What lies ahead as winter begins

Australia agribusiness monthly

RaboResearch Food and Agribusiness

June 2025

Rabobank

Disclaimer

Please read the disclaimer below prior to reviewing this publication.

This publication is for information purposes only. The contents of this publication are general in nature and do not take into account your personal objectives, financial situation or needs. As such, the contents of this publication do not constitute advice and should not be relied upon as a basis for any financial decisions. Rabobank Australia Limited ABN 50 001 621 129 AFSL 234700 and Coöperatieve Rabobank U.A. (Australia Branch) ABN 70003917655 AFSL 238446 (collectively referred to as, '**Rabobank Australia**') recommend that you seek independent financial advice from your accountant or financial adviser before making any financial decisions related in any way to the contents of this publication. The information and opinions contained in this publication have been compiled or arrived at from sources believed to be reliable. Any opinions, forecasts or estimates made are reasonably held, based on the information available at the time of publication and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. All opinions expressed are subject to change at any time. No representation or warranty, either expressed or implied, is made or provided as to the accuracy, reliability or completeness of any information or opinions contained within the publication. You should make your own inquiries regarding the contents of this publication. Rabobank Australia does not accept any liability for any loss or damage arising out of any error or omission in the publication or arising out of any reliance or use of this publication or its contents or otherwise arising in connection therewith.

This report is based on information available as at 5/6/2025

Commodity outlooks

Climate

Soil moisture remains well below average across South Australia, parts of Victoria, and southern New South Wales, but strong in the north. Rain forecasts for the coming three months are largely close to normal across much of the country.

Sustainability

Australia's latest National Inventory Report shows a 3% rise in national net greenhouse gas emissions in 2022/23 compared to the previous year. Agricultural emissions saw a small increase as the agriculture and land sectors felt the influence of climatic factors.

Wheat and barley

May wheat markets were supported by solid crop conditions in the EU and US, with yields expected to exceed historical averages and global ending stocks revised upward. Still, global prices are facing headwinds, with a supply shock needed to change course.

Canola

Global canola markets remain stable despite dry weather in Europe. They are supported by strong yield forecasts and a US biofuel policy shift that could boost Canadian exports. If confirmed, the US policy changes could benefit Australian exports as well.

Beef

High cattle numbers pushed saleyard cattle prices lower, with southern saleyards recording record-high volumes through May. Rainfall in some regions across southern Australia and an expectation of lower numbers in the coming months should help stabilise cattle prices.

Sheepmeat

Lamb and mutton prices in May jumped to some of the highest levels seen in recent years. Slaughter numbers remain high, but the price spike may be an indication that supplies are about to become more limited.

Wool

Recent Australian dollar strength alongside disappointing export data likely played a key role in pushing EMI prices lower over the past month.

Cotton

Australian cash prices struggled to find momentum in May as a well-supplied global market kept prices below the AUD 600/bale mark.

Farm inputs

Urea prices declined sharply month-on-month in May as news of China's return to the export market, following 18 months of limited exports, helped to somewhat ease market concerns of tightening global supplies.

Dairy

New season milk prices have been set and are higher than last year at around AUD 9.00/kgMS. This represents a 6% lift on final milk prices for 2024/25. Firmer commodity markets and a weaker Australian dollar versus last year have supported rising farmgate milk prices.

Consumer foods

Monthly food inflation came in at 3.1% in April. Supply shortages from the avian influenza outbreak have driven egg prices 18% higher on an annualised basis.

Interest rate and FX

The RBA cut rates in May by 0.25 percentage points and signalled further cuts to come. The dovish signal from the central bank and a weaker outlook for growth and inflation has prompted RaboResearch to update its cash rate forecast. We now project a 2.85% cash rate by February 2026.

Oil and freight

Crude oil prices rose in May, but OPEC+ has announced another big round of production increases that could cap further rallies in prices. A 90-day tariff reduction between the US and China could pressure container rates higher in the short term.

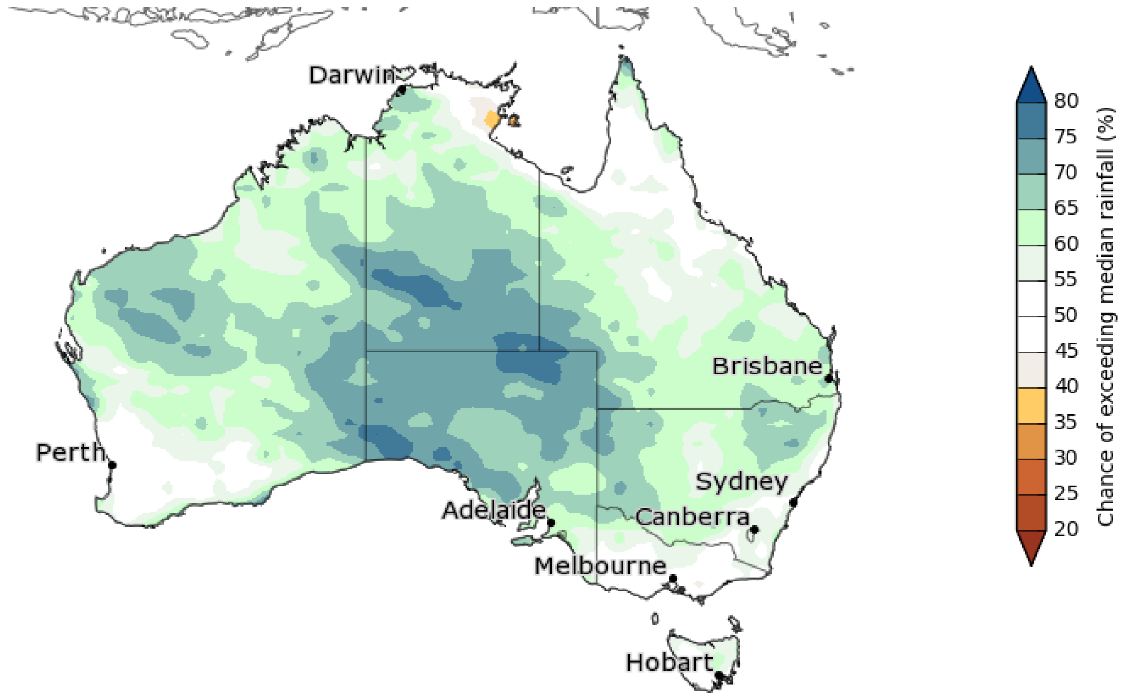
Climate

A forecast return to typical winter rainfall could offer relief

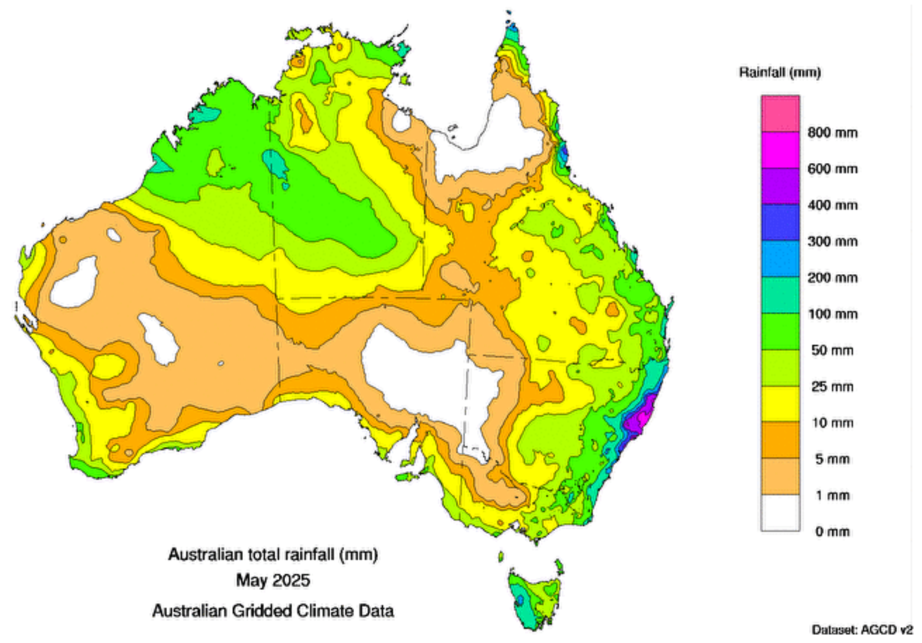
Soil moisture is still very low across most of southern Australia. Autumn was much wetter than average in the north and east of Australia and much drier than average in many southern parts. According to the winter long-range forecast, above-average rainfall is expected for much of New South Wales, Western Australia, and South Australia, while rainfall is expected to be within typical winter ranges for much of Queensland, Victoria, Tasmania, and the Northern Territory.

Both El Niño-Southern Oscillation and Indian Ocean Dipole (IOD) are neutral, with a negative IOD possible in late winter to early spring, according to Australia's Bureau of Meteorology (BOM).

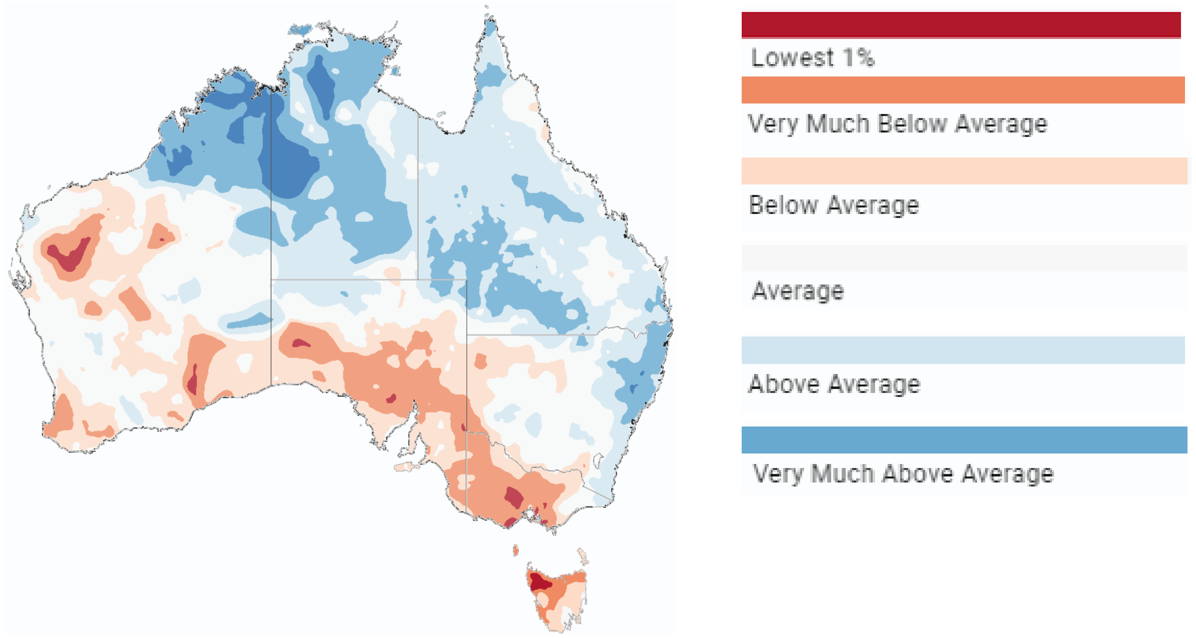
June to August 2025 rainfall outlook



Rainfall, May 2025



Soil moisture as of 1 June 2025



Source: BOM

Sustainability

National emissions heading in the wrong direction

Australia's latest National Inventory Report, which provides estimates of Australia's greenhouse gas (GHG) emissions by sector, has just been published. It provides important, sector-level insights into progress towards meeting Australia's climate targets, highlighting where progress is being made and where potential challenges are faced.

This report is prepared to meet Australia's international GHG reporting requirements under the Paris Agreement.

According to the report, **national net emissions rose by 3% in 2022/23 from the previous year**, signalling a setback in Australia's trajectory towards its reduction targets and placing Australia's emissions 25.9% below the 2004/05 baseline.

Year-on-year increases in emissions were seen across all sectors except waste. Removals in the land use, land-use change, and forestry (LULUCF) sector contracted.

Agricultural emissions made up 18.2% of Australia's net national emissions. The sector's 3.5% YOY increase was driven by increased livestock numbers and strong production connected with favourable La Niña conditions.

Enteric fermentation remains the dominant source of agricultural emissions and presents a persistent challenge for achieving direct reductions within the sector.

Compared to 2004/05 baseline levels, the LULUCF sector has shifted from being a source of emissions to a substantial carbon sink due to reductions in land clearing, increased forest cover, and improved fire management.

In 2022/23, the LULUCF sector was responsible for 73.7MT CO2e of removals, which is equivalent to 16.3% of national emissions. The small decline in removals from the previous year was attributed to increased fire activity and reduced soil carbon sequestration as La Niña conditions waned.

These results underscore the dual impacts of the agriculture and land sector as both an emissions source and sink. The trends also point to the sector's exposure to climatic conditions in terms of its emissions impact. Due to the time lag in reporting, the impacts of climatic conditions aren't known right away. However, if future data continues to reflect the transition away from the wetter La Niña period, the trend of moderating LULUCF removals could continue.

The results in the National Inventory Report can inform climate policy development by providing quantified measures of progress that indicate whether current polices are driving sufficient progress towards national targets.

What to watch:

- **The Climate Change Authority's (CCA) advice on a suitable 2035 emissions reduction target is currently under development –** Australia is required to submit its 2035 targets under the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC) by September. It is seeking independent advice from the CCA to determine appropriate targets based on sector-level analysis of emissions reduction pathways while examining trade-offs and opportunities.

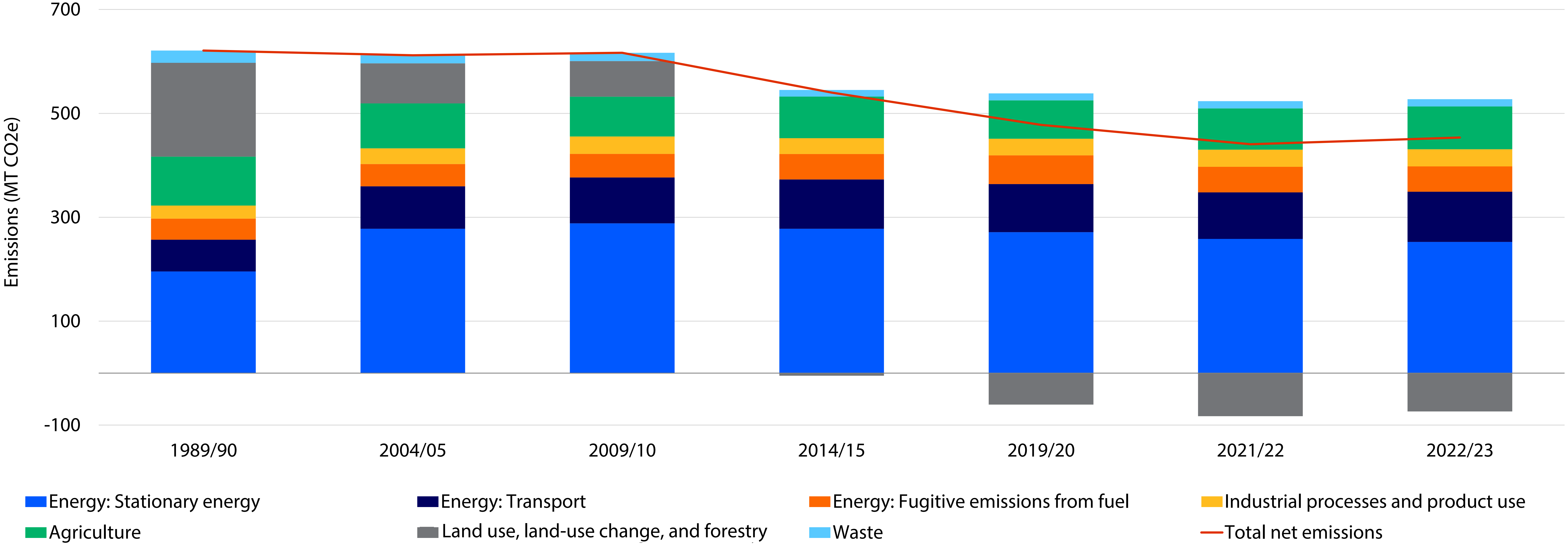
Anna Drake
Sustainability Analyst

Anna.Drake@rabobank.com
X: @itsadrake

Sustainability

Stalled progress towards Australia's national emissions reduction targets

Small rise in Australia's national emissions ahead of 2035 target-setting deadline



Source: DCCEEW National Inventory Report 2023, RaboResearch 2025

Vitor Pistoia
Agriculture Analyst
Grains & Oilseeds

Vitor.Cacula.Pistoia@rabobank.com

Wheat and barley

Solid Northern Hemisphere supply keeps pressure on prices

In May, wheat markets were dominated by reports suggesting that crop conditions are OK despite soil moisture and disease concerns. According to the latest JRC MARS Bulletin, crop yields remain in line with or slightly above historical averages. **For EU member states, wheat yields are expected to average around 6.0 tonnes per hectare, 5% above the five-year average**. Although wheat area saw a slight year-on-year decline, total output is projected at 135.9m tonnes, marking a 3.9% increase over the five-year average. Looking ahead, forecasts up to mid-June indicate above-average rainfall across much of Europe and southern Russia, which should further support the grain filling phase.

