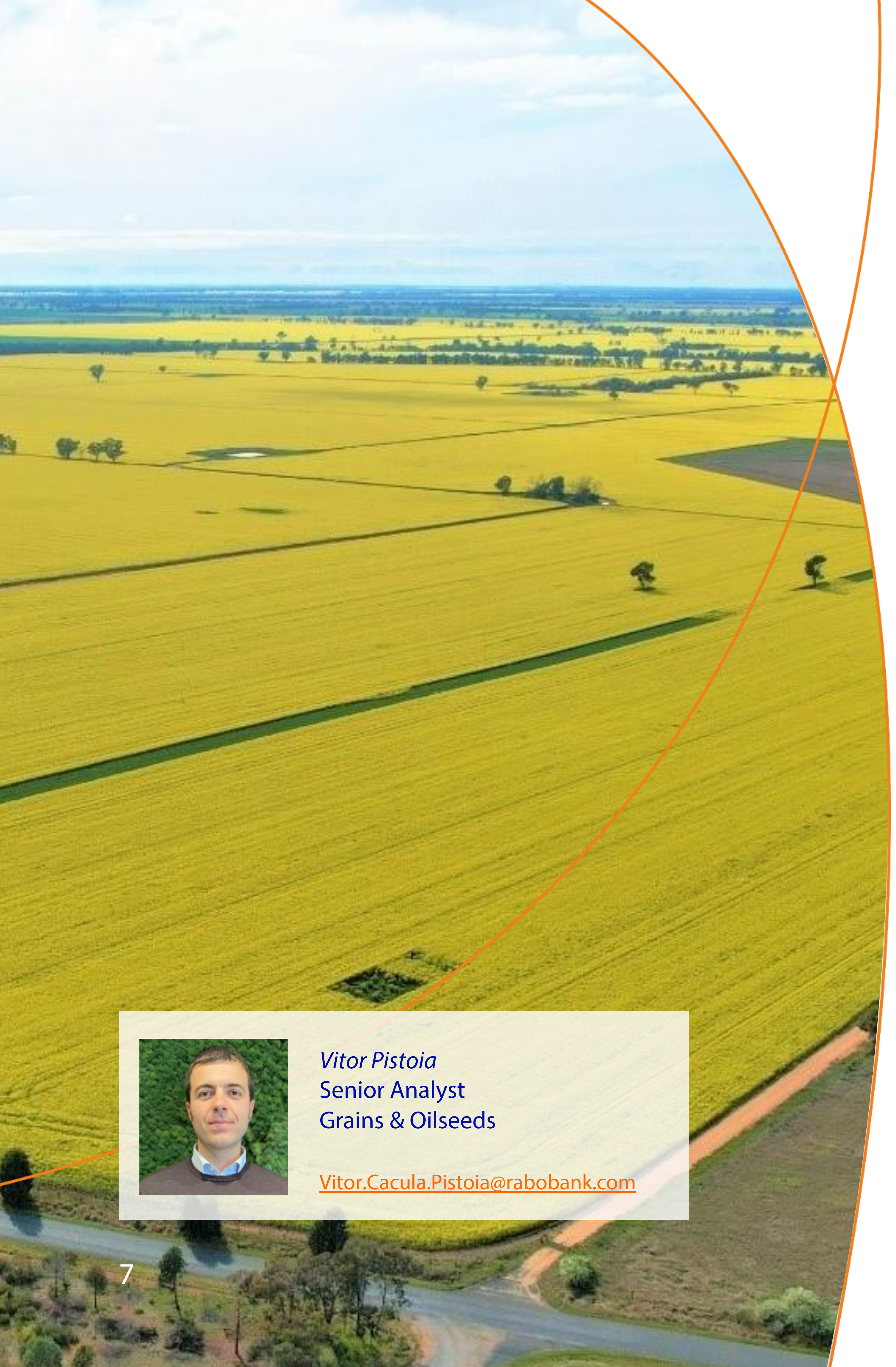

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Canola

Harvest pressure in Canada causes GM prices to drift

The pressure on Canadian canola remains as harvest advances across the prairies, with no breakthrough in negotiations with China regarding import duties on canola seed, oil, and meal. Over the past 30 days, the ICE Jan/26 contract fell by 9.5%, now sitting at AUD 696/tonne. The Jul/26 contract – an important benchmark for the 2026/27 season – has also dropped, by 8.2%, reaching AUD 726/tonne.

The latest report from Stats Canada offered little relief. Compared to the five-year average, this year's production is expected to be up by 1.8m tonnes, reaching 20.1m tonnes, while exports are forecast to fall by 12.5% to 7.0m tonnes. YOY, production is set to rise by 0.8m tonnes, with exports down by 2.3m tonnes. Despite stronger domestic consumption, ending stocks are projected to surge by 0.9m tonnes YOY to 2.5m tonnes, 26% above the long-term trend.

Market participants are closely watching Ottawa's moves, as Prime Minister Carne said he would take part in the talks to address the canola tariff issue. Similar hopes were seen south of the border in mid-September, as hopes grew for a resolution to the US-China soybean trade dispute. However, the **conversation between President Trump and President Xi reportedly focused on social media rather than agricultural trade.**

In contrast to the export challenges faced by Canada and the US, **European canola prices are finding better support amid declining sunflower yields. MATIF canola Feb/26 contract only fell by 2.8% MOM to AUD 834/tonne.** A dry summer across the Balkans has taken its toll, with EU sunflower yields expected to average 1.8 tonnes per hectare, 10% below the five-year average according to the latest MARS bulletin. Ukraine faces a similar outlook, with yields forecast at 2.1 tonnes per hectare, 7% below the long-term average. With reduced availability of new crop sunflower, the EU crushing industry may be more aggressive towards canola procurement.

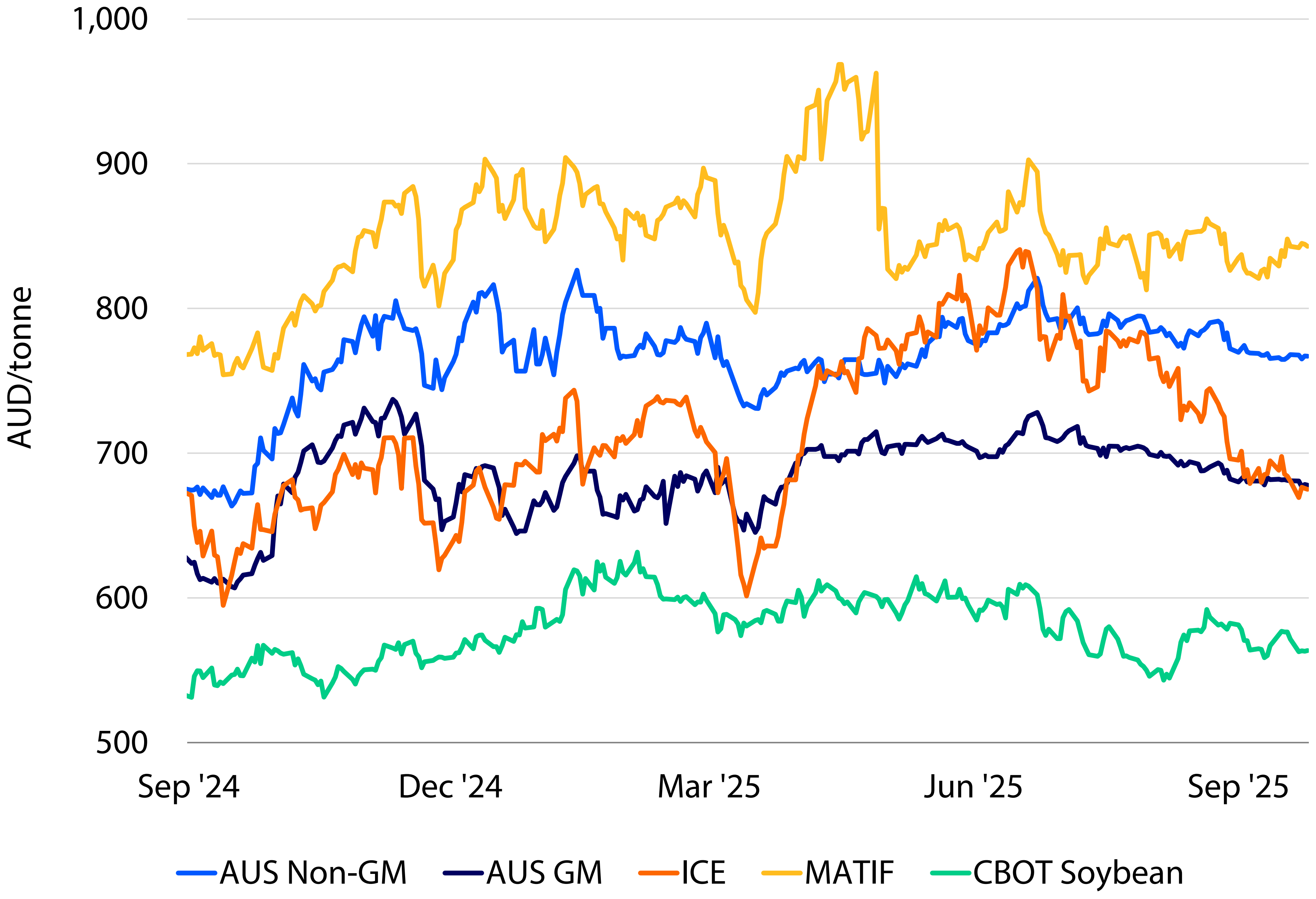
What to watch:

- **Oilseeds meal trade –** Without access to the Chinese market, Canada may attempt to redirect canola meal exports to the EU, but restrictions on GM feed pose a significant barrier. Increased exports to the US are also unlikely, as strong soy oil prices are boosting domestic soy crushing. If alternative markets are not found, GM canola could face softer prices.
- **Argentina temporary tax reduction aftermath –** Following the federal government's removal of export duties, Argentine exporters sold numerous cargos of soybeans and soymeal globally, particularly to China. This gives China more leverage to negotiate trade deals with the US, as most Q4/25 imports are now booked. The soybean discount to canola continues to widen, limiting upside potential for canola prices.

Canola

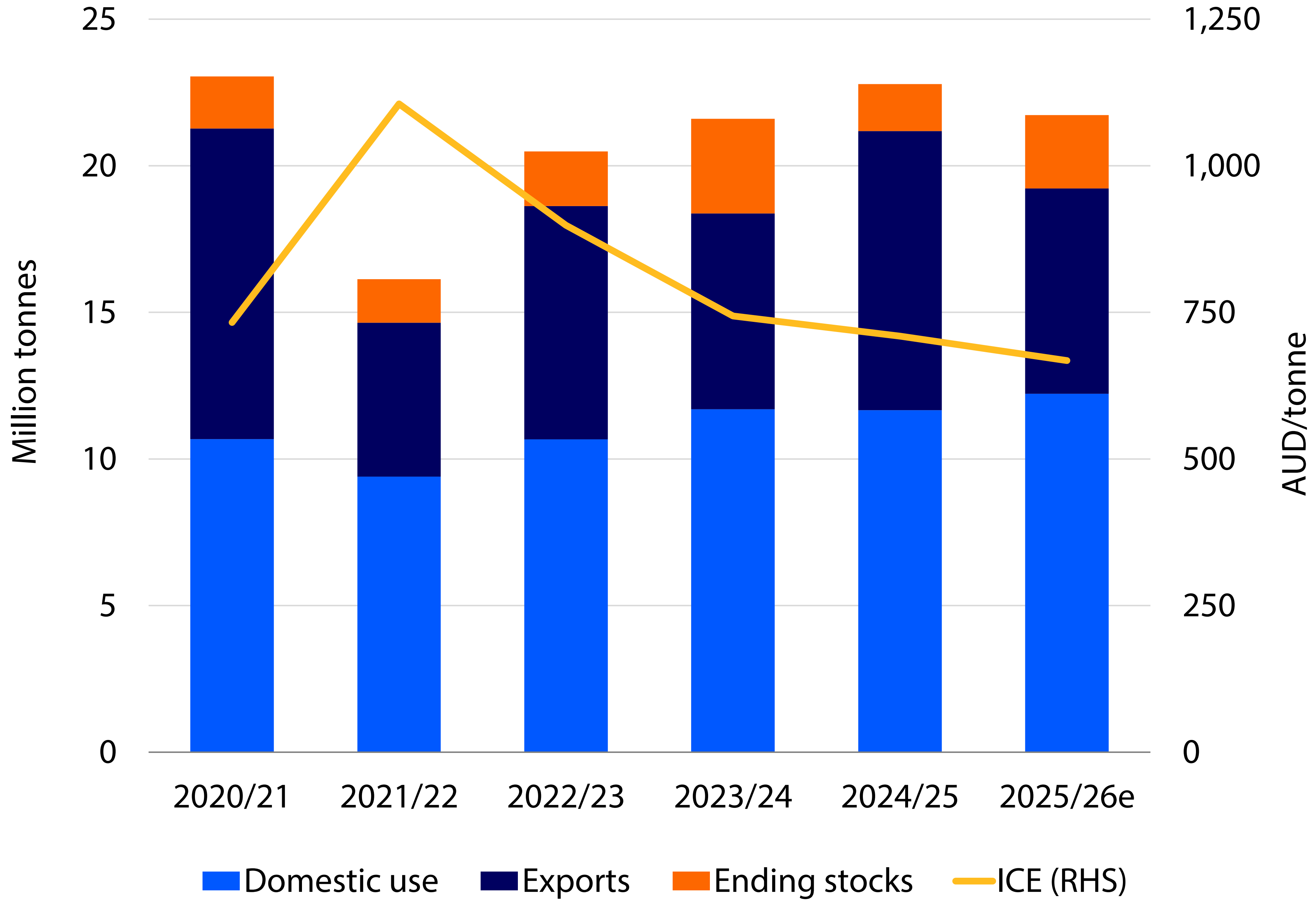
Canadian prices slide as silos fill and China duties persist

A cut in the EU sunflower crop supports MATIF canola, while ICE canola tries to find a new home to Canadian products



Note: *Australian prices reflect the weighted average across all states.*
Source: *Bloomberg, RaboResearch 2025*

Canada is experiencing a price decline as this year's harvest is slightly above average and stocks are rising



Note: *ICE price is the annual average from August to July*
Source: *AAFC, Bloomberg, RaboResearch 2025*

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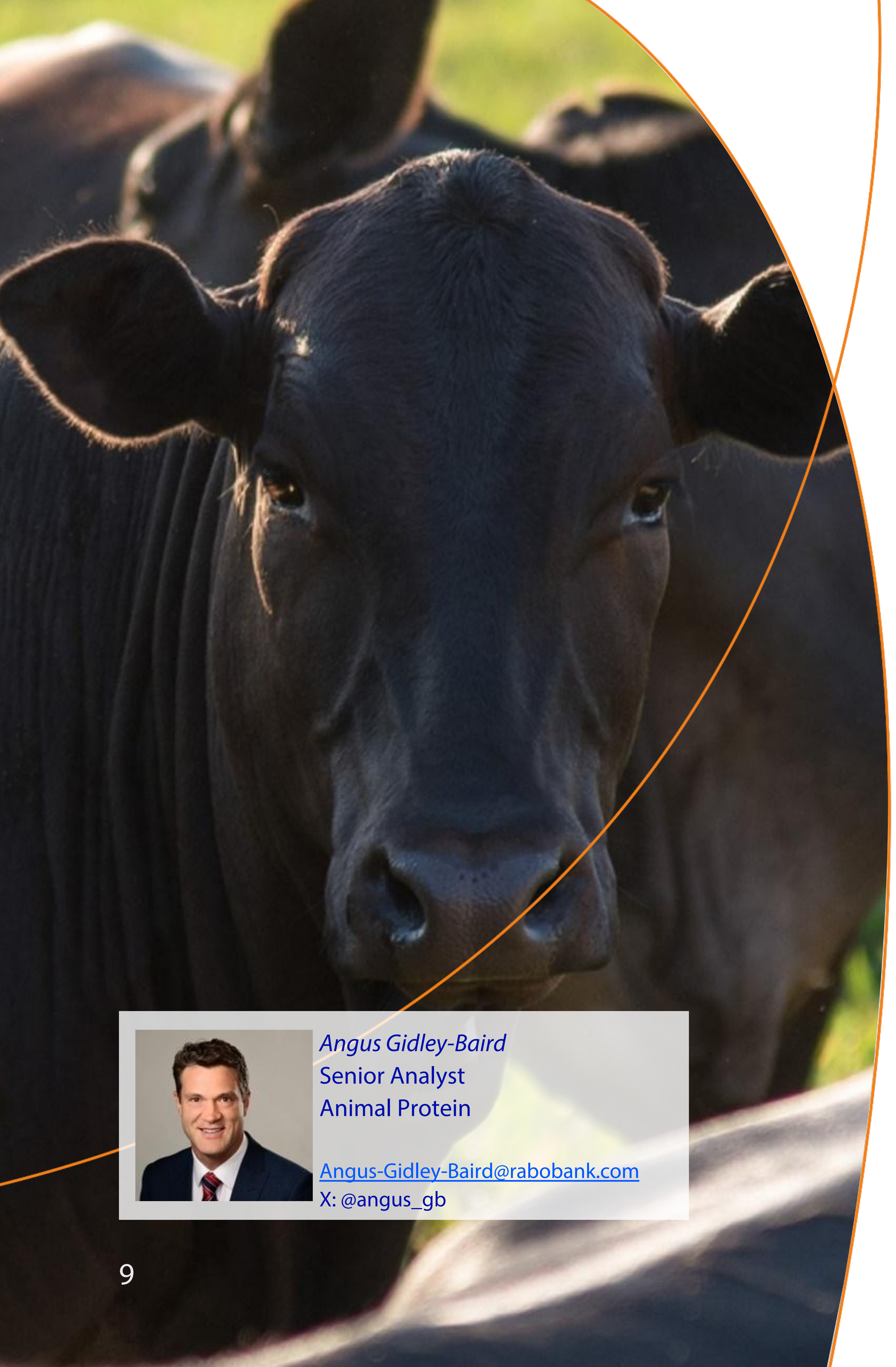

Beef

After spring run, prices expected to plateau and ease

After rising through August and into early September, most cattle prices plateaued and eased towards the end of September. Processor cows were the exception as they continued to rise, up 8% month-on-month to AUD 3.84/kg at the end of September, the highest price in history. Strong demand from the US is the main reason for the strength in prices but we also believe a shortage of finished grassfed cattle in southern markets is encouraging processors to supplement kill sheets with cows to take advantage of the US demand. US lean trim prices tend to decline at this time of year as the volume of cull cows in the US increases and we have seen US domestic lean trim prices ease in the last couple of weeks of September. However, US imported lean trim prices have increased in the last couple of weeks – up to USD 3.38/lb (AUD 11.26/kg) on 19 September. **With the potential of US herd rebuilding reducing cull cow numbers and lower import volumes from Brazil, US imported lean trim prices may continue to remain high, supporting Australian processor cow prices. We expect, following the increases through early spring, that other Australian cattle prices will plateau at current levels and, depending on seasonal conditions, ease slightly through October.**

Weekly slaughter numbers continue to hover around 150,000 per week, as they have done for much of the last four months. These numbers are 8% higher than the same time last year and up 37% on the five-year average. Slaughter numbers year-to-date are up 10%. We continue to see high female slaughter numbers in Victoria – the female proportion of total numbers is 71%. Meanwhile, Queensland female proportion is around 30%. We believe that Victorian processors with lower volumes of finished grassfed cattle are substituting cull cows, quite often from other states, to fill kill sheets and that is why the female proportion in Victoria is so high. **With ongoing high livestock inventory we believe these slaughter numbers will continue at this rate but there may be some more finished grassfed cattle entering the market over the coming months.**

Preliminary export volumes to 22 September suggest beef exports are roughly in line with August volumes. Volumes to the US appear similar to August volumes. Live export volumes in August were up 10% on 2024 volumes, with numbers to Indonesia up 13%. Year-to-date volumes to Indonesia are up 4% for the first eight months of 2025. Darwin live export feeder steers are steady at AUD 3.60/kg.

What to watch:

- **Chinese pork production** – In Mid September, the Chinese government met with 25 of the largest pig production companies with a view to reducing production, supporting local prices and upgrading the supply chain. Collectively, the top 25 companies are required to reduce the pig herd by 1m sows by January 2026. China has about 40m sows in its herd. This signals the end of the Chinese pork herd expansion and a focus on quality, value and efficiency. We believe it will result in a 4%-6% decline in Chinese pork production in 2026. While Chinese beef and pork prices are no longer as closely correlated as in the past, we believe a reduction in pork supplies to support pork prices will have a positive impact on Chinese beef prices.

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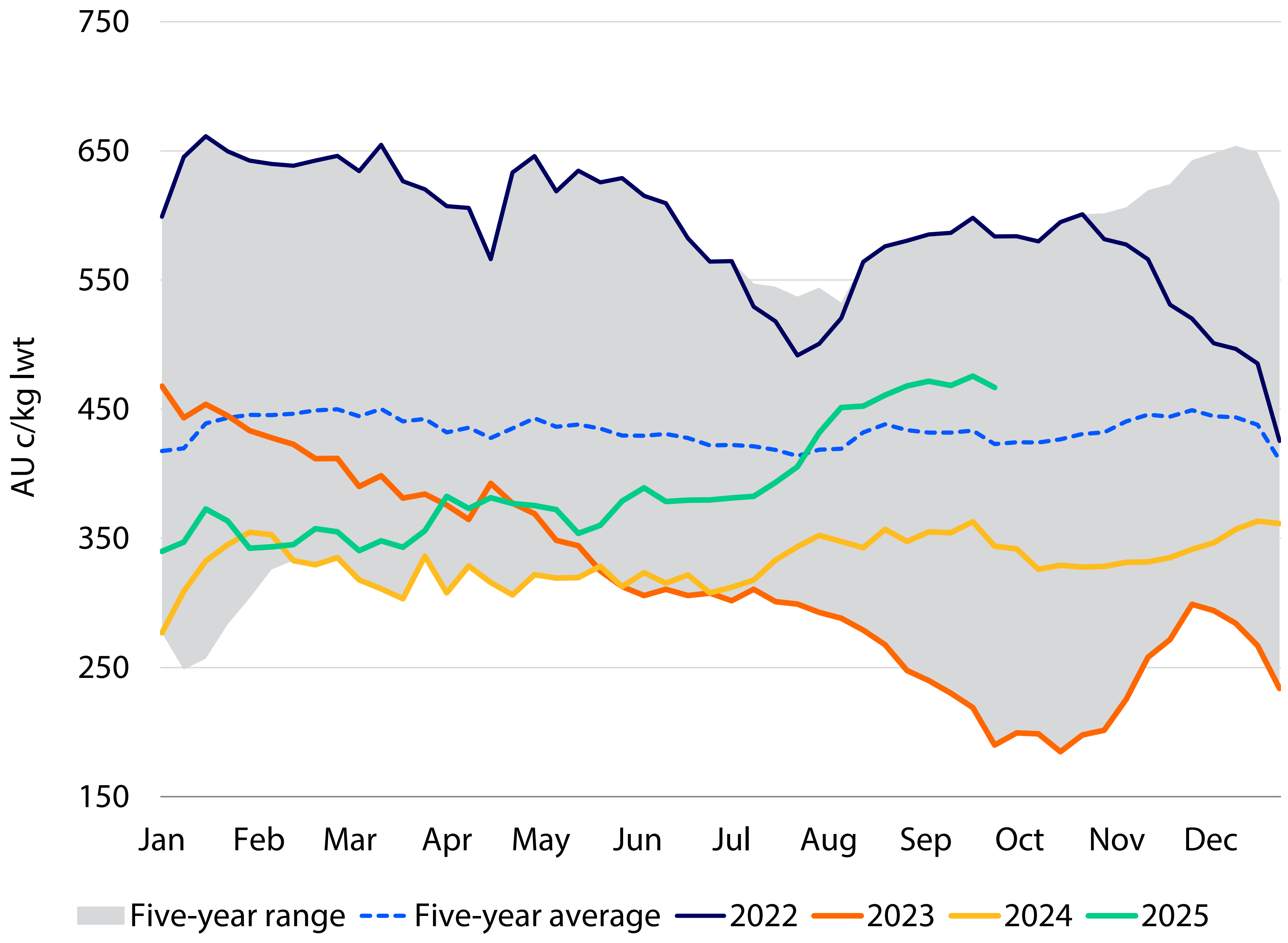
Beef