In the US, the Kansas wheat tour indicated that the region's likely production tends to be 8% above the 10-year average despite the presence of wheat streak mosaic virus. Further, the latest USDA WASDE report also suggested above-average production, putting the US crop at 52.3m tonnes, 2% higher than the 10-year average. **The USDA's upward revision of global 2024/25 ending stocks by 5m tonnes was also a surprise. Now 2024/25 and 2025/26 final stocks are on track to stay flat, year-on-year, at 265m tonnes**. With the 2025/26 harvest already taking place in parts of the Northern Hemisphere, there are plenty of reasons we could see softer prices across markets.

CBOT spot prices rose 2.6% MOM to AUD 303/tonne, and the CBOT December 2025 contract was almost stable, dropping 0.5% to AUD 324/tonne. In Australia, the ASX January 2026 contract dropped 2.2% MOM to AUD 347/tonne.

One of the few remaining factors that could shake up global wheat markets is the chance of hot and dry weather in June across the northwestern US and the Canadian prairies, as their harvest usually takes place by July and August. If they don't produce average yields, wheat prices could find greater price support. Forecasts are currently pointing in that direction, but it is worth remembering that weather forecasts are based on probabilities, and that weather problems do not always mean poor yields, as the current EU crop demonstrates.

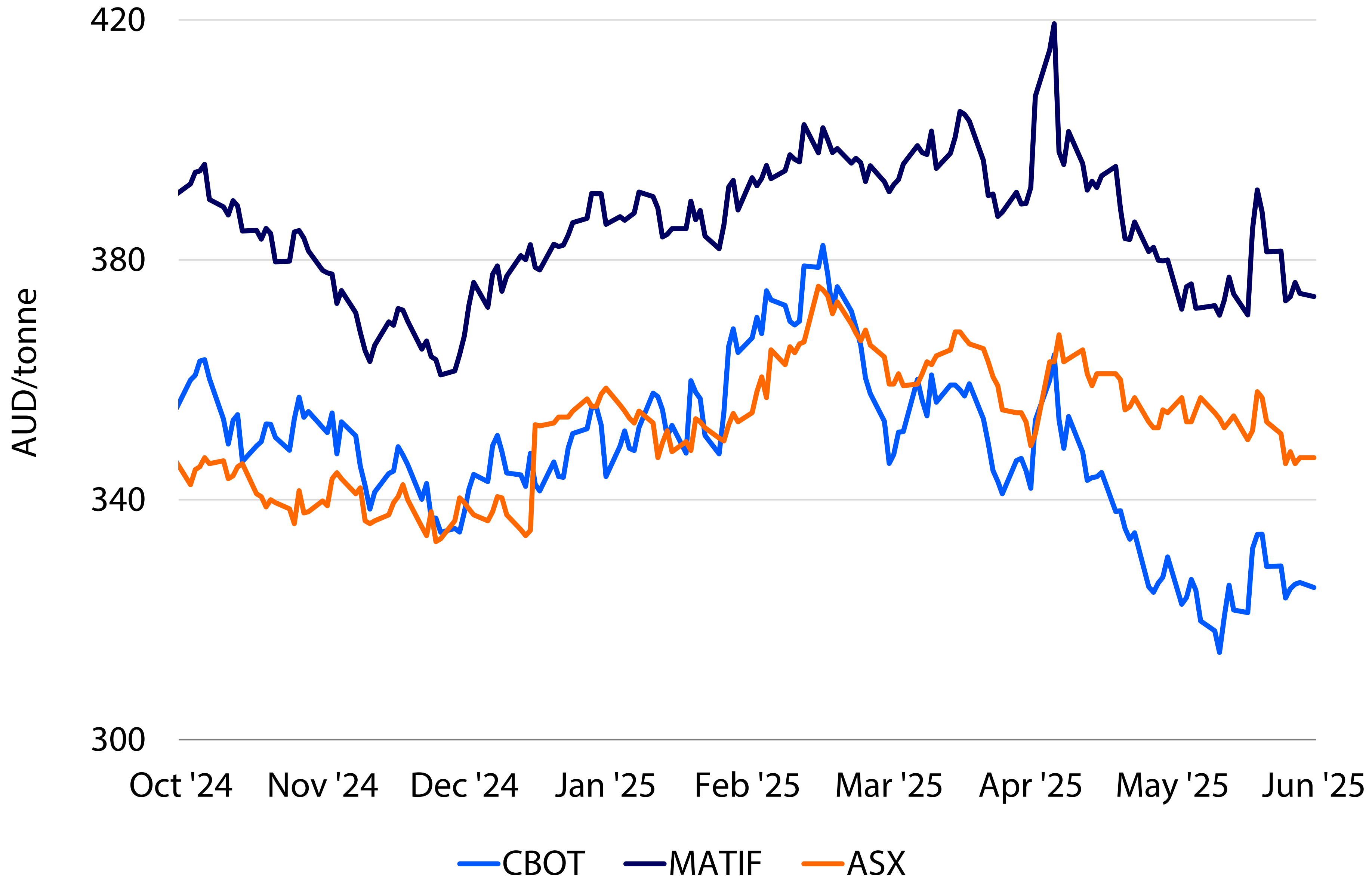
What to watch:

- **Indian weather –** This year the monsoon season started early and is ahead of schedule by around 10 days as of early June. Southern parts of India are already experiencing above-average rainfall, and a good summer crop is needed to reduce food prices. India just wrapped up its wheat harvest, achieving 117m tonnes, but stocks remain tight. Recently the government extended the stock limit of 3,000 tonnes for wheat traders until March 2026.
- **Argentine floods –** Heavy rains have flooded parts of Buenos Aires Province disrupting the summer harvest and causing corn and soybean production losses. The excess moisture may also reduce wheat and barley seeding area, as flat terrain hinders drainage. However, southwestern Buenos Aires and La Pampa could see above-average yields, helping offset some of the impact.

Wheat and barley

Stronger global yields and higher ending stocks ease supply concerns

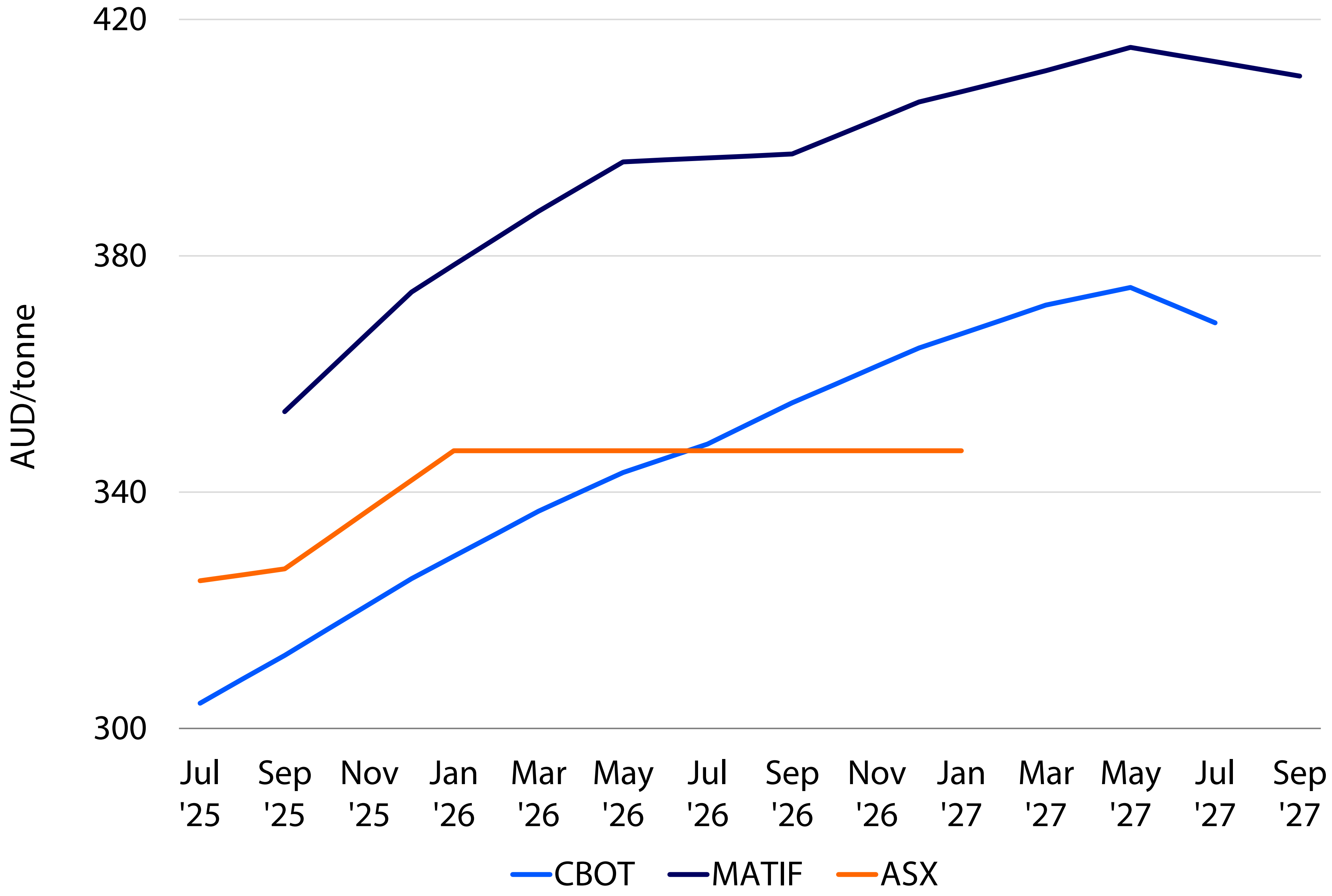
While new crop contracts continue their decline amid expectations of higher Northern Hemisphere supply…



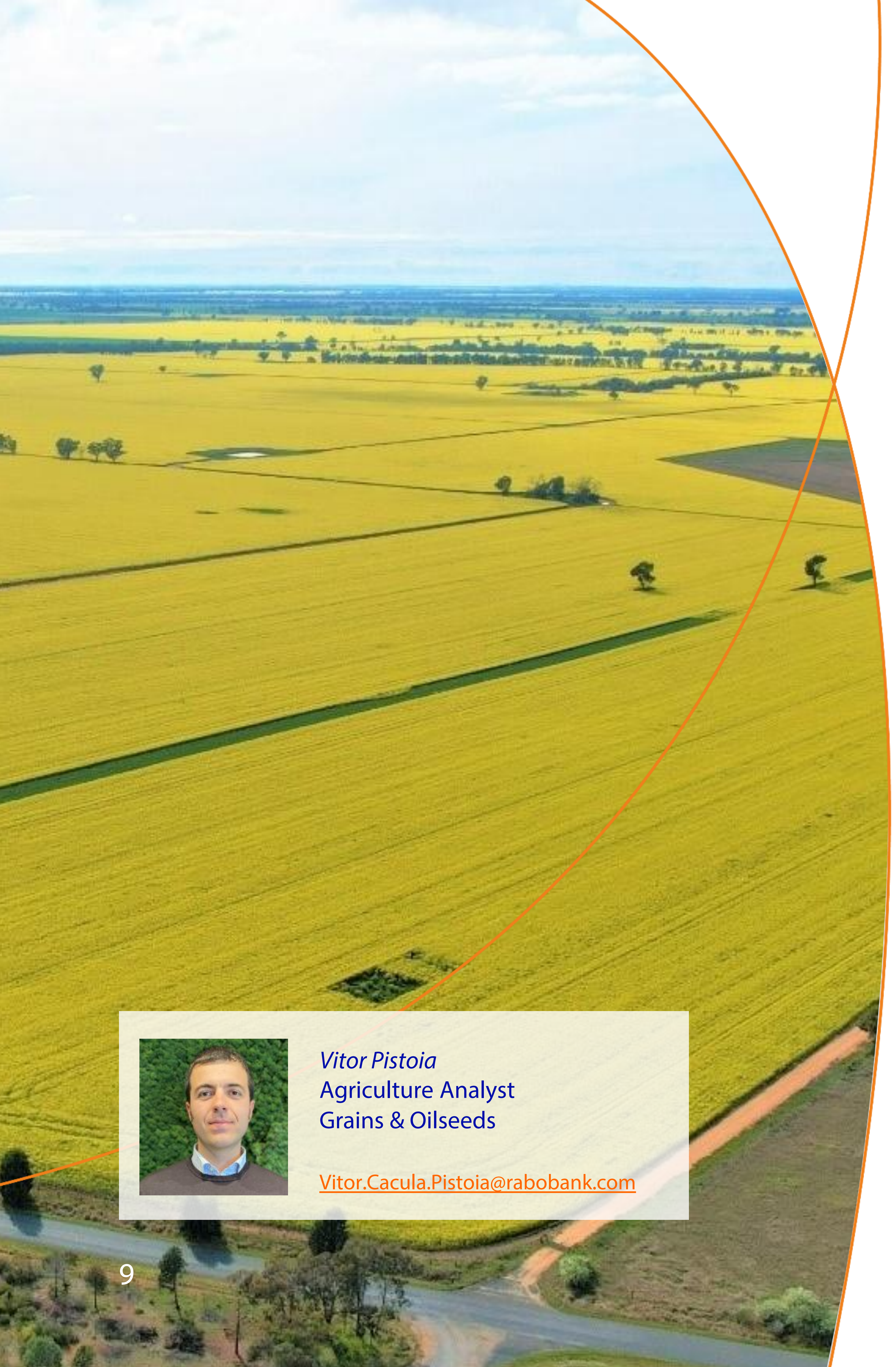
Note: *New crop contracts reflect the ASX January 2026 contract, while CBOT and MATIF reflect the December 2025 contract.*

Source: *Bloomberg, RaboResearch 2025*

… future curves hold a full carry into 2026



Source: *Bloomberg, RaboResearch 2025*



Canola

Strong EU yields and shifting biofuel winds in the US

The dry spring in some parts of Europe did not negatively impact crops last month, according to crop updates. Further, a new biofuel credit system configuration in the US readjusted expectations for oilseed demand. During May, MATIF Canola spot prices dropped 3.8% to AUD 835/tonne, and ICE spot prices rose 4.0% to AUD 803/tonne.

The European Commission's MARS May bulletin suggests that Europe is on track for a solid oilseed harvest. Canola yields are projected at 3.17 tonnes per hectare, a marginal 0.3% above the five-year average, while sunflower yields are forecast at 2.09 tonnes per hectare, 3.5% higher than recent averages. Based on current planting areas, **these yields would result in nearly 19m tonnes of canola and 9.5m tonnes of sunflower. This level of production is expected to ease supply constraints in the region and potentially limit any significant upward movement in canola prices**.

In North America, Canadian farmers appear resolute in their commitment to canola, with **Agriculture and Agri-Food Canada's May report maintaining a forecast of 8.76m hectares for the third consecutive month**. This steadfastness comes despite ongoing trade tensions, including tariffs from the US and China on Canadian canola, oil, and meal. One reason why canola area in Canada seems to be "immune" to trade whims is because of recent changes in the US biofuel policy.

On 14 May, the US government updated its **45Z tax credit framework to include Canadian canola, following a revision of its carbon intensity and labelling it as "domestic" production.** Although canola still ranks below other feedstocks such as tallow and used cooking oil in terms of credit value, **the inclusion is a positive development for Canadian growers and potentially for Australian producers as well**. By reinforcing the US as a key export destination, Canada may reduce its competitive presence in the European canola market, thereby reshaping trade flows and market dynamics in the months ahead.

What to watch:

- **The UK-EU sanitary and phytosanitary zone –** The recently established zone simplifies trade by reducing certification requirements on UK exports to the EU, potentially increasing UK canola oil shipments to continental Europe. Between 2020 and 2024, UK canola oil exports averaged 99,000 tonnes annually, down from a pre-Brexit five-year average of around 150,000 tonnes per year. Despite Brexit, EU members remain the primary destination for UK canola oil exports.
- **US biomass-based diesel targets** – The EPA is expected to announce new target volumes in the coming weeks. For 2025, the volume is set at 12.6bn litres, with some projections at 19.8bn litres for 2026 volumes and 21.7bn litres for 2027. If confirmed, such a jump could be an exporting opportunity for Canadian canola to the US, alleviating competition in the global market.