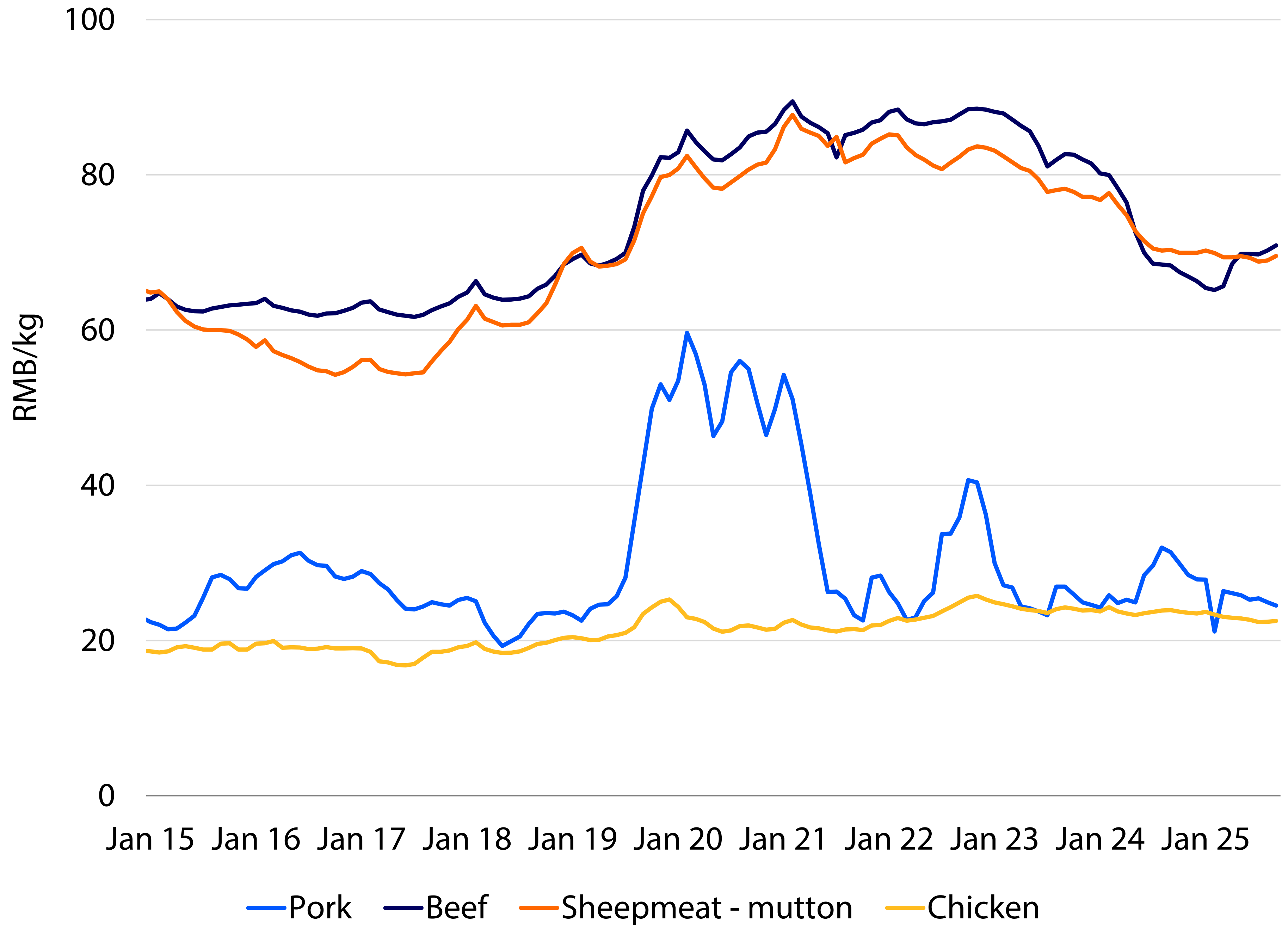
Australian cattle prices ease, but is there possibly upside to Chinese beef pricing

After rising for three months, the NYCI eases slightly



Source: *MLA, RaboResearch 2025*

Chinese retail beef prices holding steady (CNY/kg)



Source: *MARA, RaboResearch 2025*

Sheepmeat

Prices hold at high levels as we await new season lambs

Lamb prices continue to hold at very high levels, contrary to a more normal seasonal trend down as the new season lambs hit the market. Prices had started to recede in late August but mid-way through September they started to rise again in what we believe to be a reflection of lower new season lamb supplies in the market. The National Trade lamb indicator sat at AUc 1139/kg cwt on 26 September, 2.5% higher than a month ago and 50% higher than the same time in 2024. Interestingly, within the NTLI category there is no longer a premium for the heavier (24kg-26kg) lambs. Earlier this year, the heavier lambs were commanding a 3% premium over the medium (22kg-24kg) lambs. At the same time, we have seen the proportion of heavier lambs creep up to 36% of the market which is among the highest levels this year. **We suspect that prices and seasonal conditions are encouraging producers to hold lambs to heavier weights, reducing the supply in the market and forcing processors and retailers to set higher prices to attract the lambs to market. While the seasonal conditions hold, this dynamic may persist, but it does potentially mean a larger number of lambs may hit the market around November, leading to prices softening – similar to what we saw in 2021.**

Weekly lamb slaughter numbers remain low. The 383,301 head slaughtered in week 48 was down 9% year-on-year and 2% below the five-year average for this time of year. Total slaughter for the year-to-date is down 7%. Sheep slaughter, which started to increase at this time last year, also remains low. The 153,525 head slaughtered in week 48 is down 31% year-on-year but up 6% on the five-year average. **While seasonal conditions are favourable, we believe lamb and sheep slaughter numbers will remain low as producers look to add weight to lambs and hold sheep as part of restocking efforts.** Goat slaughter numbers were only slightly higher than last year in September, suggesting sheep processors have not turned to goats to fill gaps in slaughter at this stage.

Preliminary lamb export volumes suggest September volumes were up slightly on August but, reflecting the lower production volumes, are down about 15% on September 2024.

What to watch:

- **The build-up of lambs in the market** – There is the potential this year with lower lamb supply and grids that allow weights to be heavier, that there might be a more pronounced concentration of new season lambs in the market this year. Couple that with the evolving seasonal conditions that for many require ongoing rain to continue to support feed supplies. High prices and heavy weights may encourage producers to hold lambs (in turn continuing to support lamb prices in the supply constrained environment) delaying their entry to market but then if rainfall does not keep up there might be a large number of these lambs that have to move quickly. A similar thing happened in 2021 when a shortage of supply kept prices high until the volumes increased in mid November.

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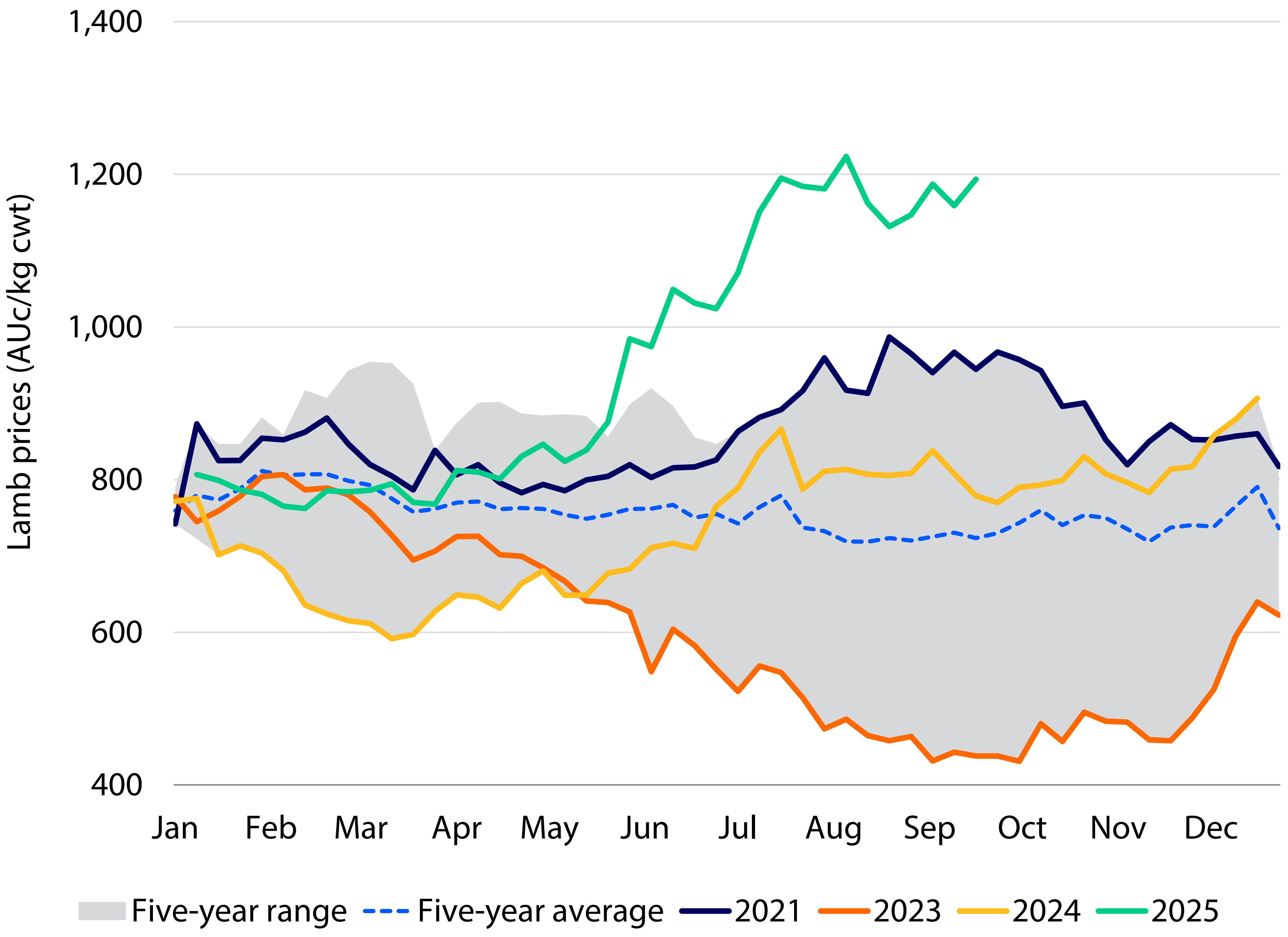
Sheepmeat

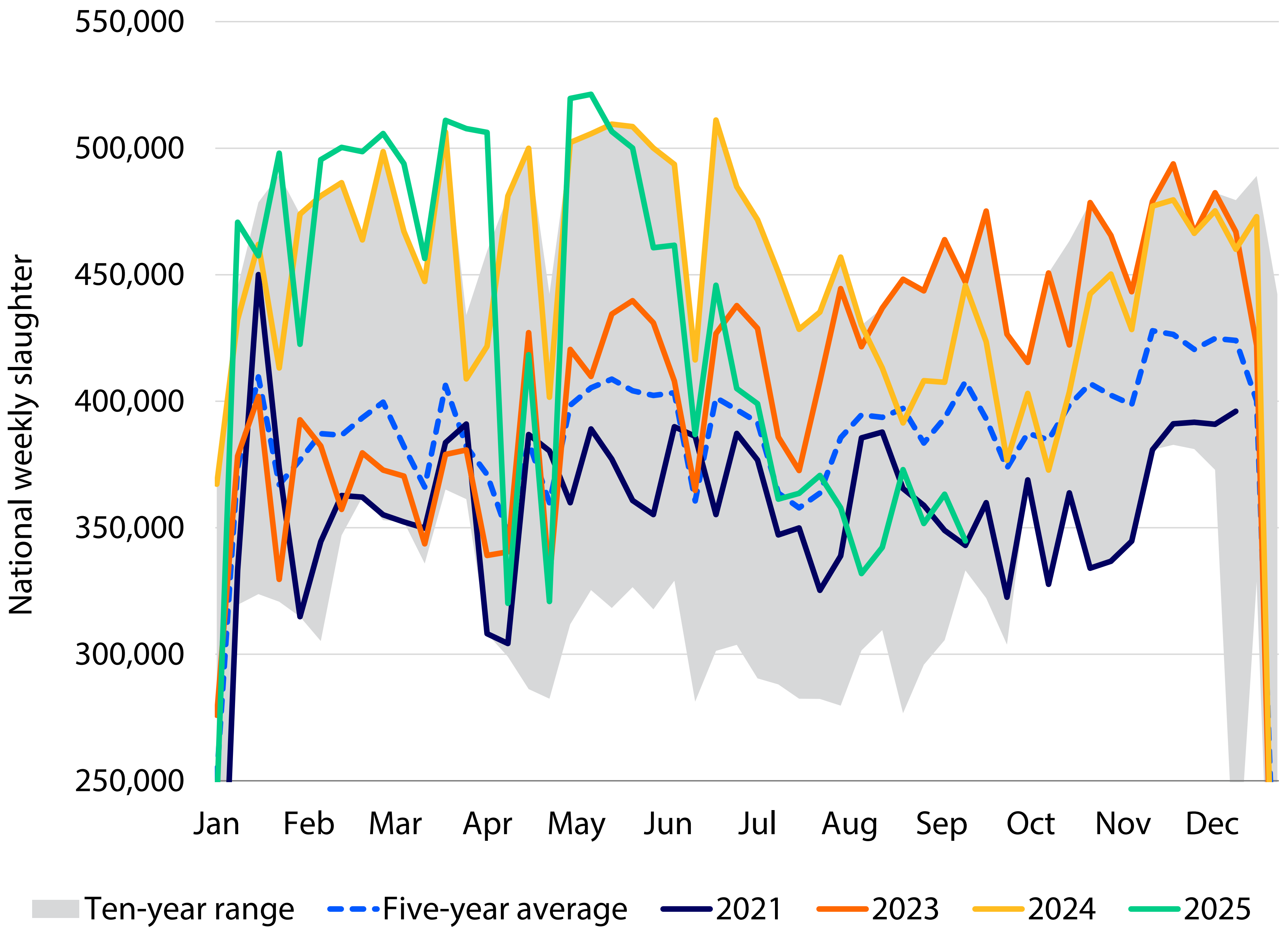
Lamb prices continue to hold at high levels in light of limited supplies of new season lambs

Lamb prices hold their high levels



Source: MLA, RaboResearch 2025

Slaughter numbers low



Source: MLA, RaboResearch 2025

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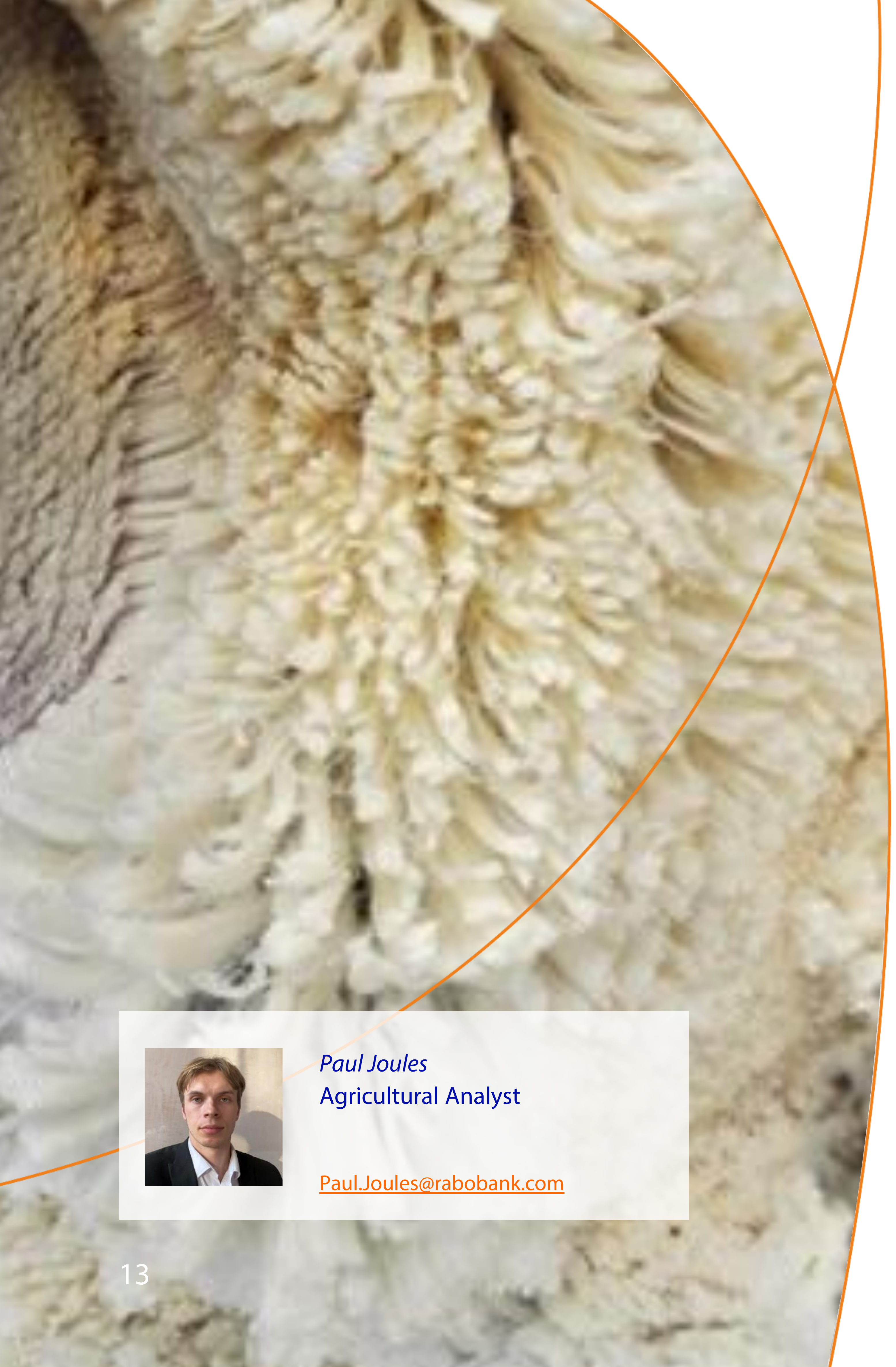

Wool

Wool prices continue to rise

After months of sideways trading at weak levels, wool prices have finally found solid upside momentum, with the EMI up 16.5% month-on-month to AUD 14.50/kg. Making this monthly increase even more impressive is the fact that the Australian dollar rose 0.5% over the same period. Given that Australian dollar strength would typically act as a headwind for markets, this suggests recent price movements are being heavily influenced by supply and demand dynamics. We're seeing 17-micron (+20% MOM) wool perform very well, while the 25–30 micron (28 micron +31.9% MOM) range is also rallying sharply.

Enquiry levels have been good, and this, alongside declining production, is supporting prices. The Australian Wool Production Forecasting Committee's estimate for wool production in 2024/25 (Mkg greasy) is 11.8% lower than the previous year, and for the 2025/26 season, it expects another 10.2% year-on-year decrease. This significant drop in production may be creeping into the minds of international buyers, who appear to be behind in their typical buying programmes. Recent hand-to-mouth purchasing from key partners such as China could leave importers scrambling to secure volumes in a seemingly tightening wool market.

At the retail level, global data for July looked positive, with European sales up 2.2%. We also saw a 1% month-on-month uptick in UK clothing and footwear sales in August. Looking ahead, RaboResearch expects the Australian dollar to reach USD 0.68 on a 12-month view, which could prove to be a headwind for wool prices. However, should the current uptick in demand continue, a tightening supply and demand picture could help offset AUD strength. It's also worth noting a trend among some consumers and fashion labels toward garments made from natural fibres rather than synthetics. Growing awareness around clothing waste, alongside concerns about microplastics, appears to be driving a backlash against fast fashion. This has the potential to support fibre demand in the future.

What to watch:

- **Since the winter recess, wool markets have found a new lease on life.** For the current upward trend to continue, we need to see proactive buying from international buyers. The market will be closely watching auction activity in the coming weeks to gauge buying sentiment.

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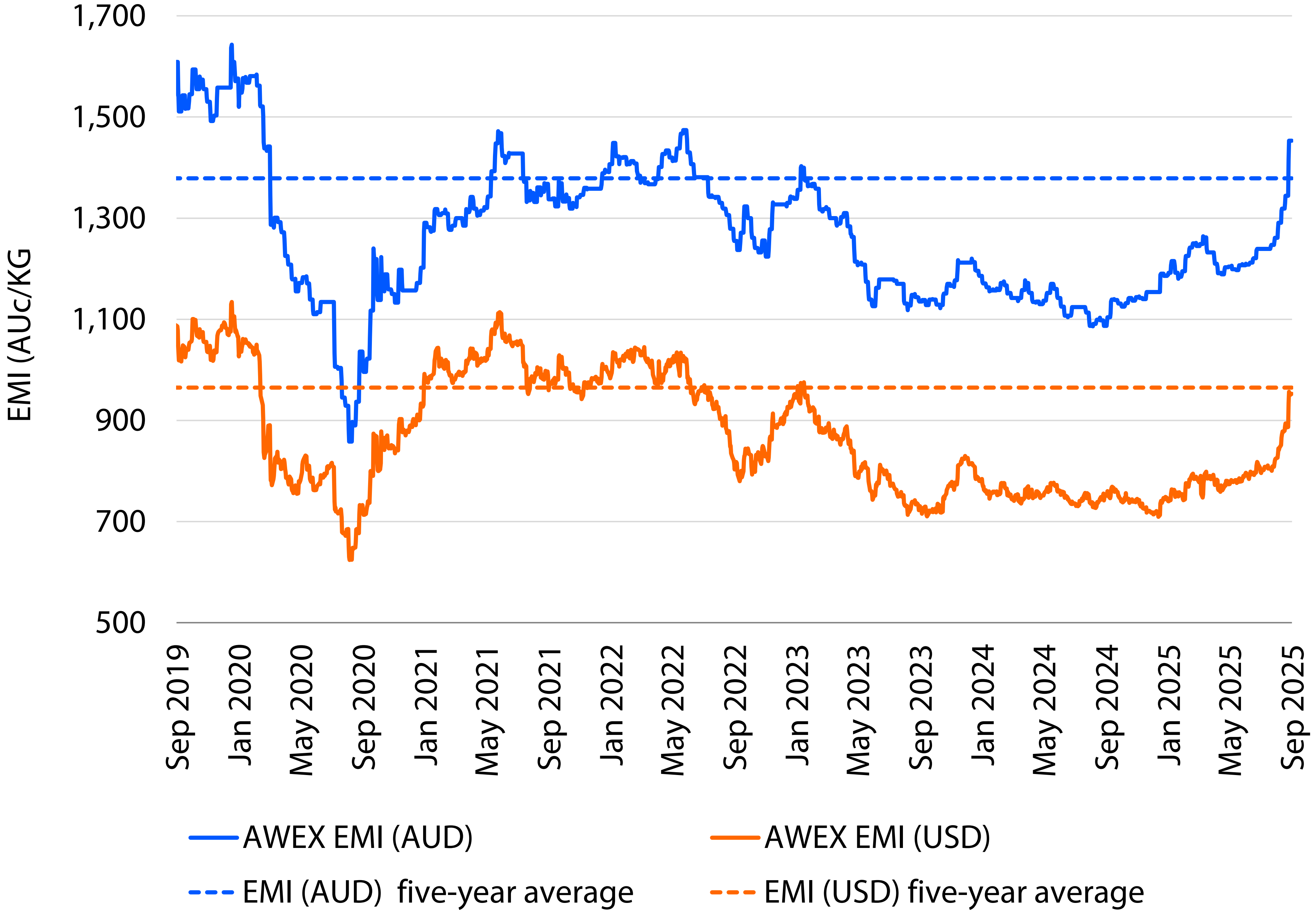
Wool

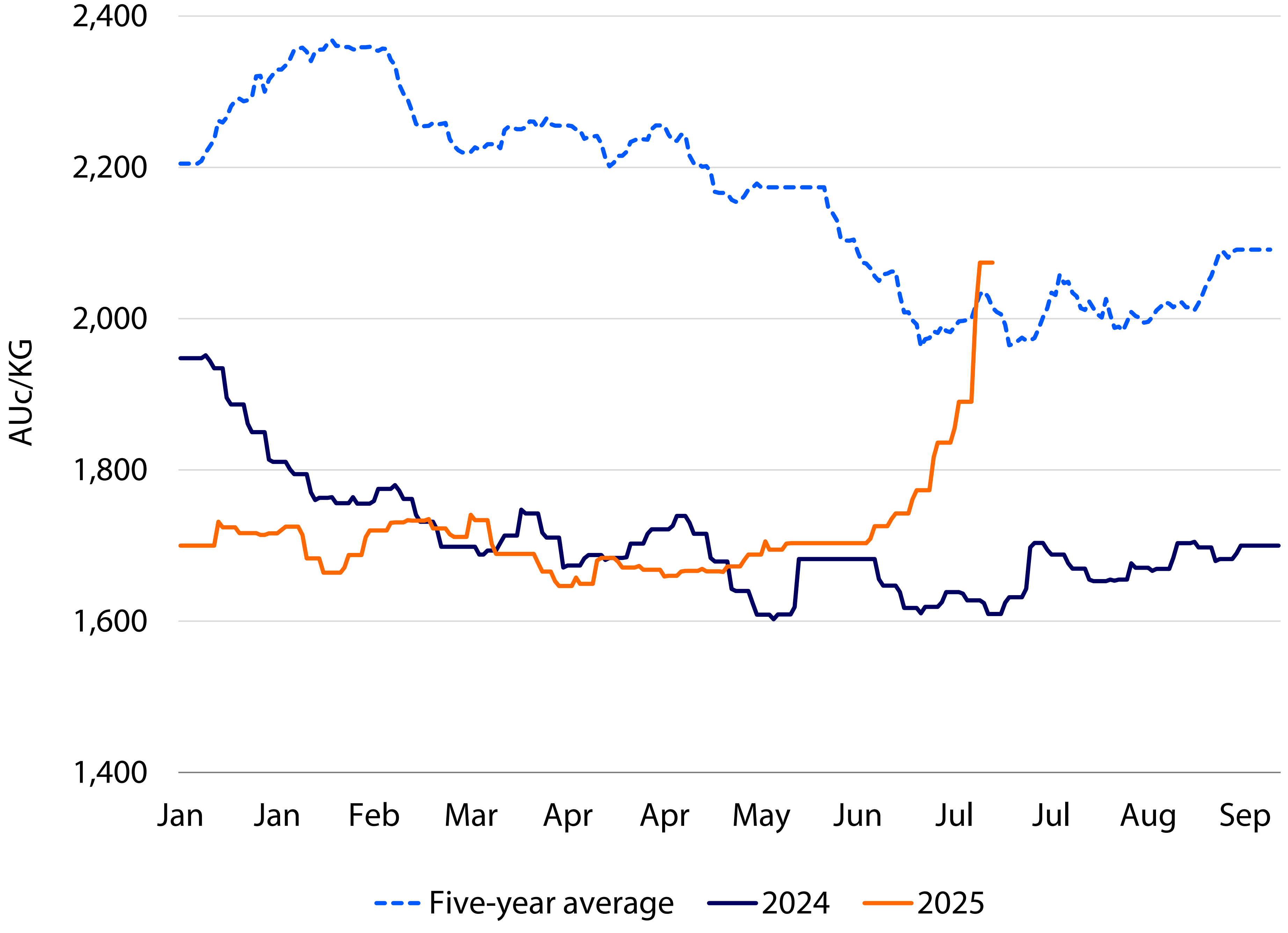
Strong enquiry, and declining production lift wool prices

EMI prices rise 16.5% month-on-month



Source: *Bloomberg, RaboResearch 2025*

17-micron prices are up 20% month-on-month



Source: *Bloomberg, RaboResearch 2025*

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Cotton

Australian cash prices continue to struggle

Cotton prices continue to face downward pressure, with ICE #2 Cotton futures down 0.5% month-on-month. With the Australian dollar up 0.5%, Australian cash prices have weakened MOM. The overarching theme behind recent price action appears to be very strong global supply, namely from Brazil. We've also recently seen the Chinese Cotton Association release its estimate for cotton production, and the figure was 13% higher than official estimates. Chinese appetite for cotton has been weak, with August imports well below typical volumes, likely as a result of strong domestic production and uncertainty in textile demand.