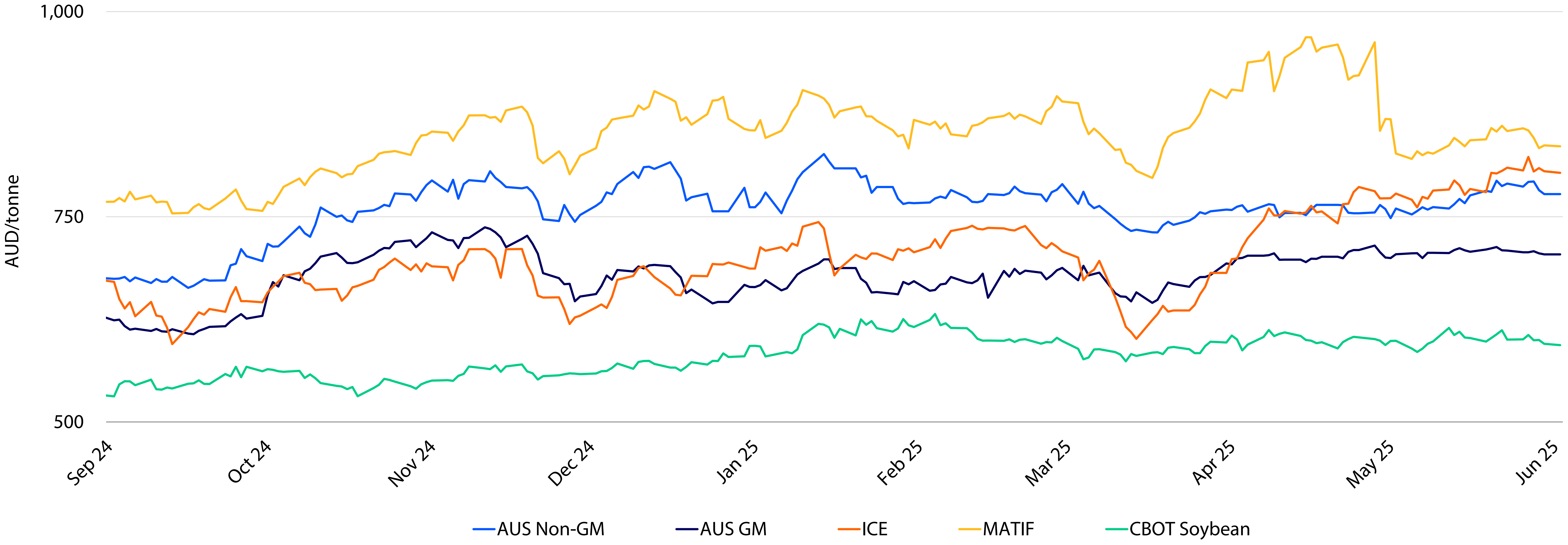
Vitor Pistoia
Agriculture Analyst
Grains & Oilseeds

Vitor.Cacula.Pistoia@rabobank.com

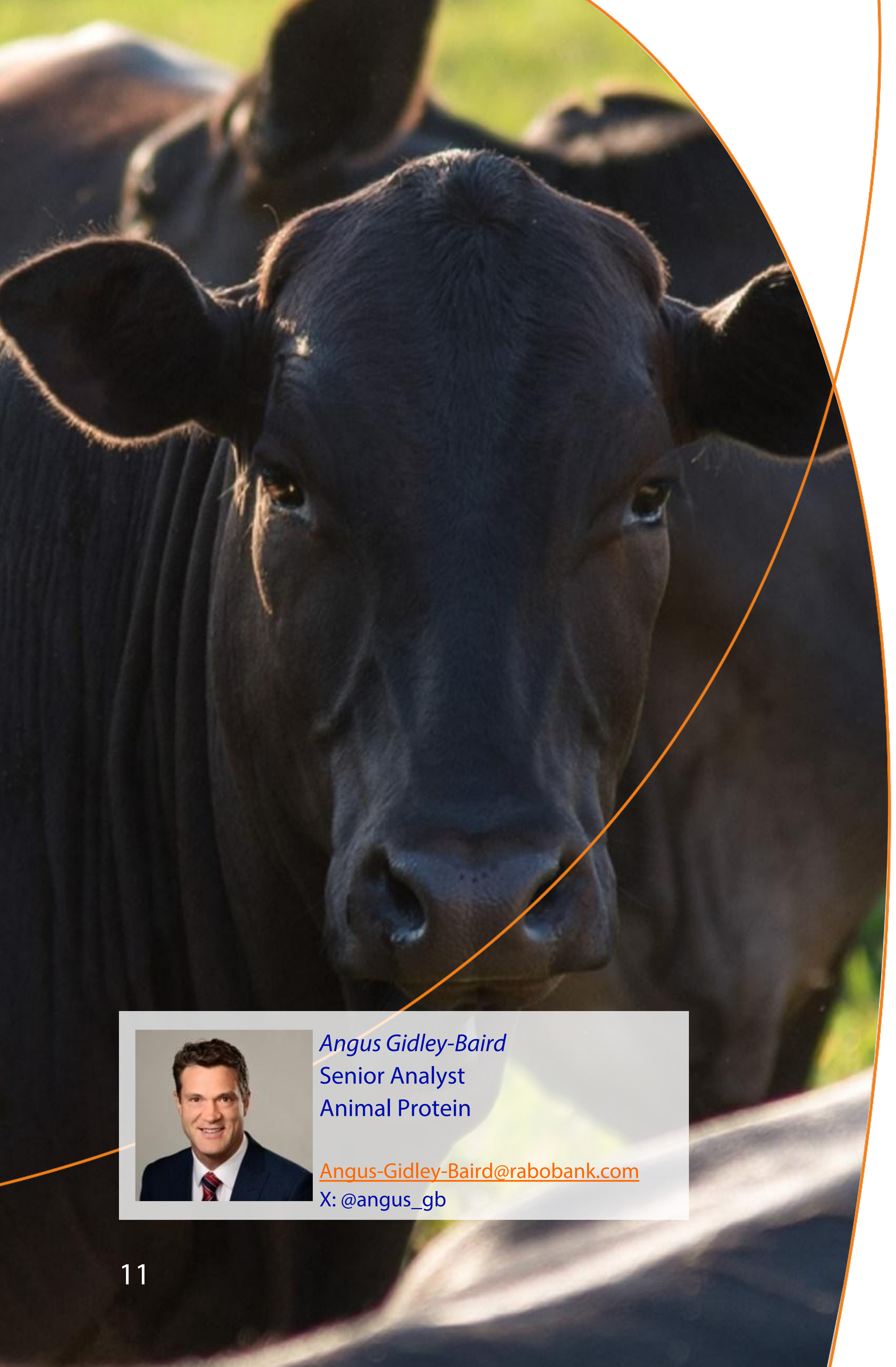
Canola

Market prices are converging as the supply outlook appears solid

An average canola production forecast in the EU is setting a new price baseline



Note: *Australian prices reflect the average port price.*
Source: *Bloomberg, RaboResearch 2025*



Beef

High cattle volumes pull prices down

Australian national saleyard prices for cattle eased slightly at the end of May but have held up well given the extreme numbers of cattle passing through southern saleyards. New South Wales recorded the highest weekly yarding since 2018 with Wagga Wagga yards recording numbers over 8,000 head in the middle weeks of May, record volumes for that saleyard. Victorian numbers were in line with March's historically high volumes and just below January's record volumes. Restocker steer (AUD 3.85/kg) and heifer (AUD 3.02/kg) prices at the end of May were down 2% and 7%, respectively, from prices in late April. Processor cow prices (AUD 2.47/kg) and heavy steer (AUD 3.31/kg) were down 15% and 9%, respectively, for the same period. The NYCI finished the month at AUD 3.59/kg a drop of 5% for the month. **Weekly saleyard numbers have eased since the middle of May. If we assume that the "rush" of cattle has come to an end – there was some rainfall in southern areas late in May – then we believe cattle markets will rebalance and prices will stabilise.**

National weekly cattle slaughter volumes pushed above 150,000 head again for consecutive weeks in late May. Australia has not slaughtered such high numbers since late 2019 when dry conditions affected all eastern states. A combination of dry conditions in southern areas and high cattle inventory in northern states mean high slaughter cattle supplies. These are being supported by ongoing strong US import demand facilitating the high slaughter volumes. **Cattle are being moved all over the country to relieve these livestock pressures and keep abattoirs operating at high volumes.** It is not uncommon to see Northern Territory and Queensland cattle destined for Victorian abattoirs. There have been reports of southern processors becoming more active in securing cattle from Queensland saleyards.

Australian beef exports remain strong, reflecting the higher production volumes. May export volumes were down slightly on April volumes but up 7% YOY. Volumes to the US continue to rise (+17% YOY). Volumes to Asian markets declined with volumes to Japan down 13% on April volumes and down 27% YOY.

Live cattle export numbers were up for April. Total volumes were up 35% YOY with volumes to Indonesia jumping 26% YOY to 65,667 head for the month. **Live export prices are holding well (Indonesian steers ex-Darwin were quoted at AUD 3.40/kg on 1 June) given the larger numbers but are expected to follow the normal seasonal dip as increased cattle numbers come on the market in the coming months.**

What to watch:

- **New World screwworm** – The US has suspended imports of cattle from Mexico due to the presence of New World screwworm detected in the Mexican cattle herd. The US typically imports over 1m head of cattle from Mexico, predominantly feeder cattle for US feedlots. US April feedlot numbers (11.6m) were down 2% YOY, and due to the reduction in the herd, feeder cattle supplies are limited. This means the reduction in Mexican feeder cattle could have a significant impact on the US feeding system and may likely contribute to lower US beef supplies, higher cattle prices, and higher beef prices. This may potentially drive US import prices higher. US authorities have said the restrictions could be in place for several months.

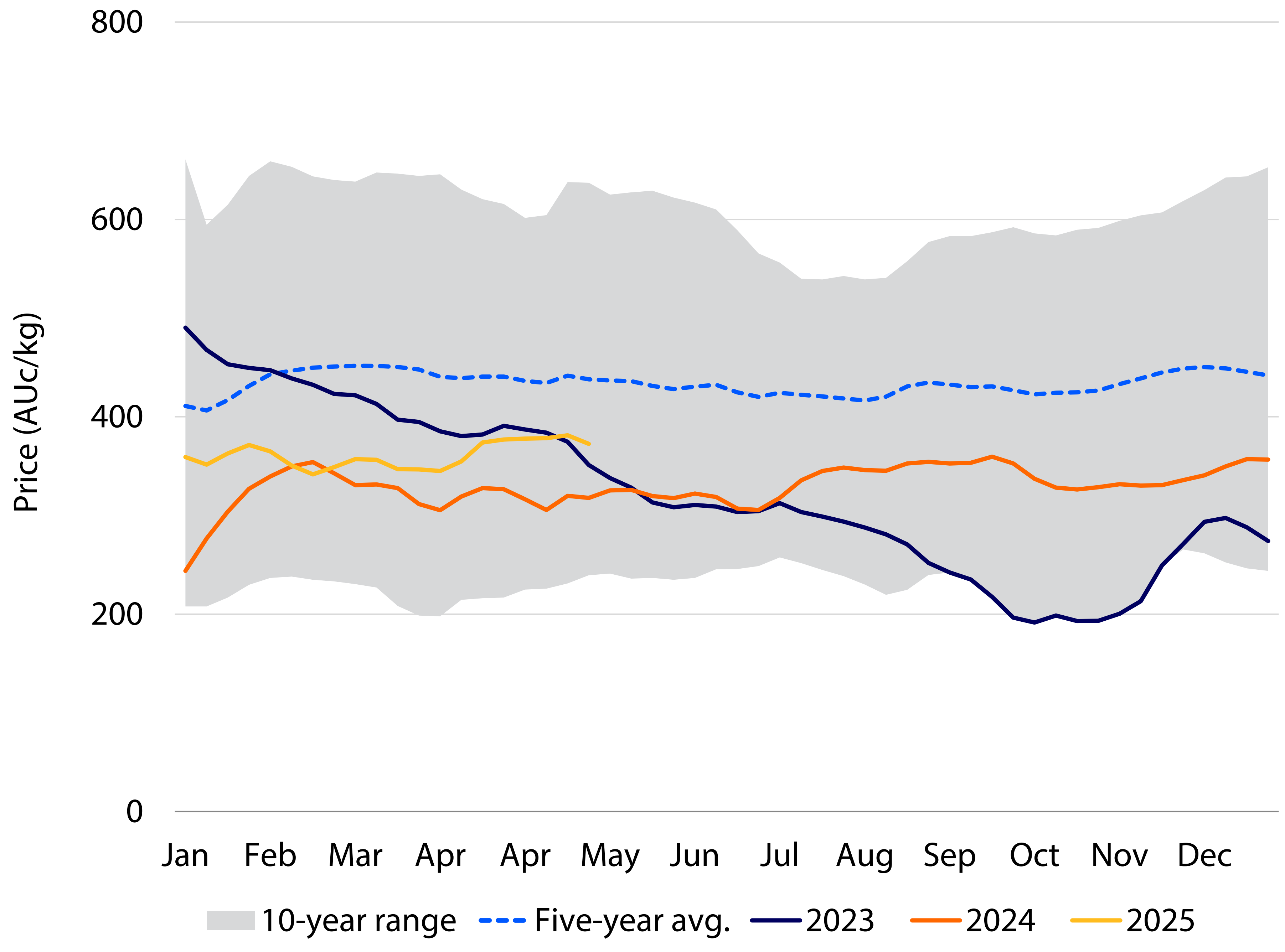
Angus Gidley-Baird
Senior Analyst
Animal Protein

Angus-Gidley-Baird@rabobank.com
X: @angus_gb

Beef

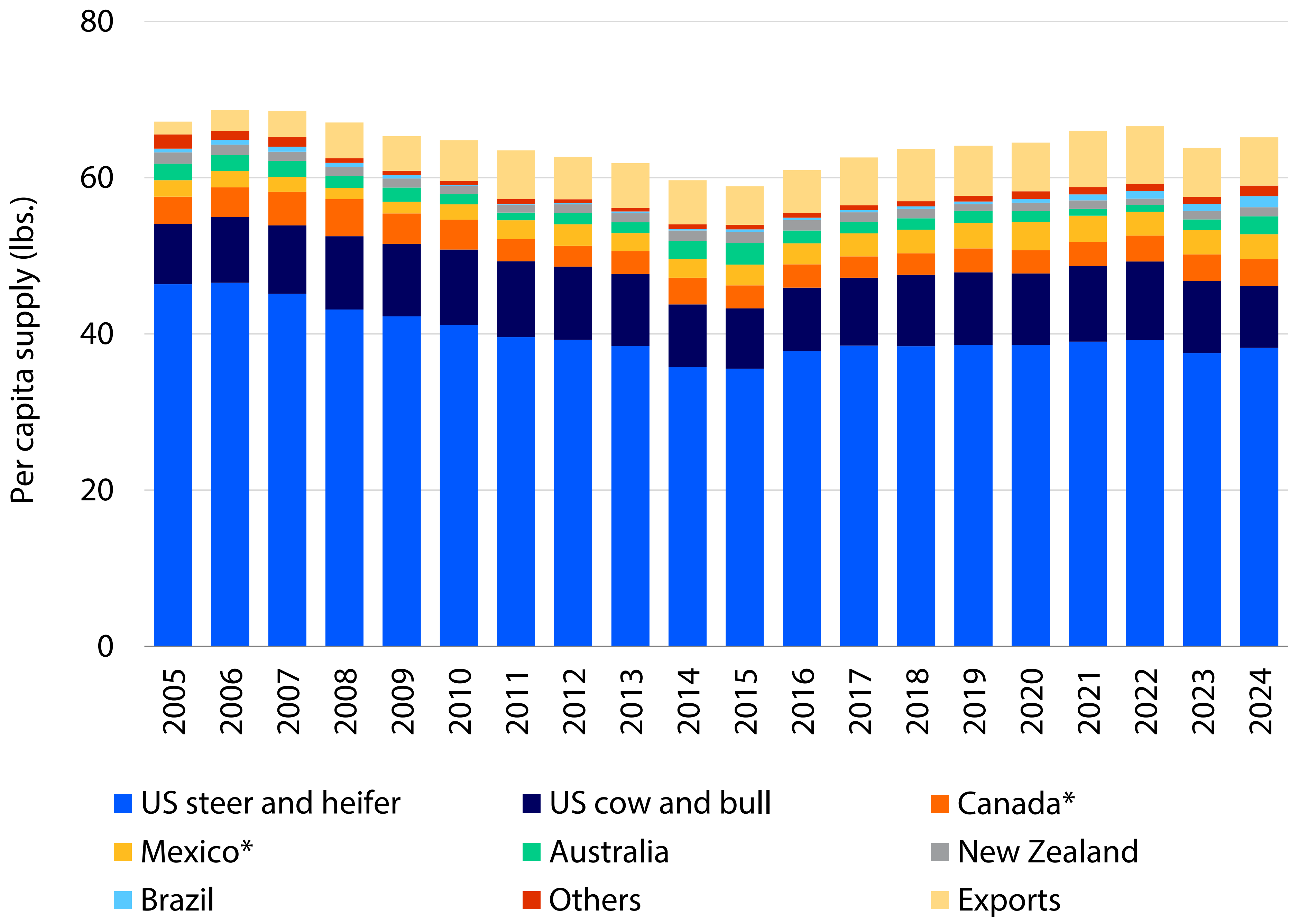
Australian cattle prices ease slightly; imports support beef availability in the US

NYCI dips slightly given increased saleyard numbers



Source: *MLA, RaboResearch 2025*

US beef supplies



Source: *USDA, RaboResearch 2025*

Sheepmeat

Prices jump, a signal that supplies are short

National saleyard sheep prices have jumped as volumes start to contract. Australian finished lamb prices jumped in recent weeks as supplies have started to contract. Trade and heavy lambs jumped 9% in the last week of May and were 12% to 13% higher than at the end of April. Trade lambs pushed above the AUD 9.00/kg mark to be AUD 9.37/kg on 1 June – the highest price since late 2021. Other categories also increased. Mutton prices jumped 9% for the month to AUD 5.94/kg on 1 June. With slaughter numbers remaining high and yardings in line with volumes for much of 2025, although lower than numbers in early May, it would appear that supplies are reasonable. However, the large jump in prices could be an indication that a supply contraction is likely in the coming month**. More limited supply volumes will support higher prices. However, the question remains whether new season lamb numbers will be lower. If so, will processors continue to chase lambs with higher prices, or will they drop prices and consolidate kill numbers?**

National weekly lamb slaughter numbers remain high. Lamb slaughter numbers for the week ending 23 May were just above 500,000 head – some of the highest volumes seen in the last 10 years. Sheep slaughter volumes pushed above 200,000 head to the highest volumes in the last 10 years. Victorian and New South Wales slaughter numbers are at some of the highest levels seen in the last 10 years, with Western Australia lamb slaughter numbers jumping to over 64,000 head – the highest volumes since late 2023.