In response to US tariffs, India has recently removed the 11% import duty on cotton in an effort to offset potential tariff headwinds for textile manufacturers. At present, the exemption is expected to remain in place until December 31st. This could potentially mean that Indian importers may purchase Australian cotton in greater volumes over the next few months, which may have a positive impact on Australian cash prices in the short term.

The near-term threat to demand remains the potential impact of tariffs, as reduced Chinese clothing and textile exports to the US could ultimately dampen Chinese demand for cotton. What could help partially offset this is an assumed increase in Southeast Asian cotton demand if US importers begin to pivot away from China. Despite all the tariff-related concerns, global retail sales looked relatively strong overall in August, with the EU market up 2.2% year-on-year. We also saw a 1% month-on-month increase in US clothing sales. Interestingly, the latest US CPI highlighted a 9% month-on-month increase in fabric and supplies for sewing machines, and 4% increases for both women's outerwear and men's pants and shorts. These price increases across the textile space could result in a softening of purchasing volumes going forward.

What to watch:

- **India import activity:** The import duty exemption could result in stronger demand for Australian cotton.
- **US/China relations:** Any signs of defrosting could lead to positive movements for cotton futures.

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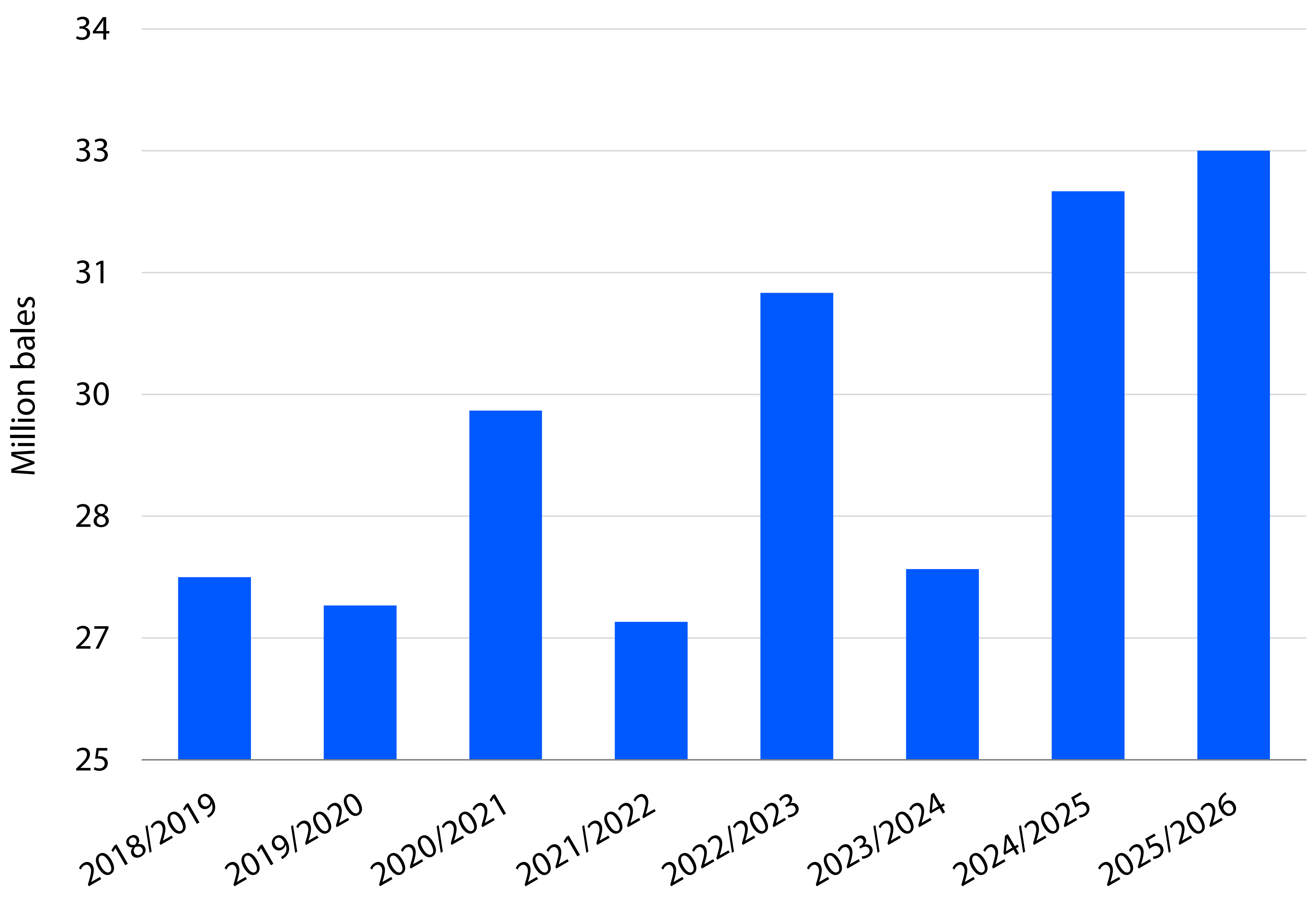
Cotton

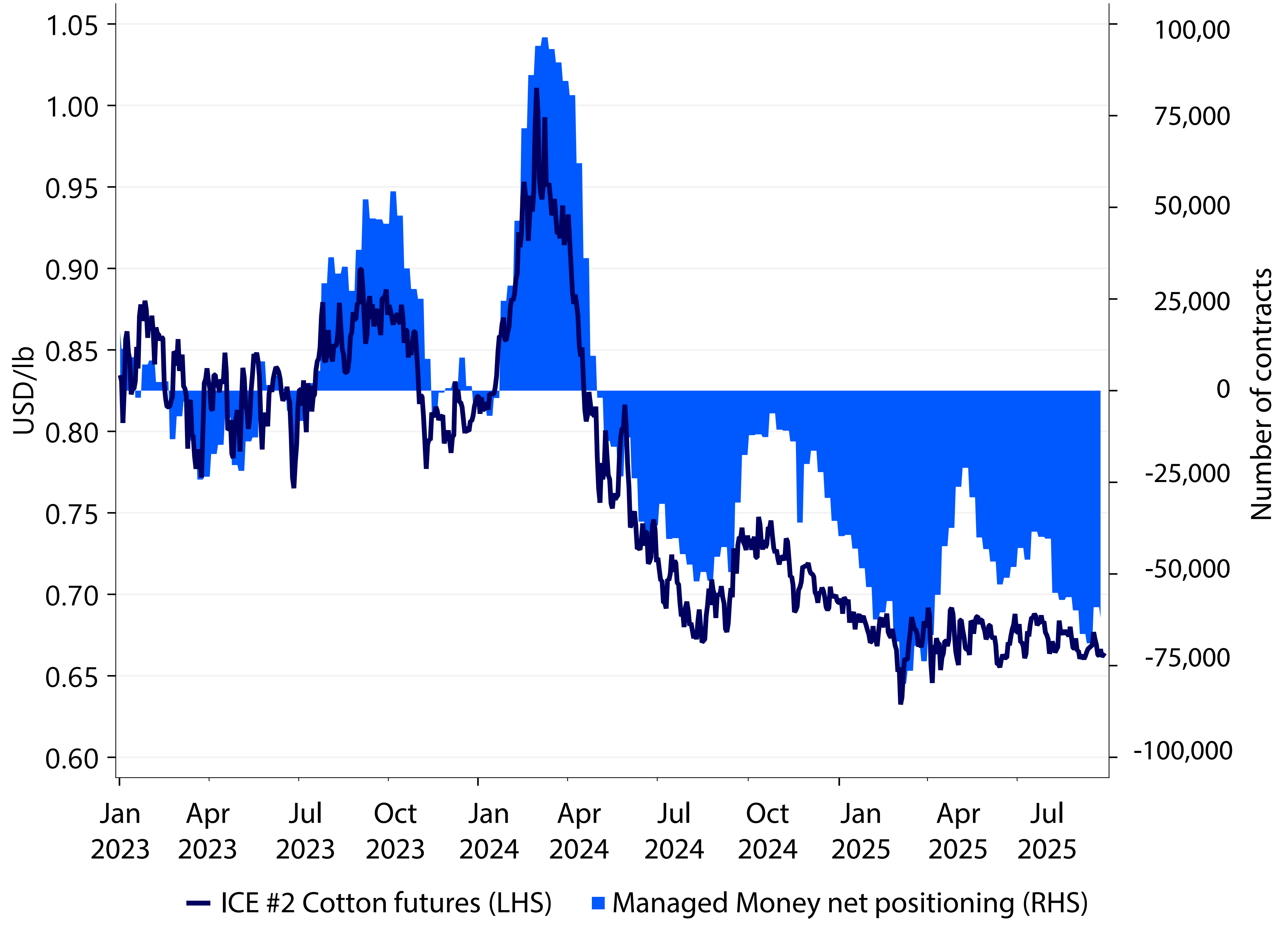
Near-term upside potential appears limited

China's 2025/26 production could be even higher than current USDA estimates



Source: *USDA, RaboResearch 2025*

Managed Money short positioning sits at near record levels



Source: *Macrobond, RaboResearch 2025*

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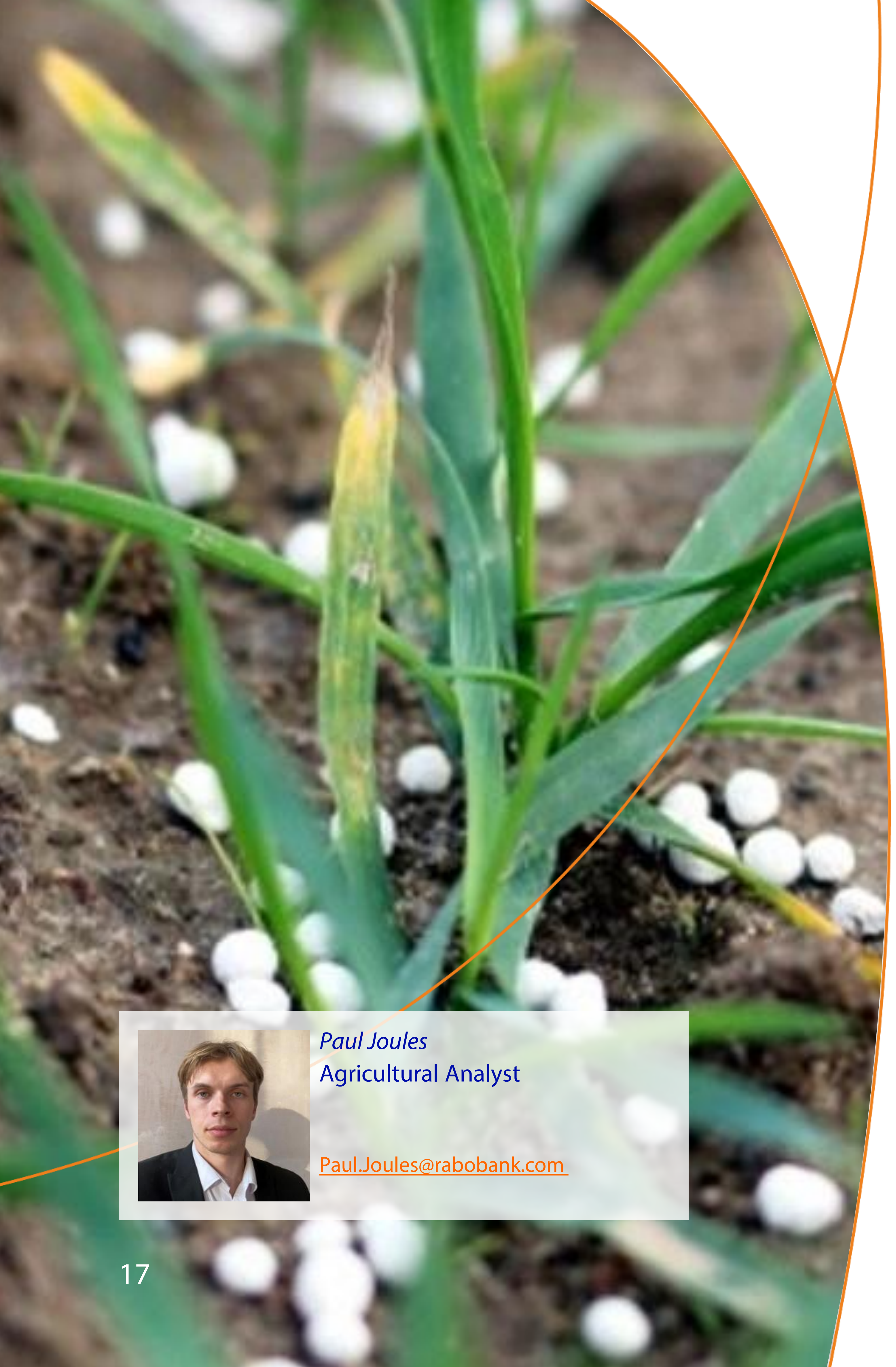

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Farm inputs

Urea prices fall sharply month-on-month

Over the past month, fertilizer prices have eased, with a 0.5% increase in the Australian dollar helping to improve pricing in AUD terms. Urea prices experienced the biggest monthly drop, down 12%. The decline appears to be due to limited purchasing from key buyers in recent weeks. Another factor contributing to recent price weakness is the significant pickup in Chinese urea exports in August, which has partially helped ease the tight supply situation. On the demand side, India – the world's biggest buyer – has had a relatively quiet spell in terms of purchasing. However, should it issue a new tender in the coming weeks, prices have the potential to rise again. In RaboResearch's view, India will likely continue to seek further volumes, given current stock levels.