Australian sheepmeat exports continue to reflect the ongoing high production volumes. Lamb export volumes (35,141 tonnes swt) for May were the highest monthly volumes for 2025, though they were down slightly on May 2024 volumes. Volumes to the Middle East and the US – while higher than in April – were lower than May 2024 numbers. Mutton export volumes for May (18,651 tonnes swt) were up slightly on April but down compared to year-ago levels. Volumes to China continued to increase. Higher volumes reflect a slight improvement in the Chinese market and are supported by the approval of export accreditation that 10 additional plants received in April 2025.

What to watch:

- **New Zealand lamb numbers** – New Zealand Meat Board figures have national lamb slaughter down 943,000 head (-7%) YOY to the start of May, with South Island numbers back by over 13%. Lower sheep numbers and seasonal conditions that saw stronger lamb slaughter earlier in the season are now having an impact, with a drop in slaughter volumes later in the season. New Zealand is a major supplier of European markets. The drop in New Zealand production, together with the contraction in European lamb production, provides opportunities for Australian exporters to the high-value European market. This may provide support for ongoing high lamb prices.

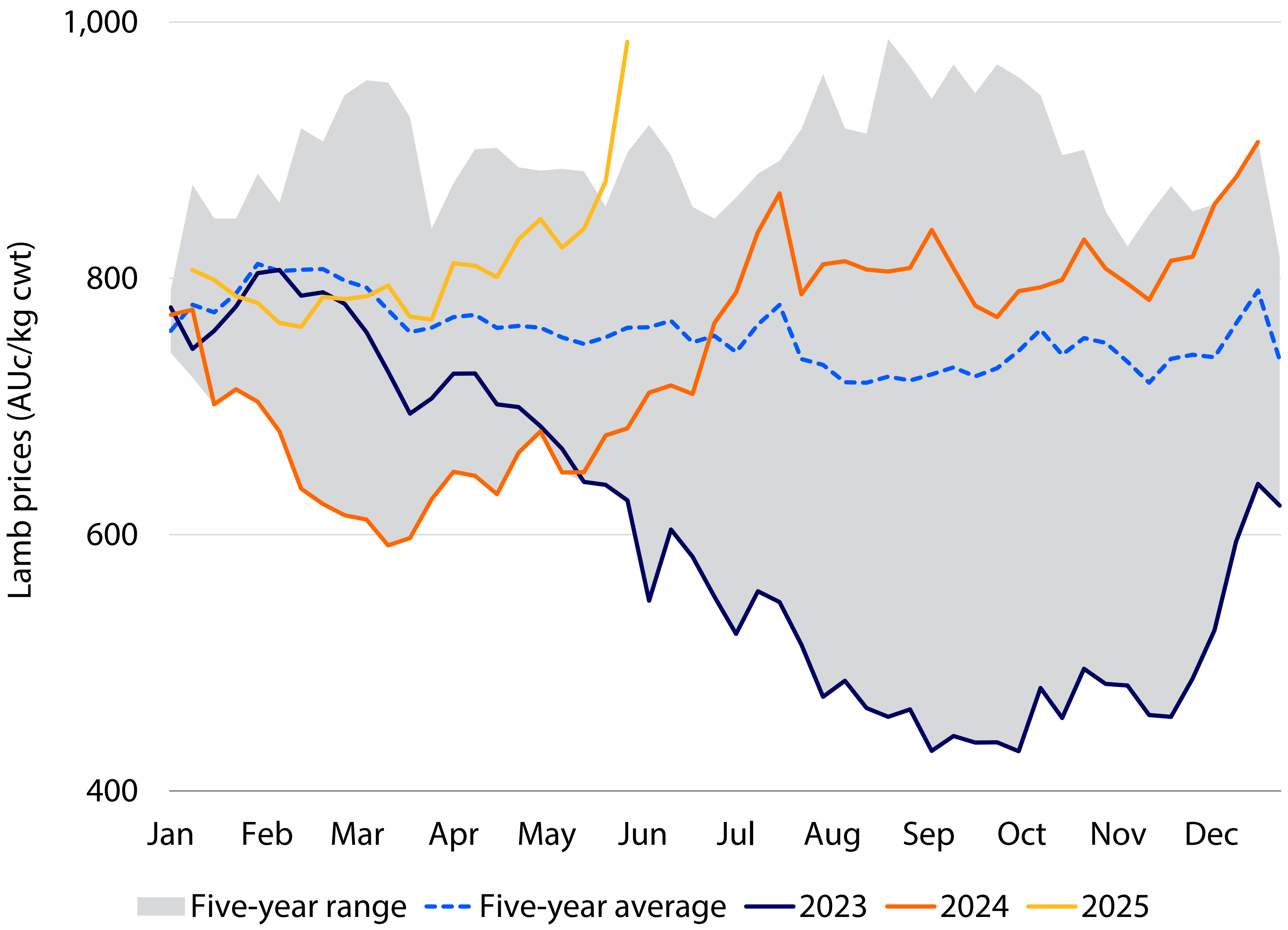
Angus Gidley-Baird
Senior Analyst
Animal Protein

Angus-Gidley-Baird@rabobank.com
X: @angus_gb

Sheepmeat

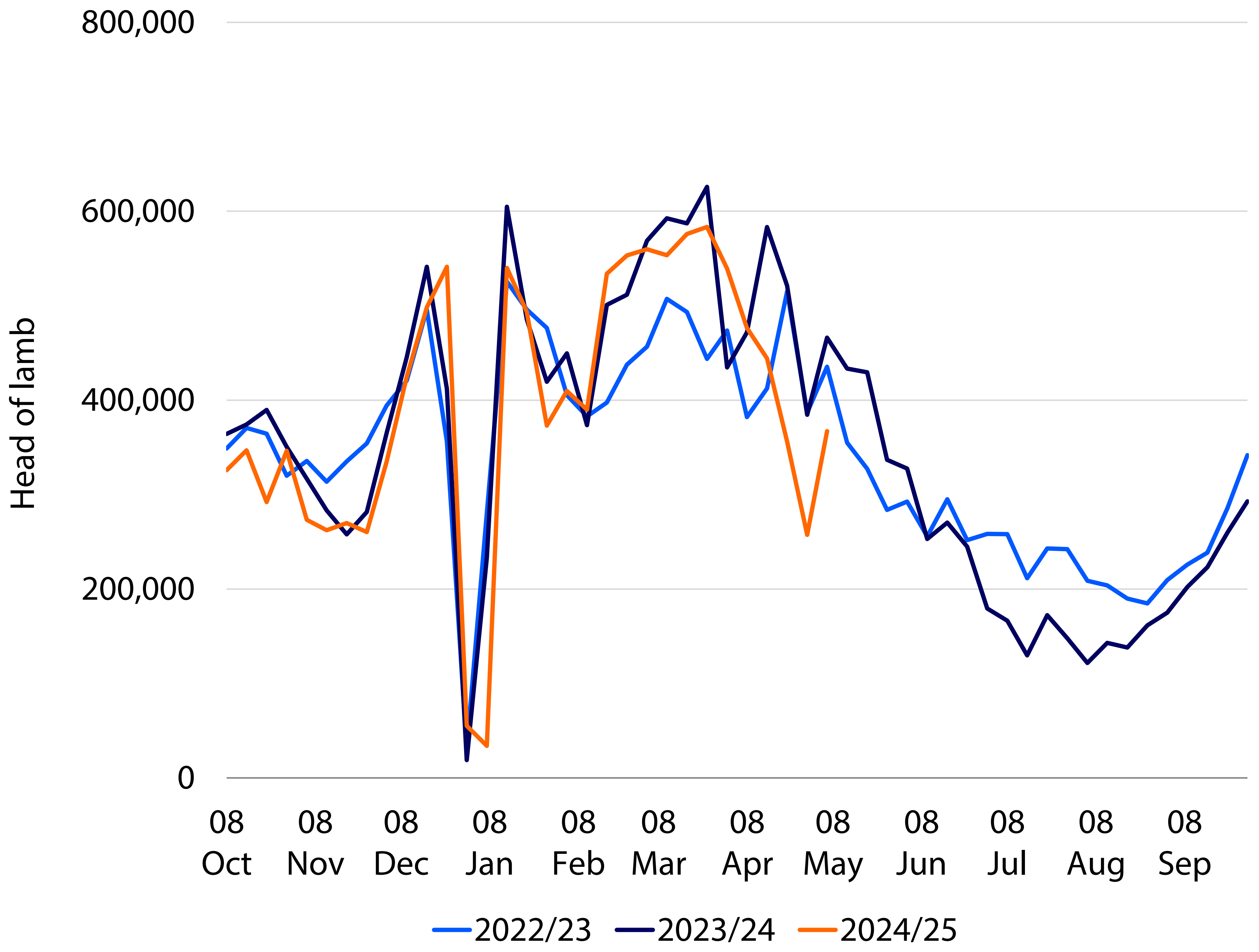
Sheepmeat prices jump; New Zealand lamb production contracts

National Trade Lamb Indicator (NTLI) jumps

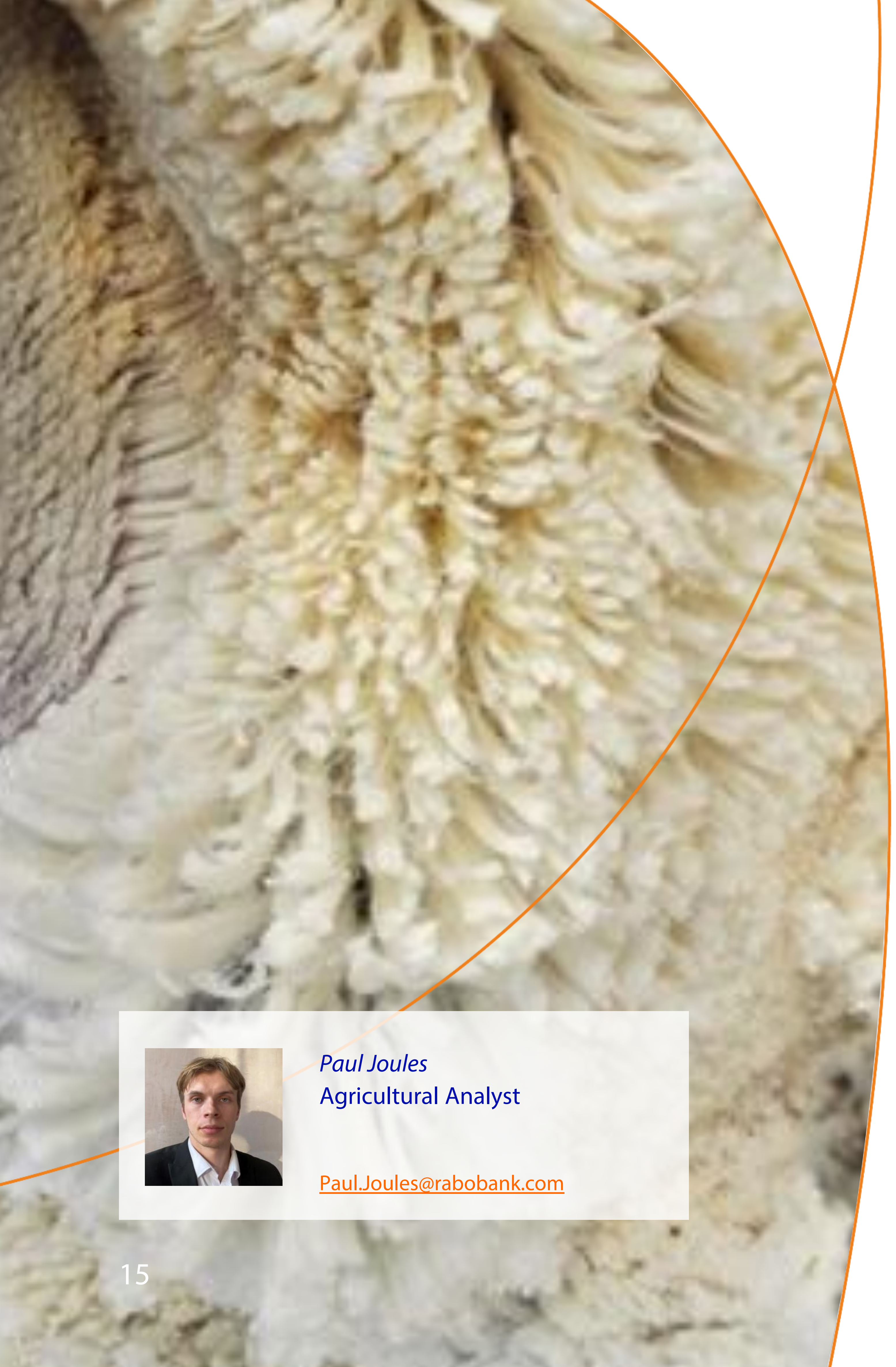


Source: MLA, RaboResearch 2025

New Zealand lamb production down 7%



Source: New Zealand Meat Board, RaboResearch 2025



Wool

EMI prices declined modestly month-on-month

The Eastern Market Indicator (EMI) declined by 1% MOM. In contrast, the Western Market Indicator (WMI) increased by 0.2%. In terms of micron movements, 25-micron prices recorded the largest monthly increase, rising by 3.4%. Micron categories 28 and 30 also performed well, rising by 1.3% and 1.8%, respectively. At the finer end, we saw a mix of movements, with 17-micron prices down 0.4% MOM, while 18 microns (+0.8%) and 19 microns (+1.6%) both recorded positive movement.

Australian dollar strength appears to be playing a key role in the shift in wool price direction. Since mid-April, the Australian dollar has increased by 8%, while the EMI has declined by 5% over the same period. Currently, the AUD/USD exchange rate is trading close to our 12-month target. However, volatility along the way is likely, and this could filter through to wool prices.

The latest export data for March shows continued weakness in Australian wool trade, year-on-year, with volumes down 8.3%. Exports to China were down 4.4%, while volumes to Czechia (-80.7%), Italy (-34.8%), South Korea (-46.6%), and Egypt (-28.8%) also declined. There were some positives in the export figures, including a 0.9% increase in exports to India (Australia's second-largest wool buyer). Meanwhile, volumes to the UAE were up 79.6% YOY.

Nevertheless, year-to-date export volumes are 11.1% lower YOY. As previously noted, the recent moderated buying pattern may be weakening inventory levels, which could potentially lead to international buyers seeking larger volumes later in the year.

The Australian Wool Production Forecasting Committee has released its first estimate for 2025/26 production, forecasting an 8.7% YOY decline in shorn wool production. Further weakening on the supply side could be supportive for prices, as it may help offset the weak global demand outlook.

What to watch:

- **US-China trade relations –** On 12 May, US and China announced that they would temporarily reduce tariff rates on each other's products to 10%, down from triple-digit levels. This was certainly welcome news for the Chinese textile industry, given its large volume of clothing exports to the US. However, there are indications that discussions have recently stalled, casting further doubt over the future of US-China trade relations.