Phosphate prices dipped 2% in Australian dollar terms month-on-month. The recent decline is likely due to a drop in global demand, with poor fertilizer affordability impacting most agricultural regions.

Potash prices held steady month-on-month. Demand from key buyers such as Brazil has been relatively weak. The other positive development from a potash perspective is that the all-important Indian market appears well-supplied following a period of strong buying. This means the key fertilizer-buying nation is unlikely to return to the global market in the short term to secure large volumes, given ample inventories.

Although most fertilizer prices remain elevated, agrochemical prices in China have stayed below 2024 levels throughout 2025. However, these modest price reductions may take time to flow through to the Australian market, as existing inventories need to be worked through. Containerized shipping rates – highly volatile over the past year – could also influence retail prices. Year-to-date, these rates have declined by 41%, which may support lower agrochemical prices moving forward.

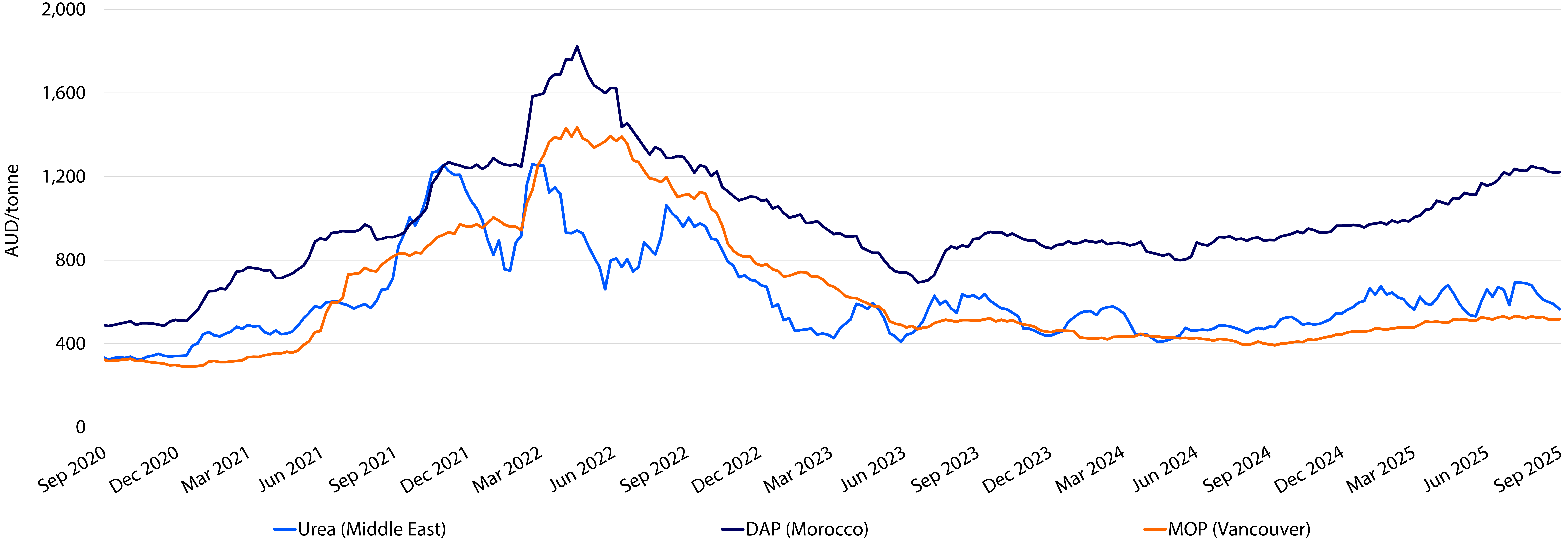
What to watch:

- **Indian tender announcements:** A large Indian urea tender has the potential to push prices higher.
- **Chinese urea exports:** Volumes increased in August, and a further increase would be a positive for global supplies.

Farm inputs

Urea prices decline sharply amid a break in Indian purchasing

Although urea prices dropped 12% month-on-month, prices could creep higher again if India returns to the import market



Source: *CRU, RaboResearch 2025*

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Dairy

Global milk supply faucets are flowing

Dairy commodity prices were broadly weaker in September. According to USDA data, cheese was the standout, rising 4% for the month and returning to levels seen at the start of the year. Powder prices bore the brunt of the decline, with whole milk powder down 5% and skim milk powder falling 8%. Butter remains the only commodity priced above its January 2025 level.

Global milk supply signals continue to intensify. In the US, August milk production surged 3.2% year-on-year (YOY), while July figures were revised upward to a 4.2% YOY increase. Herd expansion, improved cow productivity, and strong margins have underpinned the growth. Since January, the US dairy herd has added 130,000 cows, reaching 9.52 million – the largest national herd since the mid-1990s. EU milk production also edged higher in July, up 0.9% YOY.

Across the Tasman, New Zealand posted another record for August, with milksolids up 2.5% YOY. This extends the streak of monthly records set in May, June, and July for both volume and solids. Season-to-date output is tracking 4.2% ahead of last year.

Meanwhile, Australian supply is diverging from the global trend. The second month of the 2025/26 production season has resulted in milk flows down 3% YOY. While Tasmania and Queensland posted modest gains of 1.1% and 3.5%, respectively, Victoria – the country's largest producing state – saw a 3.6% YOY decline in August.

Global dairy markets face headwinds on the demand side, particularly among low- and middle-income consumers. Ongoing sluggishness in demand is evident across many foodservice channels, and a boost in consumer confidence will be needed to lift discretionary spending. China is still battling a consumption slump, and recovery signals in Southeast Asia are mixed. In the US, concerns around the labor market and the impact of tariffs are contributing to soft consumer sentiment.

In Australia, drinking milk sales for the full 2024/25 year paint a sluggish demand picture. Final data from Dairy Australia show national volumes are down 1.8% for the 12 months to June 2025), with sales declining across all formats and regions.

What to watch:

- **Import demand signals from the largest dairy importing country, China.** The next phase of China's economic cycle will be telling. Markets will be looking for clear signs of a demand recovery. RaboResearch is currently expecting China's net import volumes to be flat in 2026, which reflects weak demand, domestic substitution and rising dairy exports (albeit small volumes).

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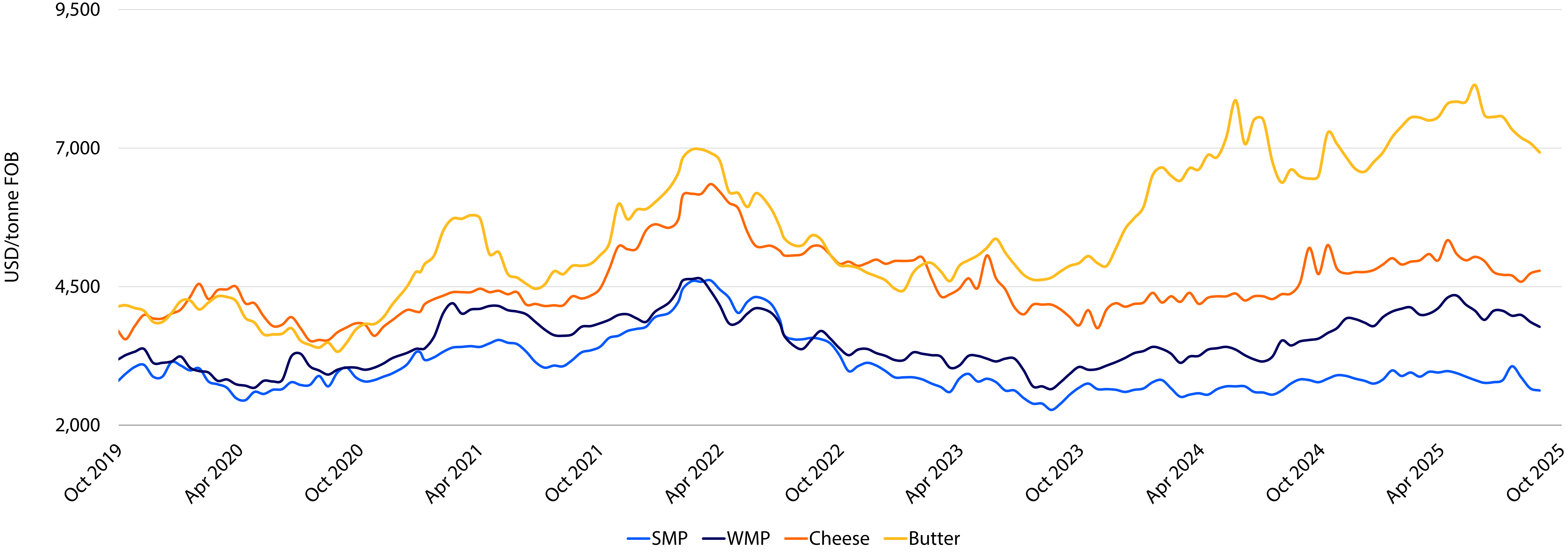
Dairy

Dairy commodity prices are reflecting ample milk availability

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

Interest rate and FX

Did something just change?

September saw a reduction in the number of expected cuts from the RBA according to financial markets. At the start of the month, the Overnight Index Swaps market implied that traders were expecting the RBA to deliver between two and three more 25bp rate cuts. Now, the market is implying between one and two cuts.

So why the change? September saw a run of economic data that suggested the economy is running hotter than the RBA might have thought, making it harder for the RBA to cut interest rates.

The first such datapoint was the Q2 national accounts (GDP figures). This tells us how much the economy grew in the second quarter, and it showed a surprise to the upside with growth of 0.6% QOQ and the growth in Q1 revised up from 0.2% to 0.3%. That may not sound like a big difference, but it shows that demand is running further ahead of supply than the RBA thought when they issued their last set of forecasts in August.

Later in September we saw the monthly CPI inflation report for August. That also surprised to the upside, with headline CPI lifting to 3% YOY (see the next slide), rather than the 2.9% consensus forecast of economists. Beneath the headline inflation figure was concerning growth in categories like new home selling prices and some services, which are highly attuned to the domestic economy.

While the implied probability of rate cuts has fallen in financial markets, we have not changed our forecast. Recent labour market indicators suggest that employment growth is stalling, raising an argument that the RBA will need to provide support to achieve their ‘full employment’ mandate.

We still have a November rate cut penciled in but the household spending, labour market and quarterly CPI figures due out in October will be key data points for the RBA to decide whether to cut or not.

What to watch:

- **ABS household spending indicator, 2 October –** This will give an update on the health of the household sector, a major driver of demand growth in the Australian economy. A strong reading will make rate cuts less likely.
- **ABS labour force report, 16 October** – While there are upside risks to inflation, there are also downside risks to employment. The RBA faces a tricky balancing act between its price stability mandate and its full employment mandate.
- **Q3 CPI inflation report, 29 October** – The Q3 CPI could be make or break for chances of a November rate cut. Anything higher than 0.7% QOQ will put inflation above the RBA’s forecasts and make a rate cut less likely.