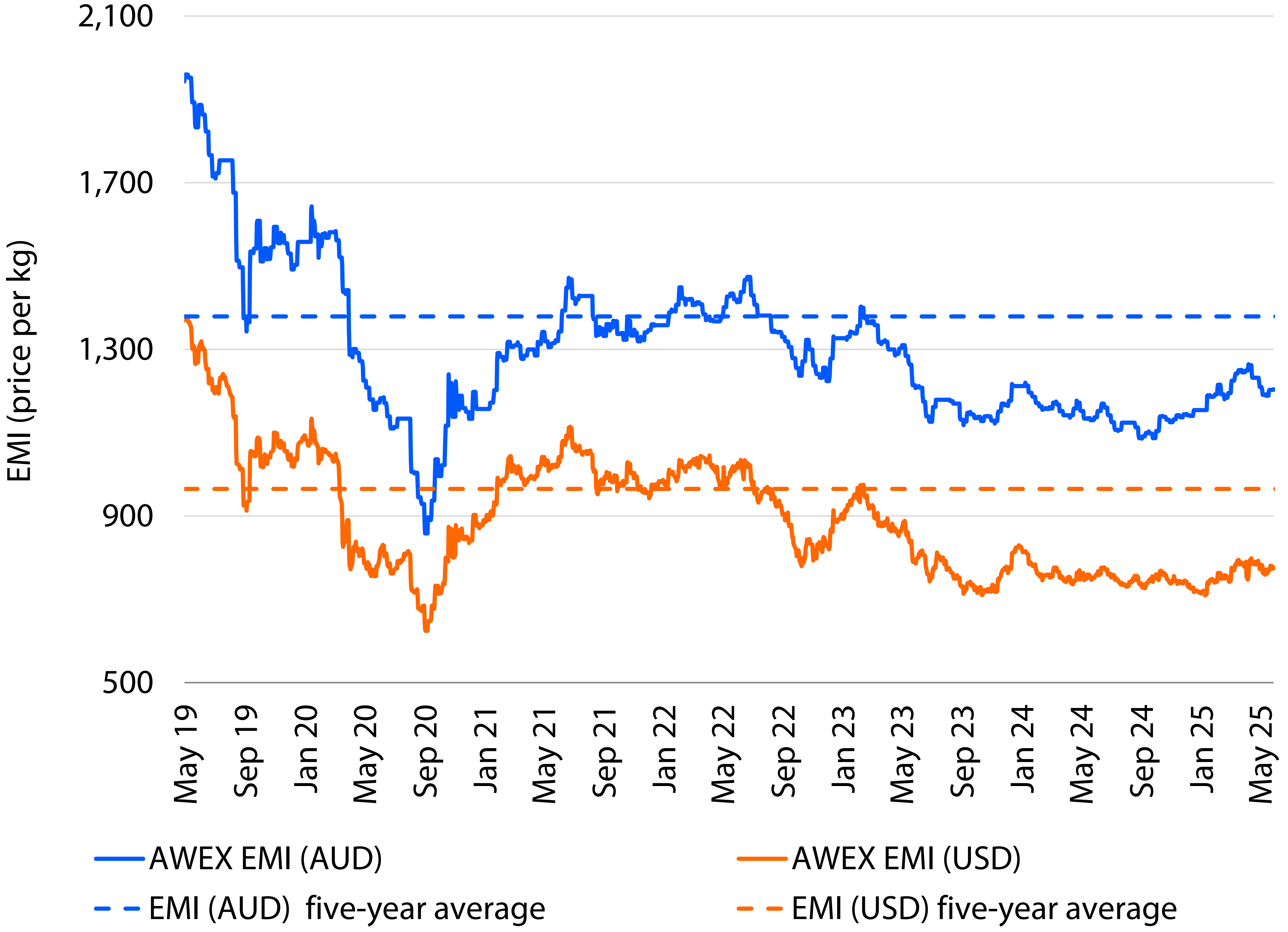
Paul Joules
Agricultural Analyst

Paul.Joules@rabobank.com

Wool

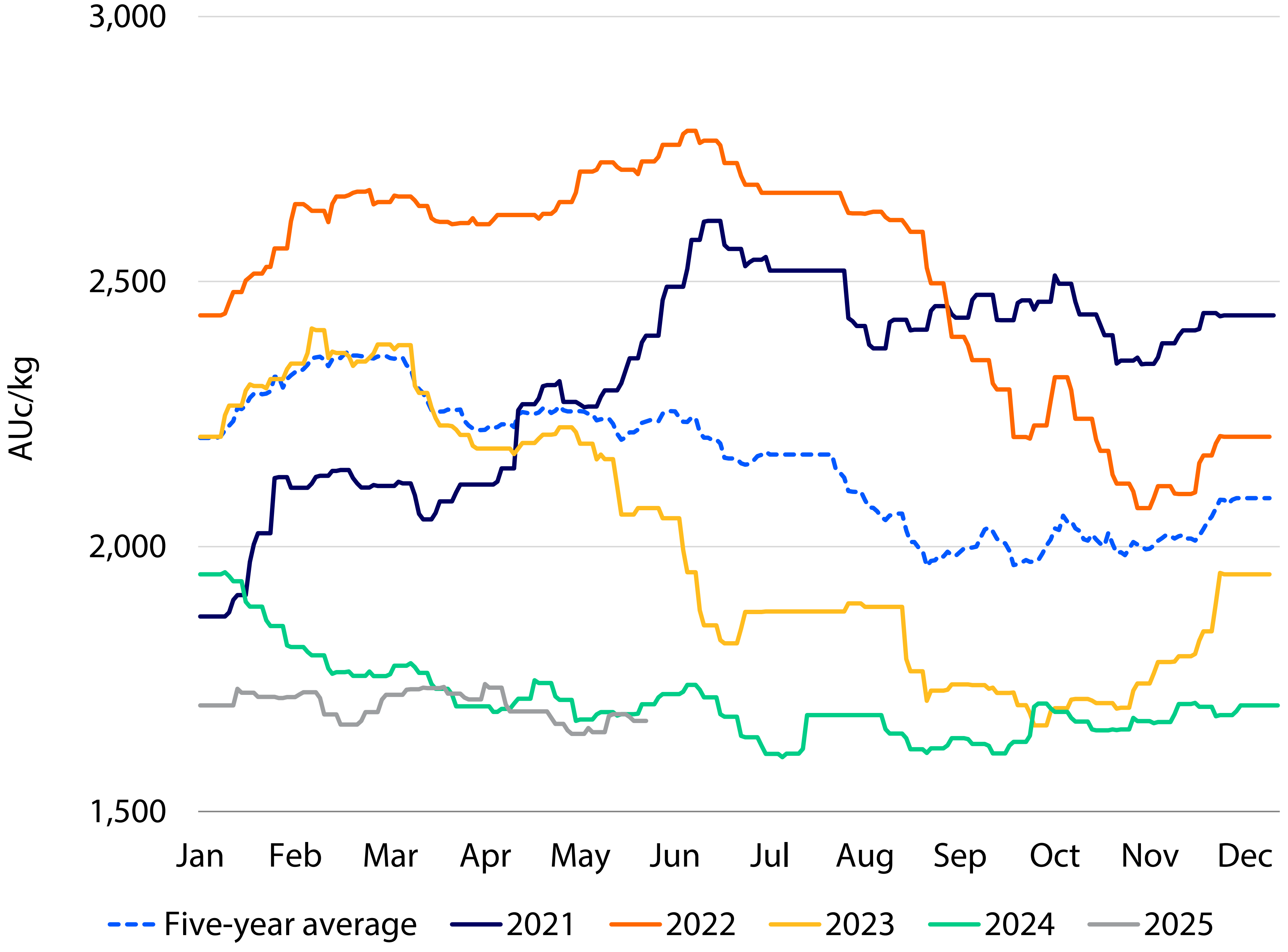
Disappointing export data, alongside Australian dollar strength, appears to have paused the recent rally

EMI prices declined 1% in May



Source: *Bloomberg, RaboResearch 2025*

17-micron prices traded in a tight range in May



Source: *Bloomberg, RaboResearch 2025*

Rabobank

Cotton

Range-bound trading for cotton futures

Although Australian cash prices found some upward momentum in late April, it was not sustained in May, and cotton prices continue to trade well below the AUD 600/bale level. Recent Australian dollar strength likely played a role in this weakness, with the AUDUSD cross now trading at 0.645. We previously highlighted the cushioning effect of a weak Australian dollar on cotton cash prices – as domestic prices were holding up well despite overseas weakness earlier in the year. This now appears to be changing, and our base case view for the Australian dollar (USD 0.65 on a 12-month outlook) suggests Australian cotton cash prices will not be protected from overseas price weakness.

In terms of the benchmark ICE #2 Cotton contract, the search for direction continues. The December 2025 contract has traded in a narrow range between USc 67/lb and USc 70/lb over the past month, finishing around the USc 68/lb level. This range-bound trading reflects an uncertain supply and demand outlook as the market digests the USDA's first global 2025/26 supply and demand estimates, which showed global stocks near six-year highs. Meanwhile, a step forward in US-China trade relations following the announcement of a temporary reduction in the tariff rate for US imports to 10% suggests that US cotton may still find a market in China. Although US flows to China are currently down, recent US export figures have been surprisingly strong. If this trend continues, the USDA's elevated US ending stocks projection may need to be revised lower.

The big question remains: What will happen after the US-China three-month trade truce ends in August? For now, this remains uncertain. Adding to the uncertainty are recent comments from the US suggesting China is violating the truce.

Taking all this into account, it's no surprise that funds appear uncertain about the market. Since mid-March, funds have been drastically reducing their record net short positions, but over the past three weeks they have partially bought back some of those shorts. Although the short position remains significant, it is now roughly half the size it was in early March.

What to watch:

- **Tensions between India and Pakistan –** As if US-China trade headwinds weren't enough, the market must also consider the potential implications of rising tensions between India and Pakistan. For cotton markets, India's suspension of its water-sharing treaty could negatively impact cotton production in Pakistan. If tensions escalate further, the consequences could extend more broadly, affecting not only cotton markets but also the wider economies of both countries.

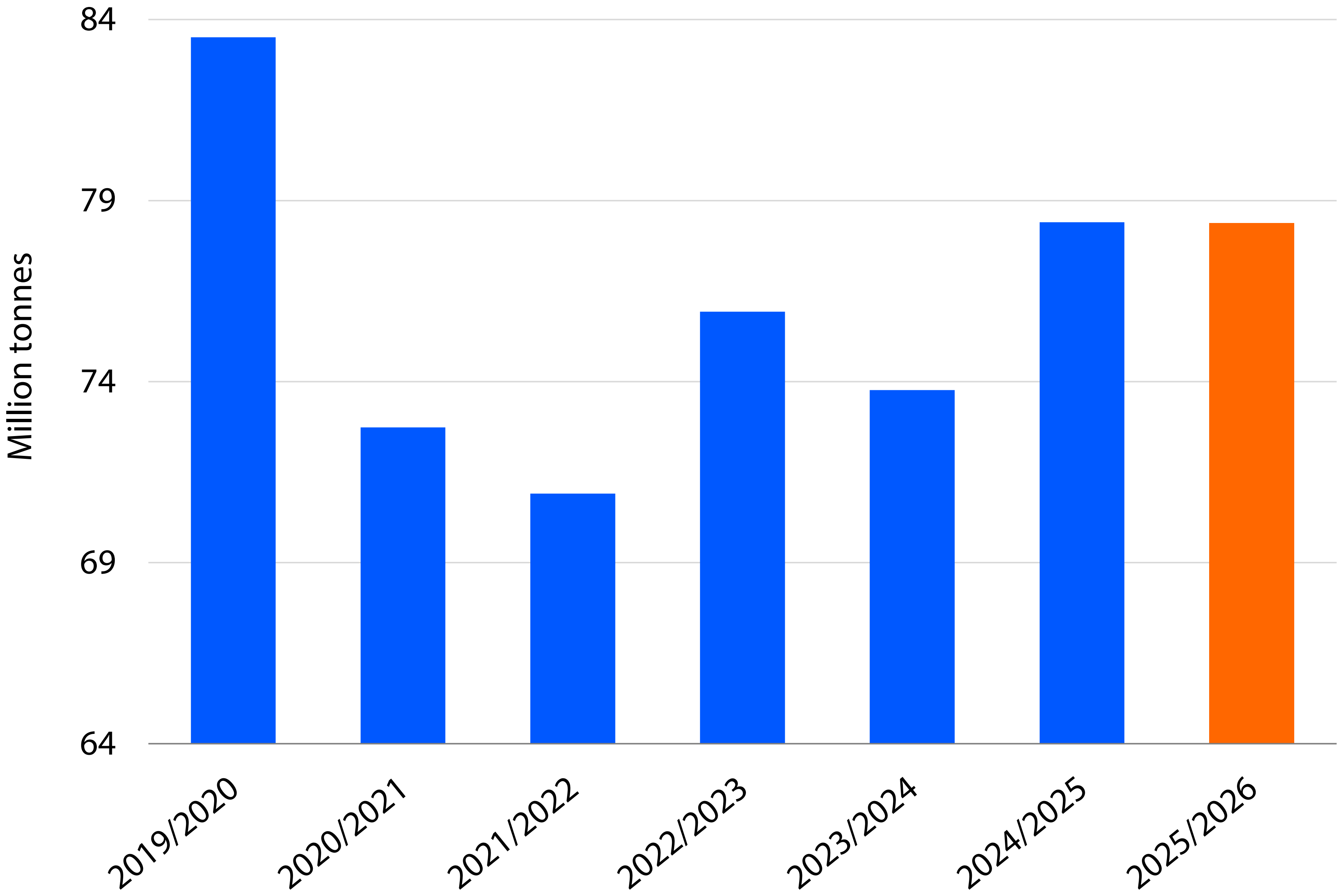
Paul Joules
Agricultural Analyst

Paul.Joules@rabobank.com

Cotton

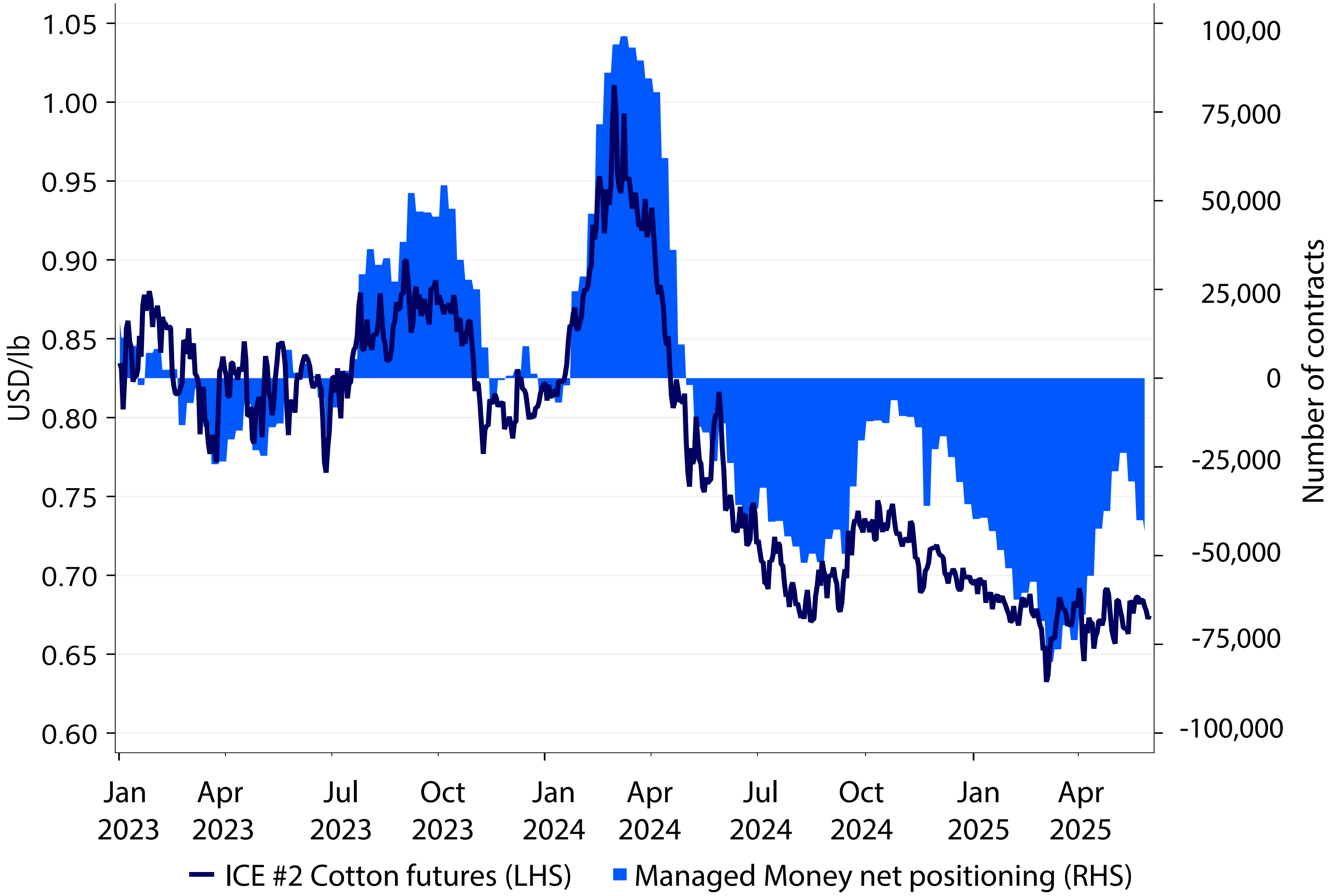
A bearish USDA report implies the market will be well supplied next season

Global stocks, although down modestly year-on-year, are still near six-year highs