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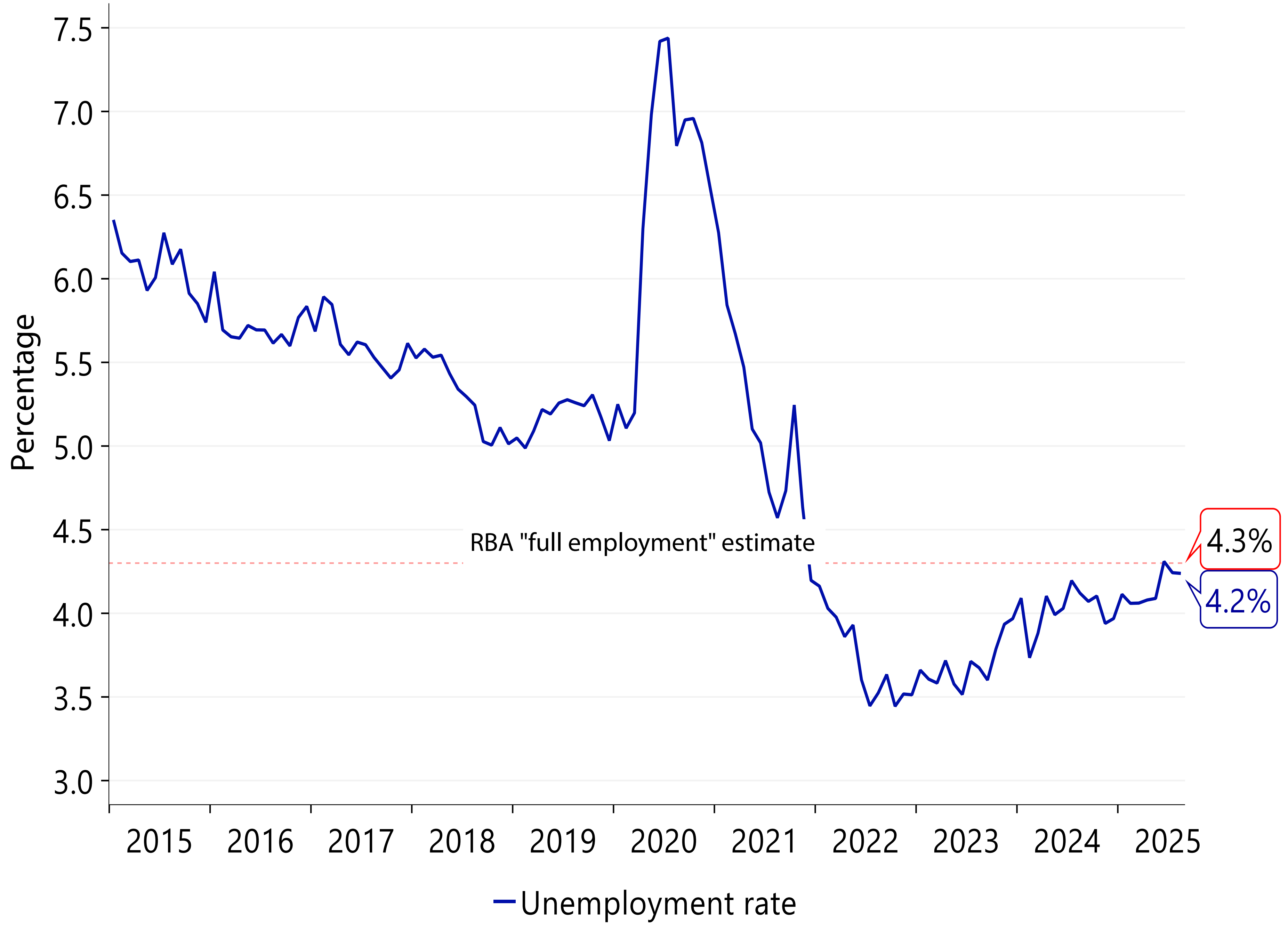
Interest rate and FX

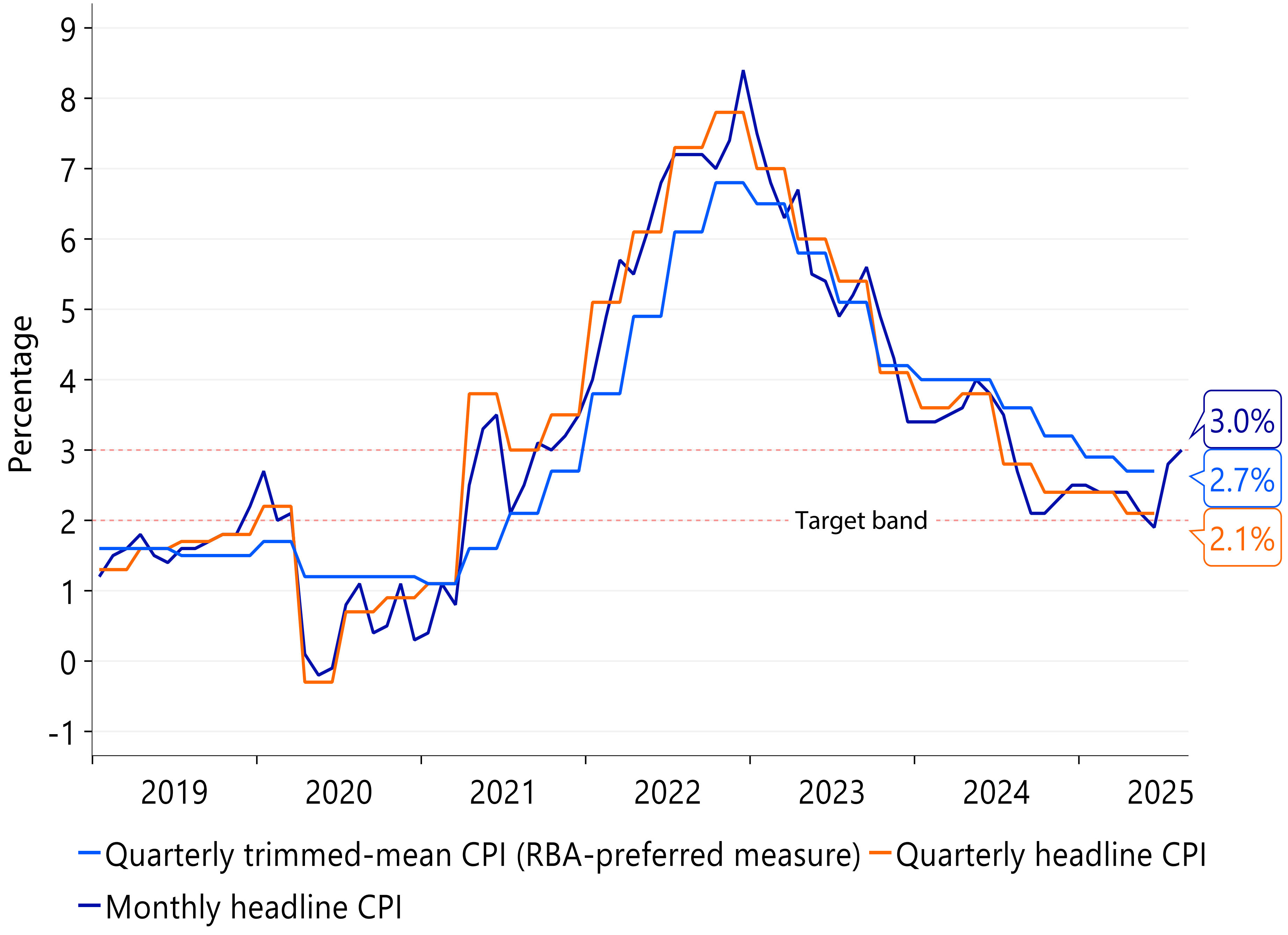
Inflation cause for concern?

Australian labour force indicators, 2015-2025



Source: Macrobond, ABS, RaboResearch 2025

Australian inflation indicators, 2019-2025



Source: Macrobond, ABS, RBA, RaboResearch 2025

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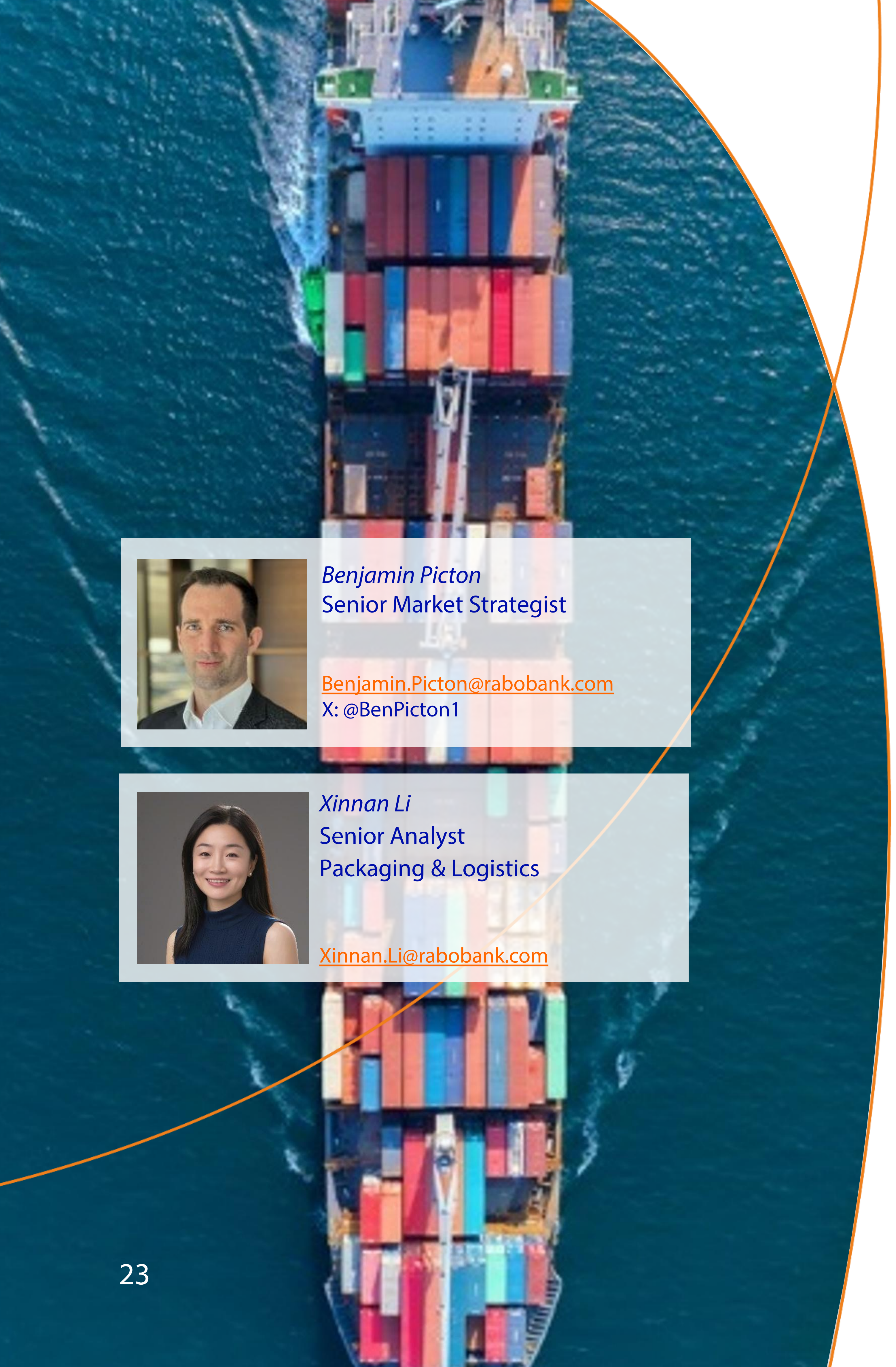

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Oil and freight

Geopolitics sending oil higher again

Crude oil prices recovered some of the losses posted in August, rising by just over 2% in September. The gains followed a larger-than-expected fall in US inventories, and an apparent change of heart by US President Trump on the ability of Ukraine to win the war against Russia. Trump said that he now believed that Ukraine could recover all its lost territory and said that the US was willing to impose steep tariffs on China and other buyers of Russian crude if other NATO countries did the same.

Trump used a speech at the UN to criticise Europe for continued purchases of Russian energy products, which he says are funding the Russian war machine. European Commission President von der Leyen has acknowledged ongoing purchases of up to 100,00 barrels/day by Hungary and Slovakia and has indicated that the EU is working on a package of tariffs to penalise purchases of Russian product.

Prices for refined products have been rising even faster following Ukraine attacks on Russian refineries and news of faster-than-expected GDP growth in the US.

Weaker capacity is expected across the globe, due to tariff-related uncertainties, weak economic forecast, and the upcoming port fees in the US. While US import expectations for the lfall have improved, Q4 volumes are still projected to lag behind last year. In contrast, intra-Asia trade is surging, tightening vessel space and driving up rates. The Panama Canal Authority anticipates daily transits will remain below capacity into 2026, citing tariff-related constraints. New U.S. port fees are prompting carriers such as Cosco, CMA CGM, and MSC to reroute vessels or restructure their networks to avoid penalties. At the same time, ocean shipping continues to face disruptions in key maritime routes like the Red Sea and Panama Canal, compounded by severe weather events such as Typhoon Ragasa in South China.

The Baltic Panamax index (a proxy for grain bulk freight) is trending upward despite of geopolitical uncertainty. It benefits from healthy fundamentals - resilient coal demand, grain flows from Brazil, and active period chartering.