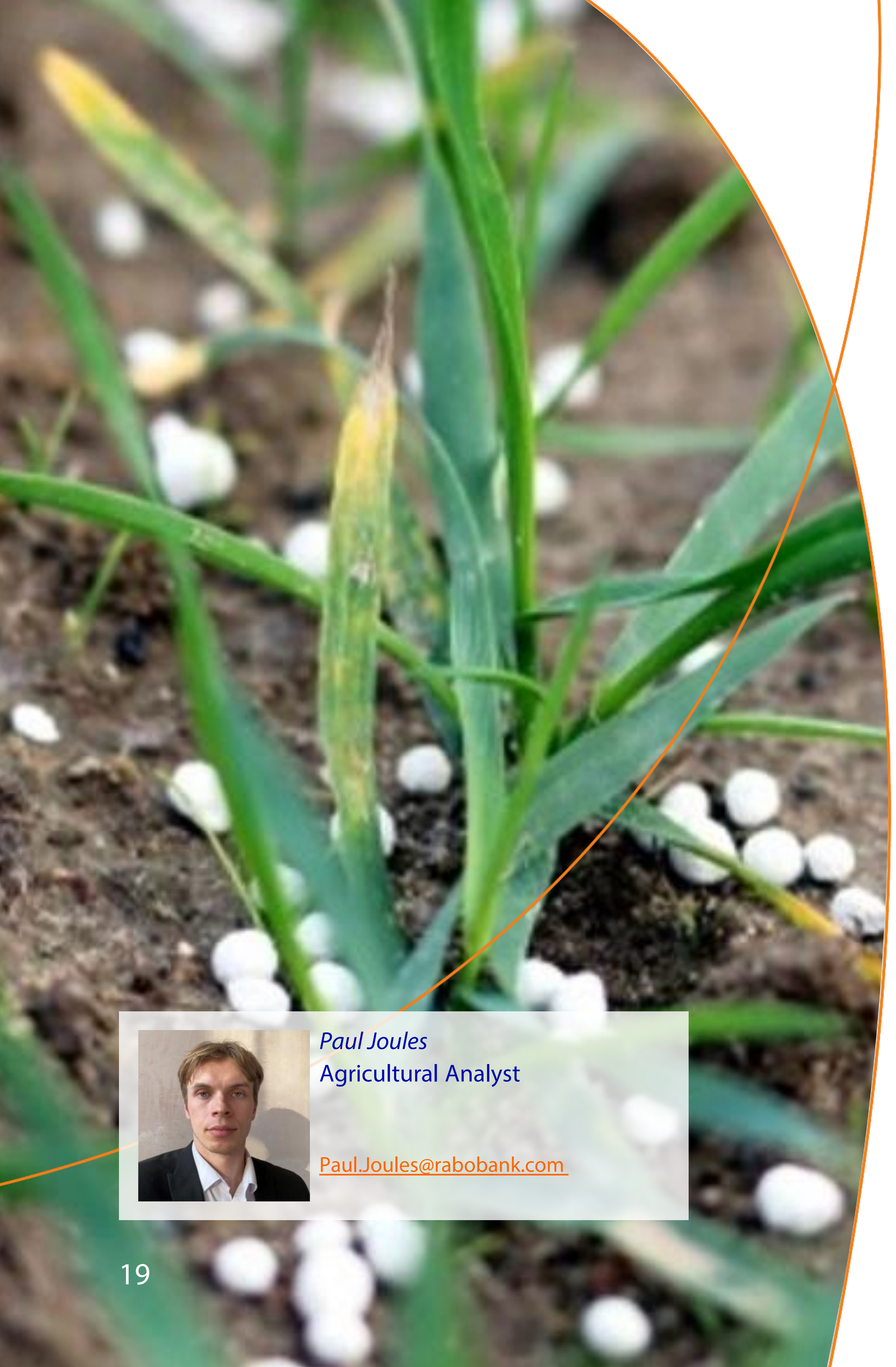
***Source:** USDA, RaboResearch 2025*

Following a period of net buying, funds have shifted into a net selling period in recent weeks



***Source:** Macrobond, RaboResearch 2025*

Rabobank



Farm inputs

Urea prices finally show signs of easing

This month, urea prices declined by 15% to AUD 559/tonne, phosphate prices rose by 4% to AUD 1,121/tonne, and potash prices increased by 3% to AUD 515/tonne.

The big news in fertiliser markets this month is that Chinese urea exports appear set to resume from July, with export inspection certificates now being accepted. This follows an almost 1.5-year period of extremely limited Chinese export supply. For months, RaboResearch has been flagging that a resumption in exports in the second half of 2025 is likely, and this now appears to be the case. What remains unclear is whether exports will return to normal levels or remain reduced. Nevertheless, the volumes expected to come online will certainly help relieve some of the global supply pressures seen over the past year. This could be a catalyst for urea and phosphate prices trending lower later in the year.

That said, the demand outlook remains uncertain – particularly for urea – with market attention once again focused on India's tendering process and whether the key importer will seek to secure more volumes in the coming months. RaboResearch holds the view that India may issue tenders for urea in the near term, given that internal stocks are relatively low, while farmer demand appears to be holding up reasonably well.

If Indian import volumes are strong, this could lead to some short-term price upside. However, increased Chinese urea exports may offer some price relief later in the year.

In other news, the European Parliament recently announced that it will apply tariffs to fertiliser imports from both Belarus and Russia. The tariffs will rise to around 100% over the next three years. This could mean higher fertiliser prices in the EU and potentially cheaper fertiliser for other regions as volume are diverted elsewhere.

What to watch:

- **Indian demand –** India recently announced another tender for urea, which will be closed in mid-June. Given inventory levels are lower than normal, India coming back into the market is not a surprise. However, should we continue to see strong Indian demand in the coming months, global prices could find support.

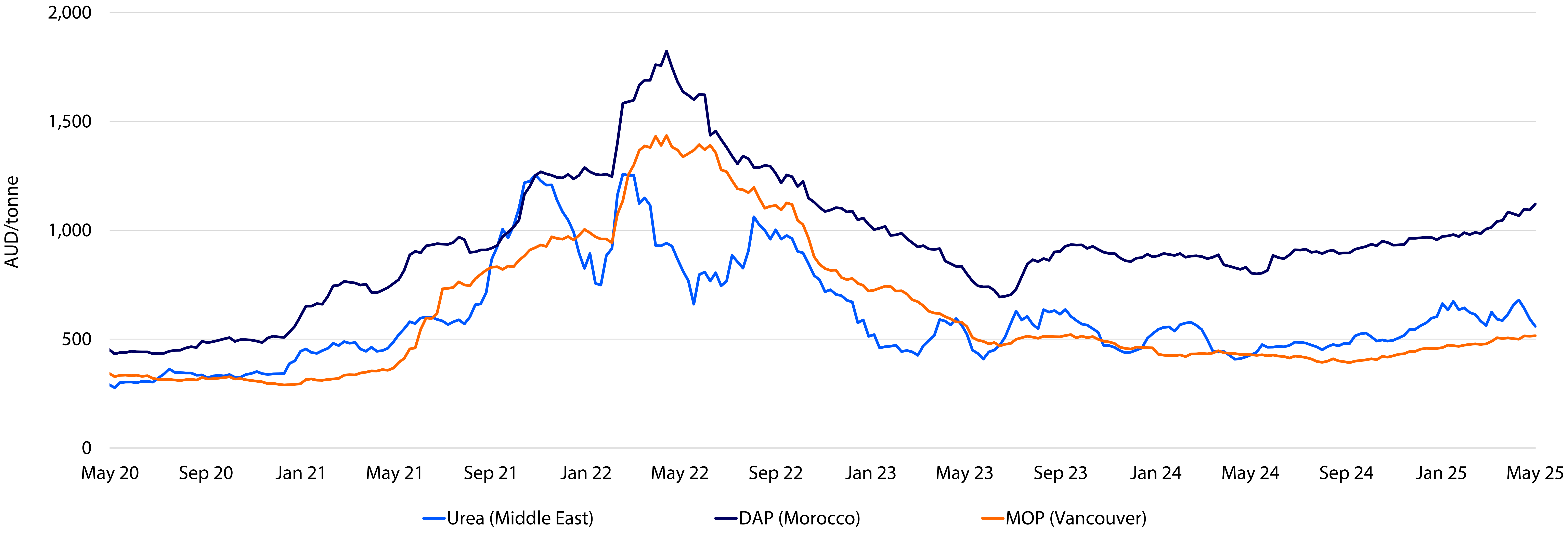
Paul Joules
Agricultural Analyst

Paul.Joules@rabobank.com

Farm inputs

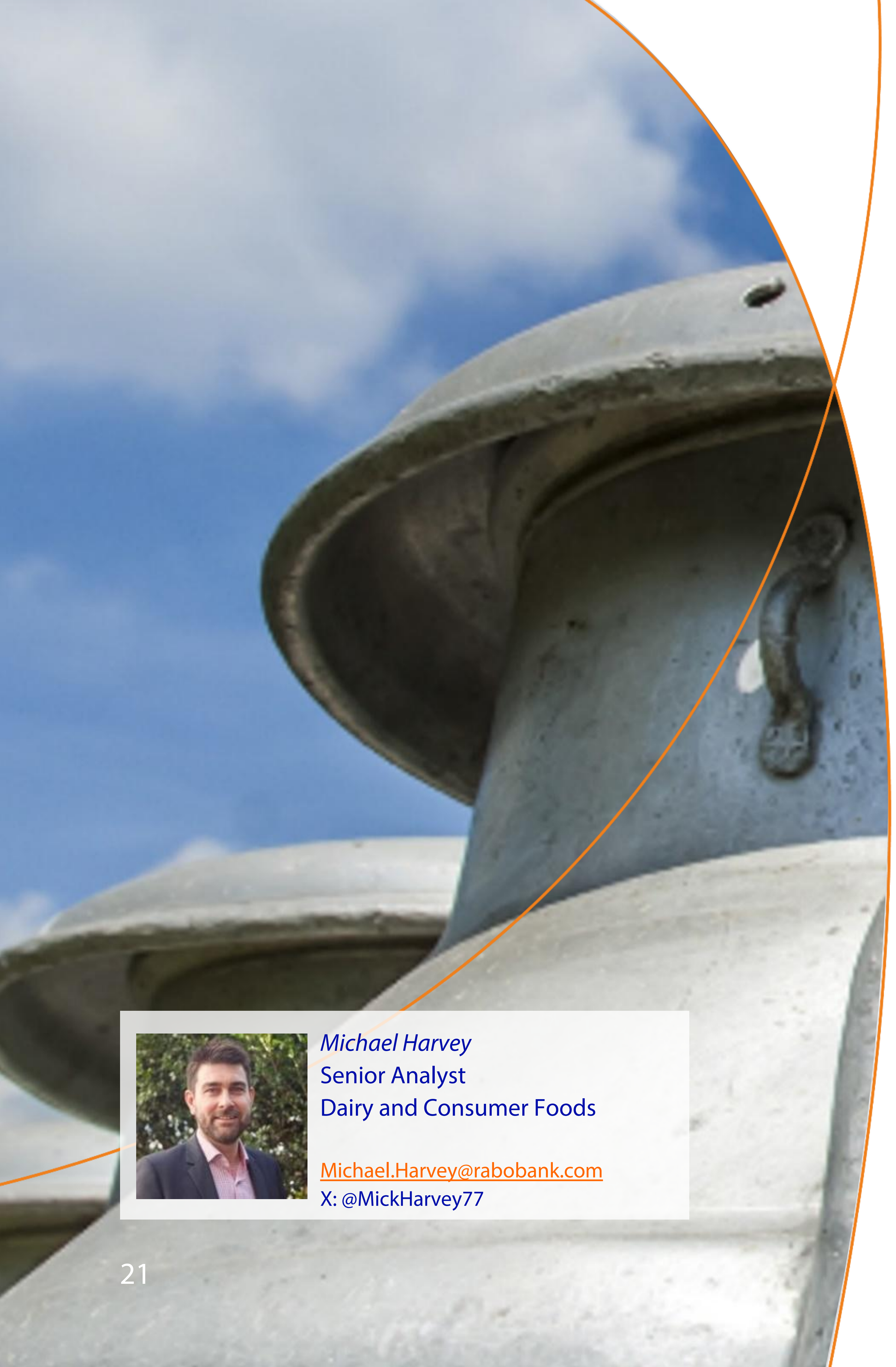
Phosphate and potash prices push higher month-on-month, but urea prices ease

Urea prices decline amid news China may be returning to the export market



Source: *CRU, RaboResearch 2025*

Rabobank



Dairy

Local farmgate milk prices are trending higher

As the 2024/25 season draws to a close, several dairy companies operating in the southern export sector have announced increases in farmgate milk prices. This is welcome news for milk suppliers. Benchmark average prices have reached approximately AUD 8.40/kgMS.

The critical Dairy Code June deadline will see higher guaranteed minimum prices. The higher farmgate prices come on the back of firmer ingredient and export returns. Most minimum prices for the 2025/26 southern Australia regions are at 9.00/kgMS.

Fonterra has announced an opening milk price forecast of NZD 10.00/kgMS for the 2025/26 season – the highest on record. This positions farmers for a likely second consecutive season of double-digit payouts and sustained profitability.

Milk production is under pressure in several key production regions due to challenging seasonal conditions. National milk output for the 2024/25 season is slightly down, with production for the period from July 2024 to April 2025 totalling 7.129bn litres, a 0.1% decline year-on-year for the same period. Dry conditions have seen significant volume declines in western Victoria, South Australia, and Tasmania, where combined production has fallen by 4%, equating to over 70m litres. Severe flooding in Northern New South Wales has also impacted a small number of farms.

Feed costs are another growing concern for dairy farmers. Fodder prices have surged across southern Australia, driven by strong demand and depleted reserves.

Firm commodity prices are being maintained despite the return to growth in global milk production. In 2024, milk output from the Big 7 exporting regions totalled 323.2m tonnes, consistent with the previous year. Looking ahead, RaboResearch estimates that milk production from the Big 7 will reach 325.8m tonnes in 2025, an increase of 0.8% YOY. A steeper 0.9% YOY gain in the second half of the 2025 is expected to drive this growth.

What to watch:

- **Milk supply contraction in China –** Milk prices in China are weak and imported feed costs are at risk of rising. This is driving small-scale farm exits and increased culling. A larger-than-expected milk supply contraction will potentially mean more import volumes down the track.
- **Downside: Fragile demand recovery –** Weak consumer sentiment against the volatile and uncertain macroeconomic backdrop may disrupt a recovery in dairy demand.

Michael Harvey
Senior Analyst
Dairy and Consumer Foods

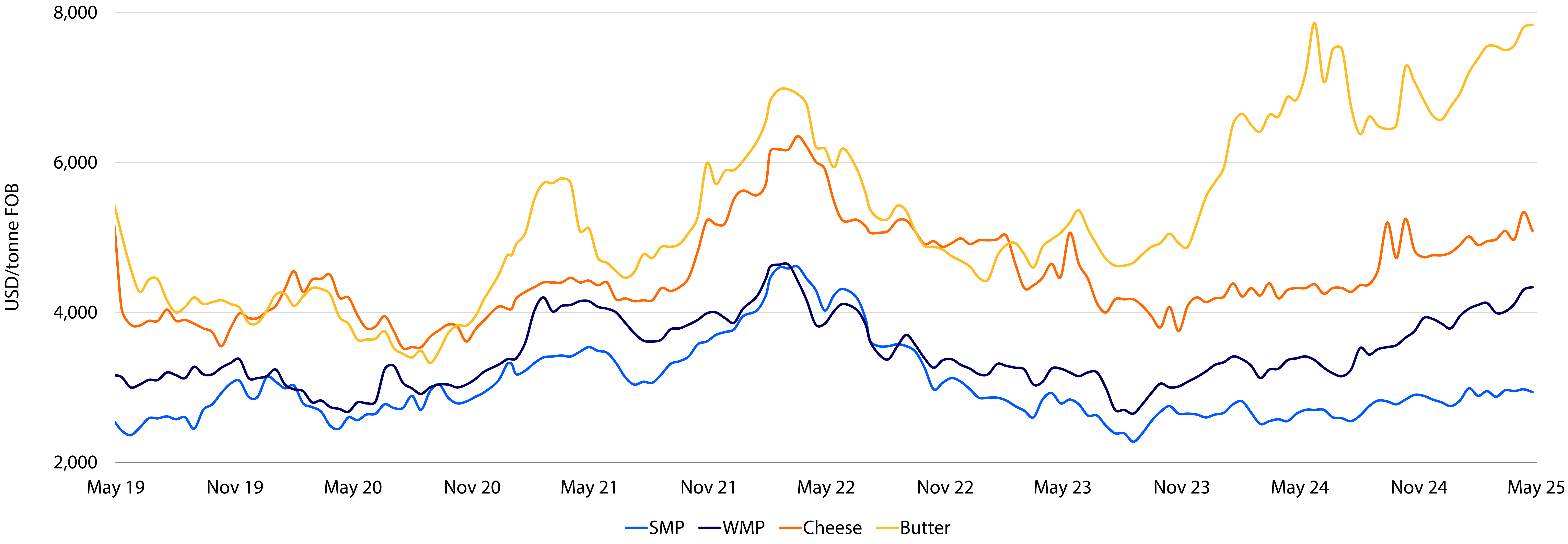
Michael.Harvey@rabobank.com
X: @MickHarvey77

Rabobank

Dairy

Firm commodity prices underpinning high farmgate prices

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

Consumer foods

Monthly food inflation still running above 3%

The monthly CPI indicator rose 2.4% in the 12 months to April. Food inflation was a major contributor. According to the ABS, annual inflation for food and non-alcoholic beverages was 3.1% in April, down from 3.4% in March.

Inside the basket, fresh produce prices rose 6.1% in the 12 months to April. This was compared to a 7.6% rise in the 12 months to March.

According to the ABS, price increases for avocados, bananas, red onions, pumpkins, and potatoes drove the annual rise. The ABS release also noted that egg prices were up by 18.6% in the past 12 months on the back of supply issues stemming from avian influenza outbreaks.

The ANZ-Roy Morgan Consumer Confidence Index fell by 1.8 points to 87.0, despite the Reserve Bank of Australia (RBA) cutting interest rates by 25 basis points.

According to the release, the drop in confidence was likely due to the RBA's dovish tone and concerns over global trade uncertainties, which overshadowed the rate cut.

The dairy aisles in Australia's retail channels have been one of the only categories to experience a period of deflation.

This might be about to change. Commodity prices for manufactured products like cheese and butter have rallied since 2H 2024. If these higher commodity prices remain elevated, then the local market will start to see upward pressure.

Record-high global butter prices are likely to lead to a spike in retail prices, given that Australian is a net importer of butter.

Retail spending eased in April, particularly on clothing purchases. Seasonally adjusted retail trade fell 0.1% MOM in April.

Food retail had a solid month in April. Cafe and restaurant sales bounced back decently as more dining out in Queensland happened in May following adverse weather previously. In contrast, food retail sales fell 0.3% MOM in May.

What to watch:

- **Weather disruption –** Australia is facing severe flooding in New South Wales and drought conditions in southern parts of the country. This is disrupting cropping, livestock sectors, and dairy farms. We will be watching for supply chain impacts in the near term.

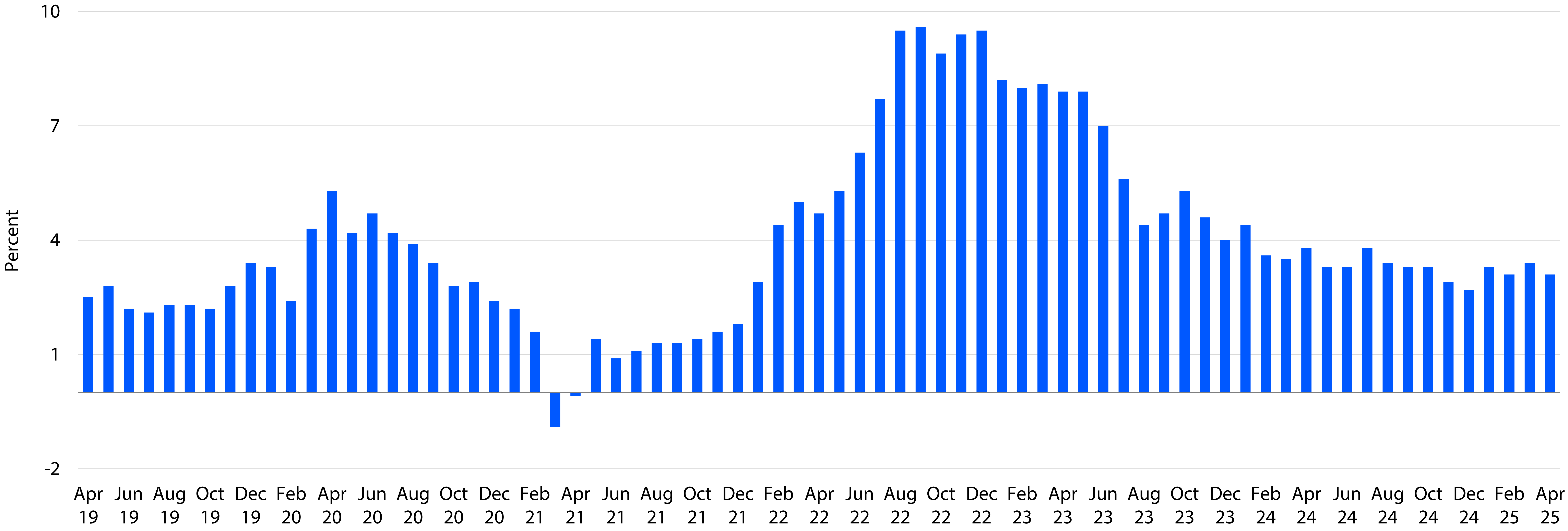
Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

Consumer foods

Egg prices running hot on back of avian influenza outbreak

Australian monthly CPI, percentage change from corresponding month of previous year, food and non-alcoholic beverages



Source: *ABS, RaboResearch 2025*

Interest rate and FX

Down, down, deeper, and down

The RBA cut the cash rate by a further 0.25 percentage points in May (as expected) but sent a clear signal to markets that more cuts might be on the way.

RBA Governor Bullock disclosed at her press conference that the board's deliberations were not between a 0.25-percentage-point cut and a hold, but between a 0.25- or a 0.50-percentage-point cut. That was unexpected and caused markets to price in a lower trajectory for the cash rate in the months ahead.

Key to the more "dovish" tone was downward revisions to the RBA's growth and inflation forecasts owing to a slower pickup in household consumption activity and concerns over the economic impact of tariffs. In RaboResearch's latest quarterly forecasting round, we modelled various scenarios relating to the tariffs and settled on a baseline assumption of "implementation."

Under this scenario, all US trading partners attract a 10% baseline tariff; China attracts a higher tariff; sectoral tariffs are imposed on steel, aluminium, and autos; "reciprocal" tariffs are imposed on countries that run large trade surpluses with the US; and retaliation is limited to China only.

According to our model, this results in a drop-off in growth and inflation for Australia in the second half of 2025 and, when taken together with the signal from the RBA, has prompted us to update our cash rate projections to include three more cuts in addition to what we previously had factored in.

Consequently, RaboResearch now projects cuts to the cash rate in July, August, November, and February of next year to arrive at a terminal rate of 2.85%.

We remain of the belief that the Australian dollar is trading close to fair value. Our 12-month price target is 0.6500 versus the US dollar, but there will doubtless be plenty of volatility in the meantime as the market reacts to on-again, off-again tariff announcements and the regular flow of economic data.

What to watch:

- **ABS' May labour market report, 19 June** – Now that inflation appears to be under control, the RBA's attention will focus more squarely on the state of the labour market. The labour market still appears tight, but the RBA will want to ensure that any loosening is gradual so that Australia can maximise employment without generating inflation.

Benjamin Picton
Senior Strategist

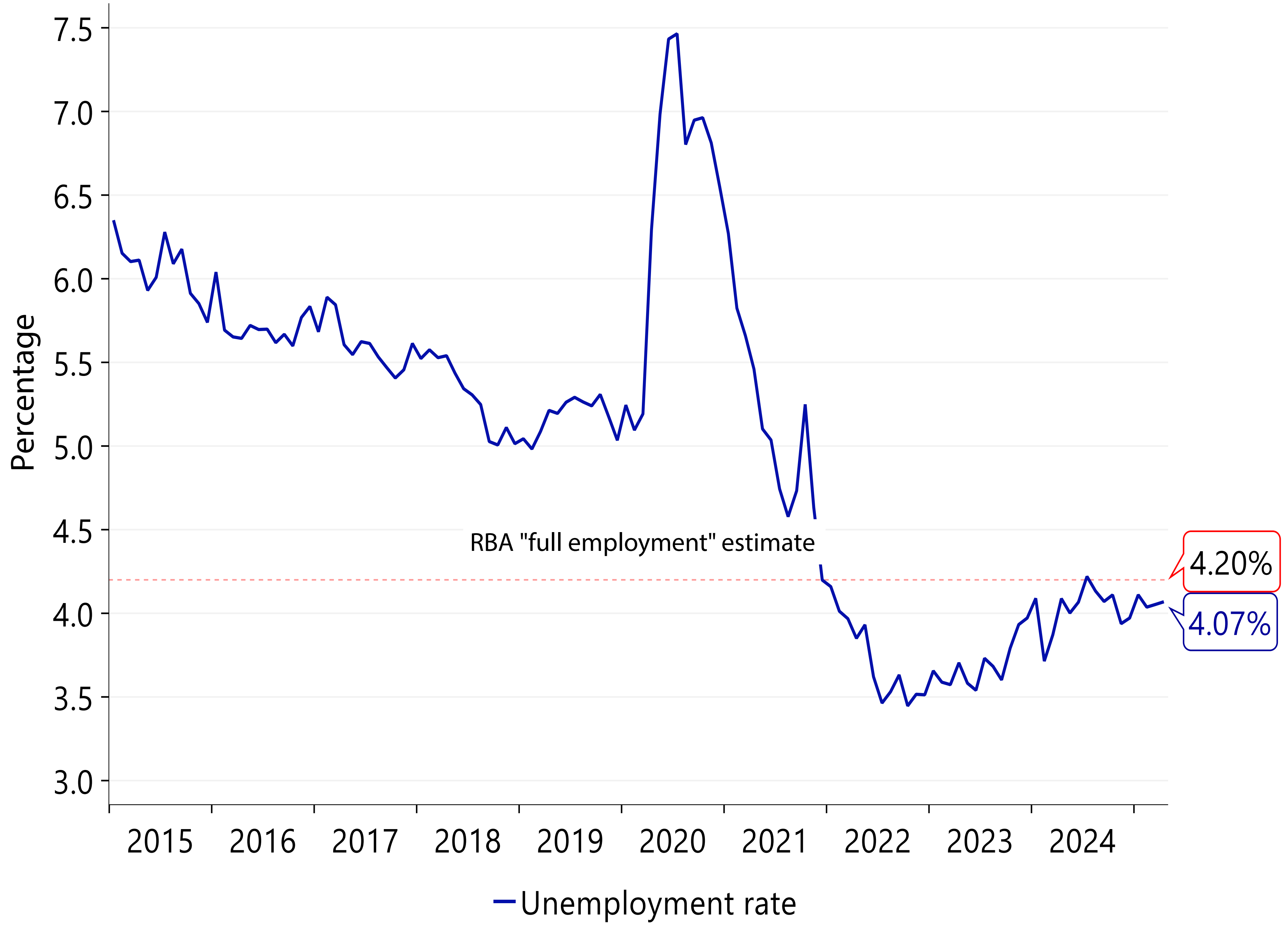
Benjamin.Picton@rabobank.com
X: @BenPicton1

Rabobank

Interest rate and FX

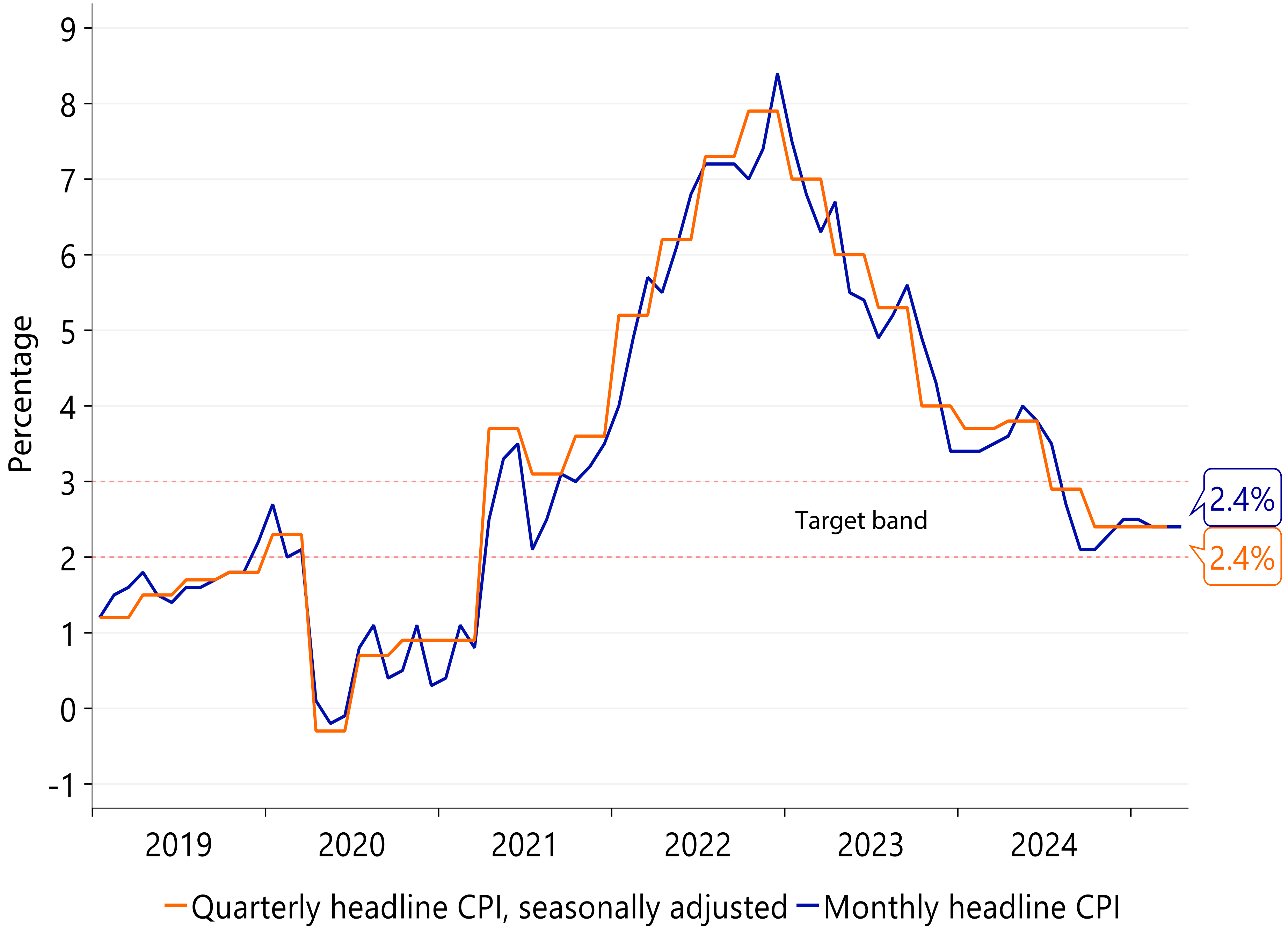
Inflation appears to be under control

Australian labour force indicators, 2015-2025



Source: Macrobond, ABS, RaboResearch 2025

Australian inflation indicators, 2019-2025



Source: Macrobond, ABS, RBA, RaboResearch 2025

Rabobank

Oil and freight

Tariff reprieve and sanctions speculation lead oil higher

Brent crude prices rose by almost 3.5% in May to USD 62.78/bbl at month-end. Prices were helped higher by speculation over potential US sanctions on energy cargoes out of Russian and Iran, along with an agreement between the US and China to reduce tariffs on each other for 90 days.

On the supply side of the equation, OPEC+ announced a further 411,000 bbl/day increase to production from July onwards. Those extra barrels are entering a market that is already oversupplied and facing demand pressures from a rapid EV transition in China and a murky growth outlook internationally.

RaboResearch forecasts Brent crude prices of USD 57.50/bbl in Q4 2025.

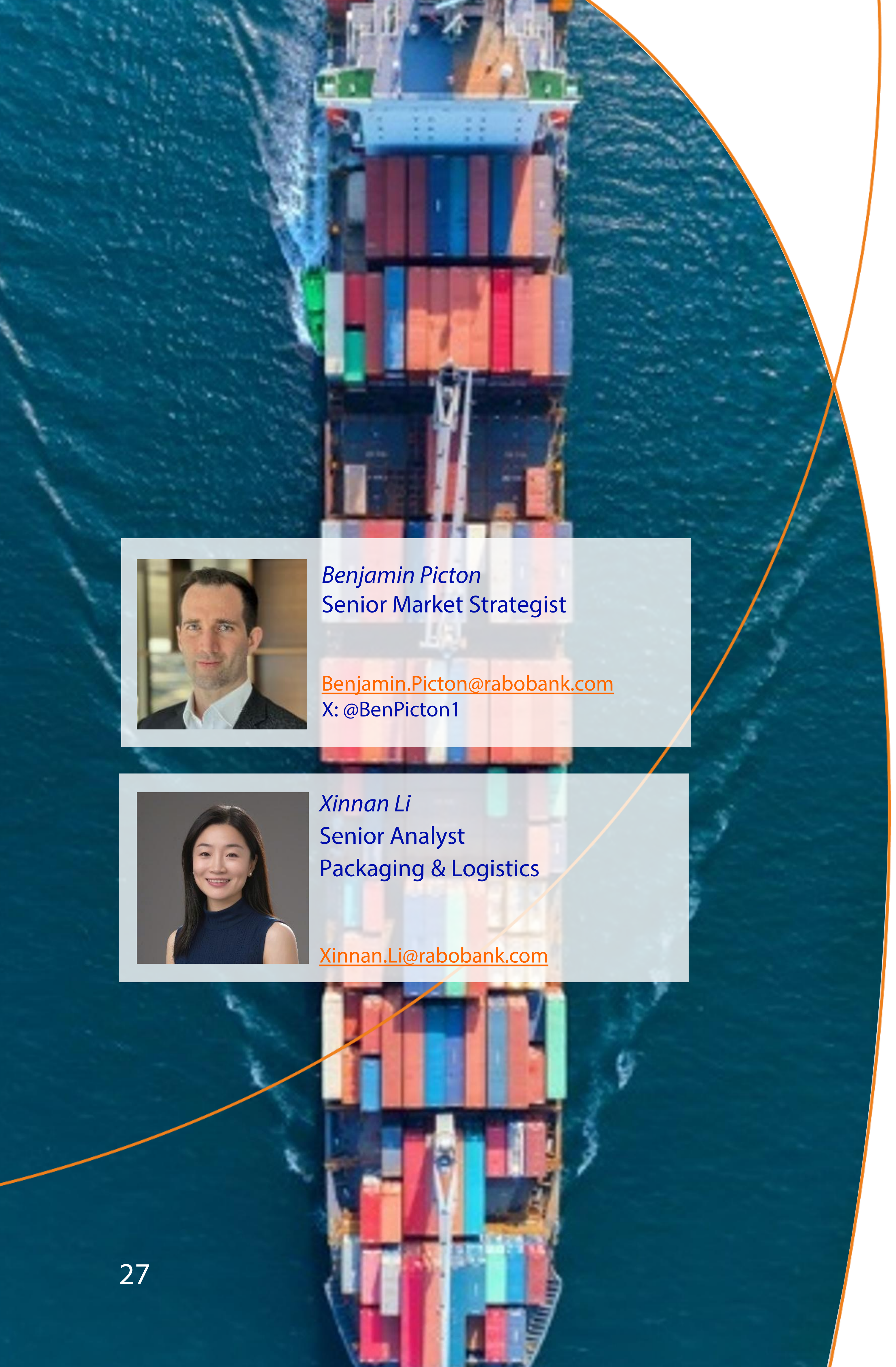
Demand on global shipping, where China-US trade accounts for a significant portion of the volume, has tanked due to the trade war between the US and China. Container prices slid to USD 2,000 levels across various routes. The US and China reached a temporary deal to slash most tariffs for 90 days.