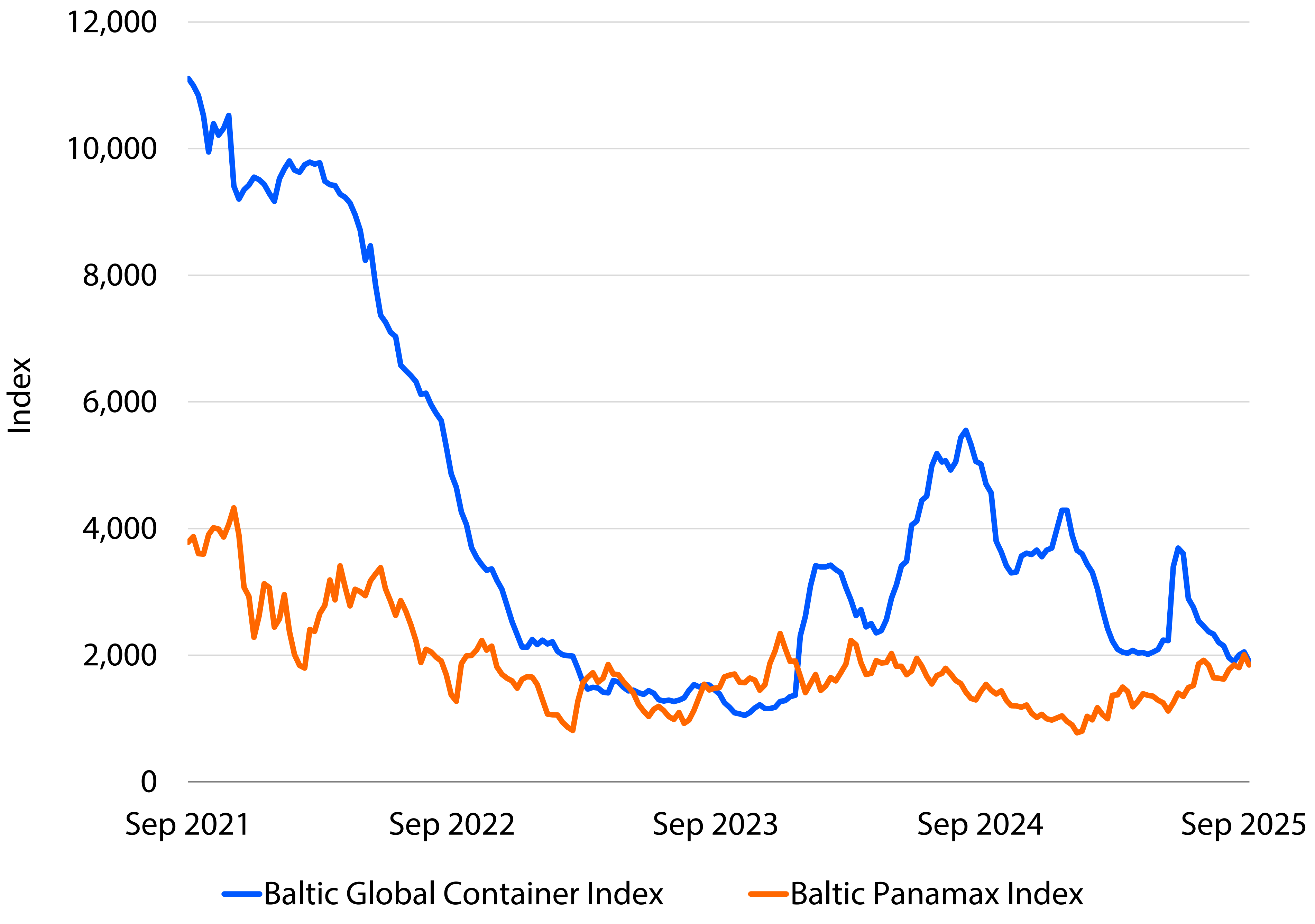
What to watch:

- **Department of Energy inventory reports, 9, 17, 23 and 30 October**

Oil and freight

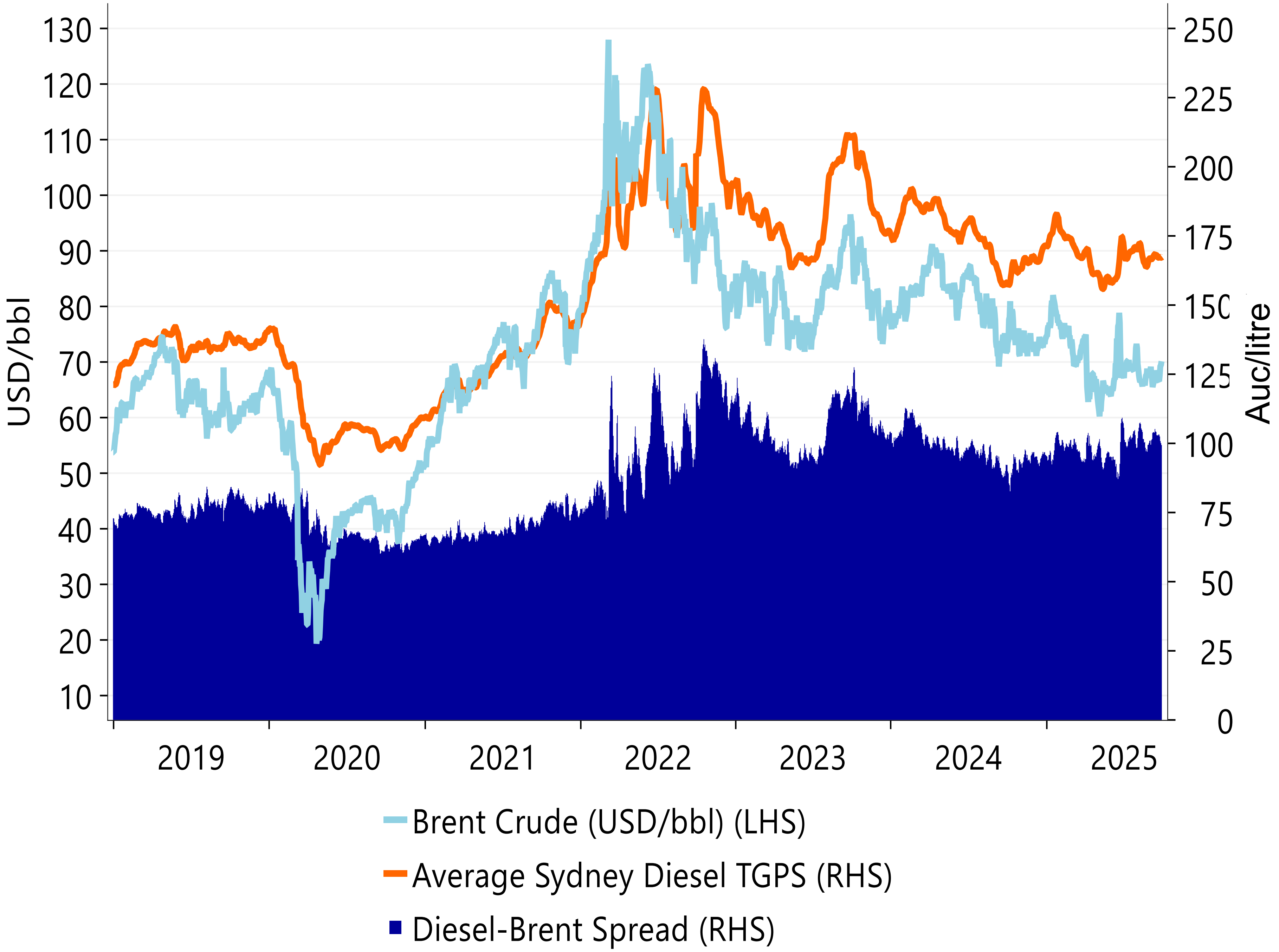
Refined product prices continue to exhibit strength

Baltic Panamax Index and Dry Container Index, Sep 2021-Sep2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus Sydney diesel prices, 2019-2025



Source: *Macrobond, ICE Exchange, AIP, RaboResearch 2024*

Agri price dashboard

26/09/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	520	510	578
CBOT soybean	USc/bushel	▼	1,014	1,028	1,042
CBOT corn	USc/bushel	▲	422	386	412
Australian ASX EC Wheat Track	AUD/tonne	▲	318	311	329
Non-GM Canola Newcastle Track	AUD/tonne	▼	730	747	673
Feed Barley F1 Geelong Track	AUD/tonne	▼	281	300	294
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	890	868	653
Feeder Steer	AUc/kg lwt	▲	475	458	365
North Island Bull 300kg	NZc/kg cwt	▲	870	840	700
South Island Bull 300kg	NZc/kg cwt	▲	825	780	645
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	1,185	1,148	789
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,045	1,000	770
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,050	1,005	810
Venison markets					
North Island Stag	NZc/kg cwt	•	1,010	1,010	980
South Island Stag	NZc/kg cwt	•	1,010	1,010	935
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	6,925	7,338	6,613
Skim Milk Powder	USD/tonne FOB	▼	2,625	3,063	2,750
Whole Milk Powder	USD/tonne FOB	▼	3,775	3,975	3,438
Cheddar	USD/tonne FOB	▲	4,788	4,700	4,375

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

26/09/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	77.7	78.2	85
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	64.0	66.0	74
Sugar markets					
ICE Sugar No.11	USc/lb	▼	15.9	16.5	22.8
ICE Sugar No.11 (AUD)	AUD/tonne	▼	551	581	641
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,453	1,245	1,087
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▼	449	517	353
DAP (US Gulf)	USD/tonne FOB	▼	750	760	610
Other					
Baltic Panamax Index	1000=1985	▼	1,832	1,874	1,446
Brent Crude Oil	USD/bbl	▲	70	69	72
Economics/currency					
AUD	vs. USD	▲	0.654	0.653	0.690
NZD	vs. USD	▼	0.577	0.588	0.634
RBA Official Cash Rate	%	•	3.60	3.60	4.35
NZRB Official Cash Rate	%	•	3.00	3.00	5.25

Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

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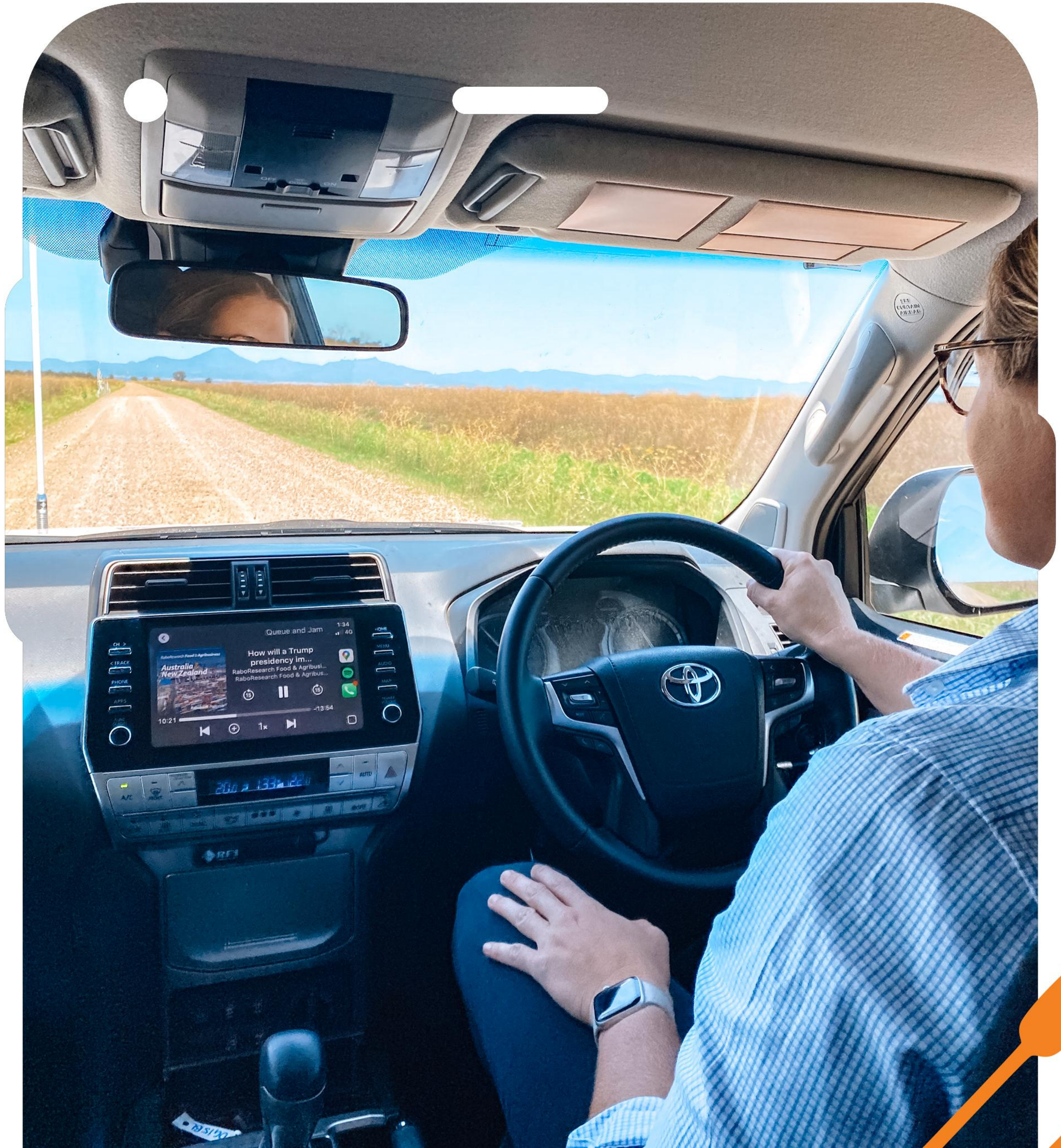

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