RaboResearch expects the trade war pause is likely to give the two countries time to restock and prepare for round 2. This means temporary resumption of ocean shipping, driving up prices, before movement freezes again.

The Baltic Panamax index (a proxy for grain bulk freight) has had an impressive recovery from its bottom in March. However, US tariffs may negatively impact demand, thus weakening the index.

What to watch:

- **US nuclear negotiations with Iran** – The US has been attempting to reach an agreement with Iran regarding the latter's nuclear program. If a deal cannot be agreed, US sanctions on Iranian energy products are possible, and Israel may be emboldened to target Iranian oil infrastructure.



Benjamin Picton
Senior Market Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

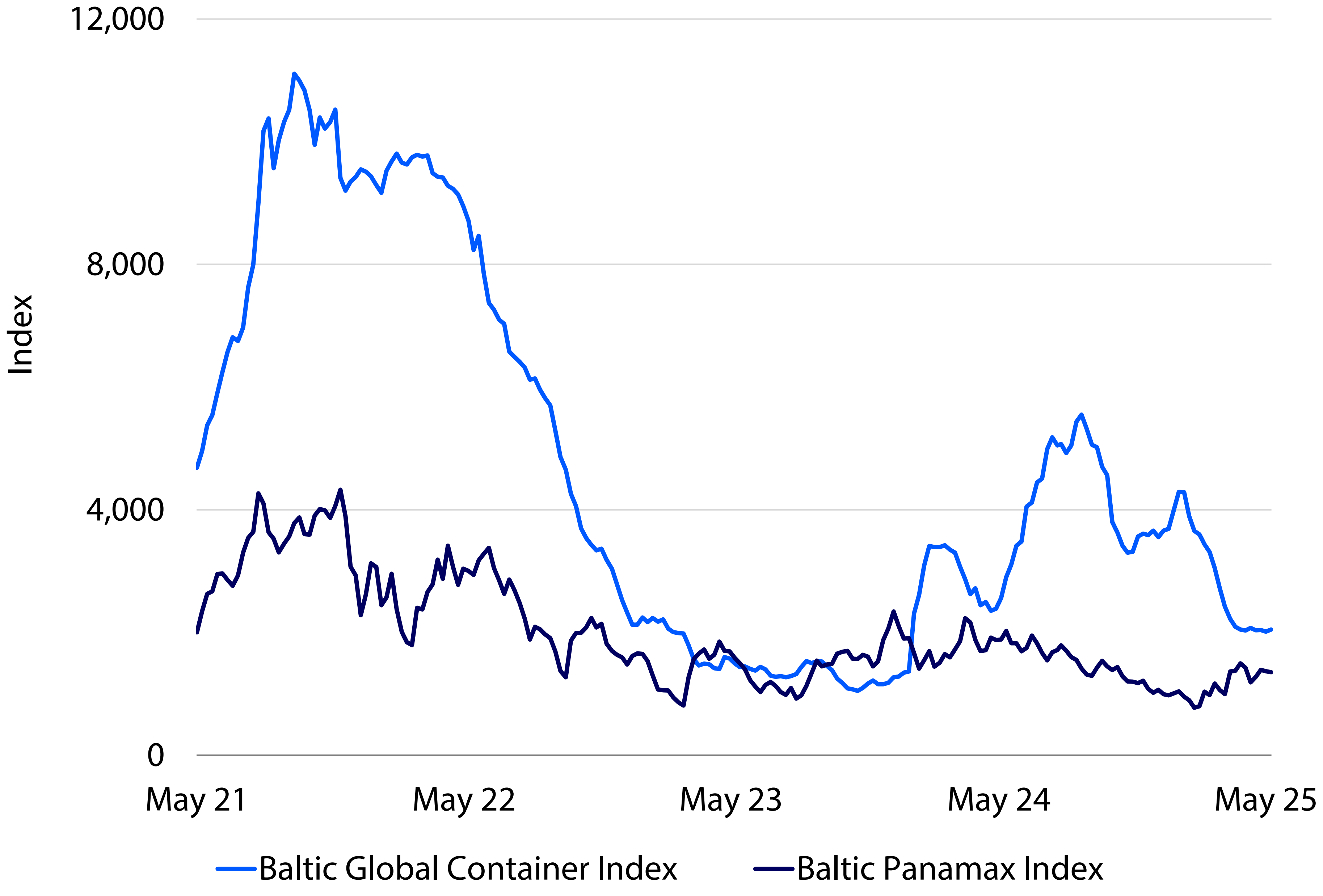
Xinnan Li
Senior Analyst
Packaging & Logistics

Xinnan.Li@rabobank.com

Oil and freight

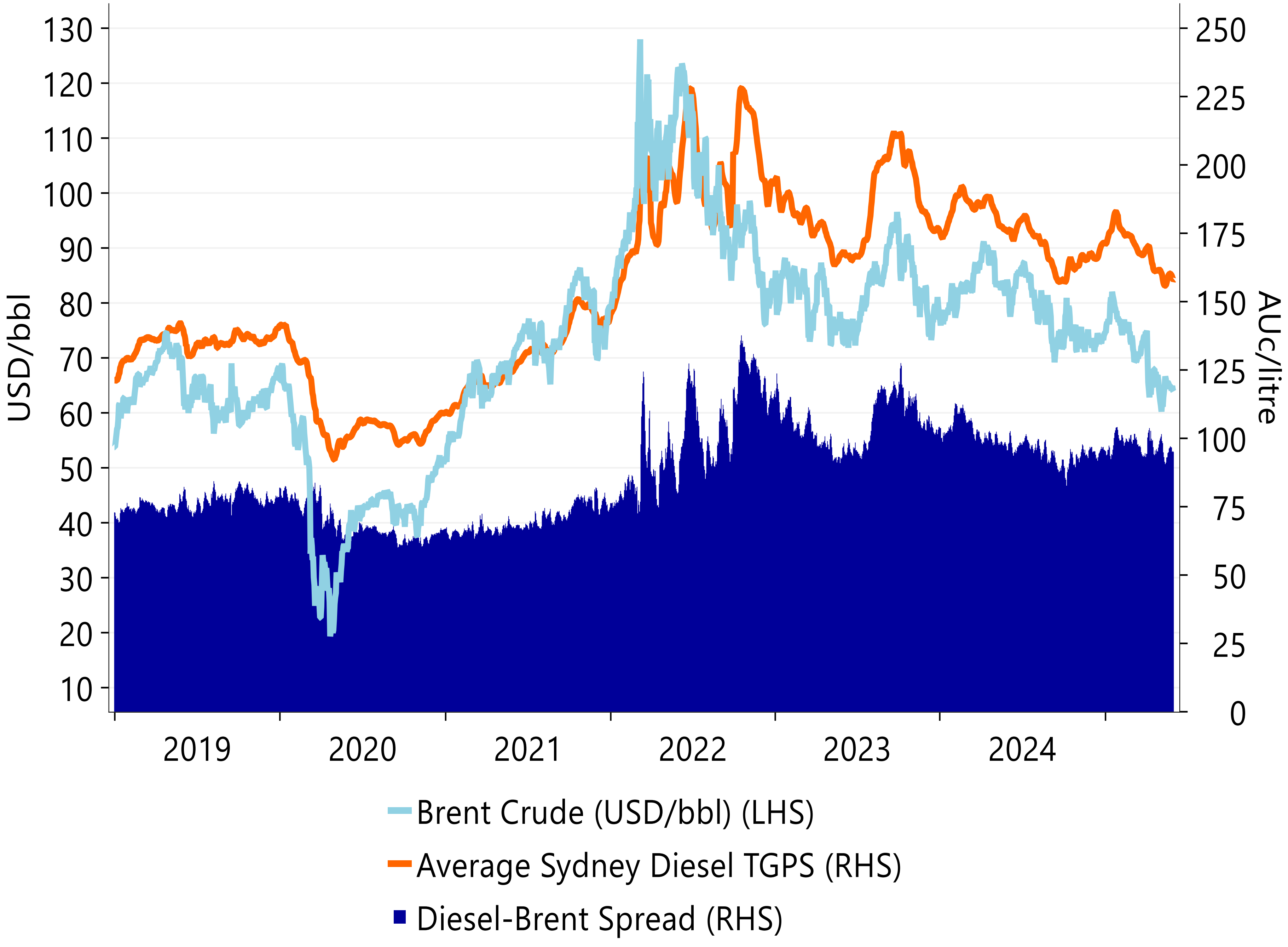
The calm before the container rate storm?

Baltic Panamax Index and Dry Container Index, May 2021-May 2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus Sydney diesel prices, 2019-2025



Source: *Macrobond, ICE Exchange, AIP, RaboResearch 2025*

Agri price dashboard

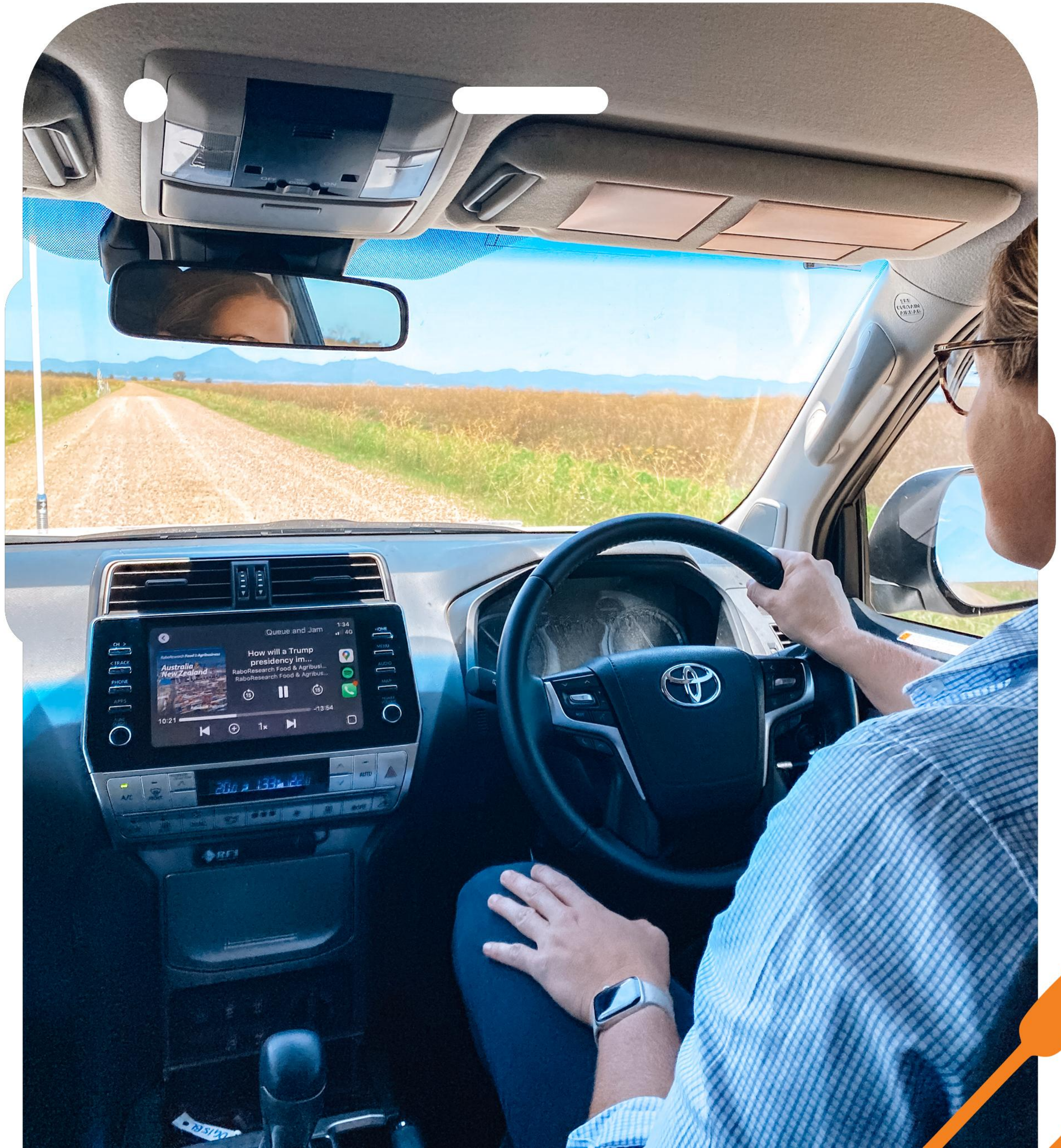
23/05/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	543	528	697
CBOT soybean	USc/bushel	▲	1,060	1,040	697
CBOT corn	USc/bushel	▼	460	472	697
Australian ASX EC Wheat Track	AUD/tonne	▲	330	326	697
Non-GM Canola Newcastle Track	AUD/tonne	▲	781	717	697
Feed Barley F1 Geelong Track	AUD/tonne	▲	344	331	697
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	734	699	620
Feeder Steer	AUc/kg lwt	▲	390	380	322
North Island Bull 300kg	NZc/kg cwt	▲	790	765	605
South Island Bull 300kg	NZc/kg cwt	▲	725	715	545
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	837	809	647
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	910	865	630
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	890	835	625
Venison markets					
North Island Stag	NZc/kg cwt	▲	930	920	860
South Island Stag	NZc/kg cwt	▲	920	915	850
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	7,838	7,500	6,838
Skim Milk Powder	USD/tonne FOB	▼	2,938	2,963	2,650
Whole Milk Powder	USD/tonne FOB	▲	4,338	4,013	3,388
Cheddar	USD/tonne FOB	•	5,088	5,088	4,325

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

23/05/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	77.8	78.6	91
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	66.1	68.8	81
Sugar markets					
ICE Sugar No.11	USc/lb	▼	17.3	17.9	18.4
ICE Sugar No.11 (AUD)	AUD/tonne	▼	583	620	604
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▼	1,204	1,232	1,130
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	•	395	395	303
DAP (US Gulf)	USD/tonne FOB	▲	695	660	570
Other					
Baltic Panamax Index	1000=1985	▼	1,246	1,333	1,824
Brent Crude Oil	USD/bbl	▼	65	66	82
Economics/currency					
AUD	vs. USD	▲	0.649	0.636	0.663
NZD	vs. USD	▲	0.599	0.595	0.612
RBA Official Cash Rate	%	▼	3.85	4.10	4.35
NZRB Official Cash Rate	%	•	3.50	3.50	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



Keep up to date with the latest Food & Agribusiness insights

Tune into our RaboResearch podcast series and make our insights your advantage.

Rabobank

Meet our RaboResearch Food & Agribusiness Australia and New Zealand team

Stefan Vogel

General Manager, RaboResearch Australia and New Zealand
+61 419 782 452
Stefan.Vogel@rabobank.com

Angus Gidley-Baird

Senior Animal Protein Analyst
+ 61 424 266 909
Angus.Gidley-Baird@rabobank.com
X @angus_gb

Ben Picton

Senior Market Strategist
+61 408 571 012
Benjamin.Picton@rabobank.com
X @BenPicton1

Emma Higgins

Senior Agriculture Analyst
+64 27 600 5549
Emma.Higgins@rabobank.com
X @emhiggins

Jen Corkran

Senior Animal Protein Analyst
+64 21 2412 139
Jen.Corkran@rabobank.com

Michael Harvey

Senior Dairy & Consumer Foods Analyst
+61 409 488 485
Michael.Harvey@rabobank.com
X @MickHarvey77

Anna Drake

Sustainability Analyst
+61 437 772 949
Anna.Drake@rabobank.com

Pia Piggott

Analyst
+61 460 734 578
Pia.Piggott@rabobank.com
X @piapiggott

Vítor Caçula Pistóia

Agriculture Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com

Paul Joules

Agriculture Analyst
Paul.Joules@rabobank.com

Rabobank Australia **Nearest branch call 1800 025 484 | www.rabobank.com.au**