Seizing spring's momentum

Australia agribusiness monthly

RaboResearch Food and Agribusiness

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Rabobank

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This report is based on information available as at 4/9/2025

Commodity outlooks

Climate

August rainfall across most of Australia's grain and dairy regions further benefitted crops, and confidence going into spring is boosted by forecasts of above-normal rains in September to November 2025 across most regions – excluding Western Australia, where near-normal rainfall is expected.

Wheat and barley

Global wheat supply remains stable post Northern Hemisphere harvest. However, sluggish export activity is adding bearish pressure on prices ahead of the Australian harvest. Carryover stocks are also weighing on sentiment and putting downward pressure on new crop prices.

Canola

Canada's increased supply and loss of access to the Chinese market are about to shift global canola trade dynamics with Canadian stocks rising year on year. Trade tensions between the US and China add further uncertainty, with potential spillover effects into the canola sector.

Beef

Favourable conditions – including good or improving seasons, strong US demand, and good feedlot margins – are supporting a rise in cattle prices. Optimism and buying activity may push prices higher and faster than previously expected.

Sheepmeat

Lamb prices continue to drift down as slaughter capacity is adjusted and new season lambs enter the market. East-west sheep price spreads suggest that Western Australia may no longer be as attractive a market as it was during the previous restocking phase, potentially meaning a much more limited pool of replacement stock.

Wool

The EMI increased 0.6% MOM. Auctions returned following the winter recess, with demand looking relatively good. On the production side, the Australian Wool Production Forecasting Committee recently projected a 10.2% YOY decline in 2025/26 wool production.

Cotton

Although ICE #2 Cotton futures lost ground month-on-month, Australian cash prices rose modestly supported by a weaker Australian dollar. Looking ahead, the key focus will be on US weather conditions. On the demand side, the market will be closely monitoring whether the Federal Reserve cuts rates.

Farm inputs

Urea prices rose in early August, driven by strong Indian import demand. However, news that China will increase its export allocations for both urea and phosphates helped ease markets later in the month.

Dairy

With milk production gaining momentum in key regions, the global markets appear poised to remain well supplied with milk. As the Oceania peak approaches, commodity markets may face some downward pressure.

Consumer foods

Monthly food inflation data from the ABS showed a 3% YOY increase in the food basket in July. This was down from a 3.2% rate in June. Food inflation should remain close to long-term averages in the near-term.

Interest rate and FX

The RBA cut the cash rate to 3.60% in August but is unlikely to deliver a follow-up cut in September. We expect three more cuts in the cycle, but only one of those to occur in 2025.

Oil and freight

Oil prices fell in August as markets retraced some of the sharp gains seen in late July after US President Donald Trump threatened to impose secondary sanctions on buyers of Russian crude.

Climate

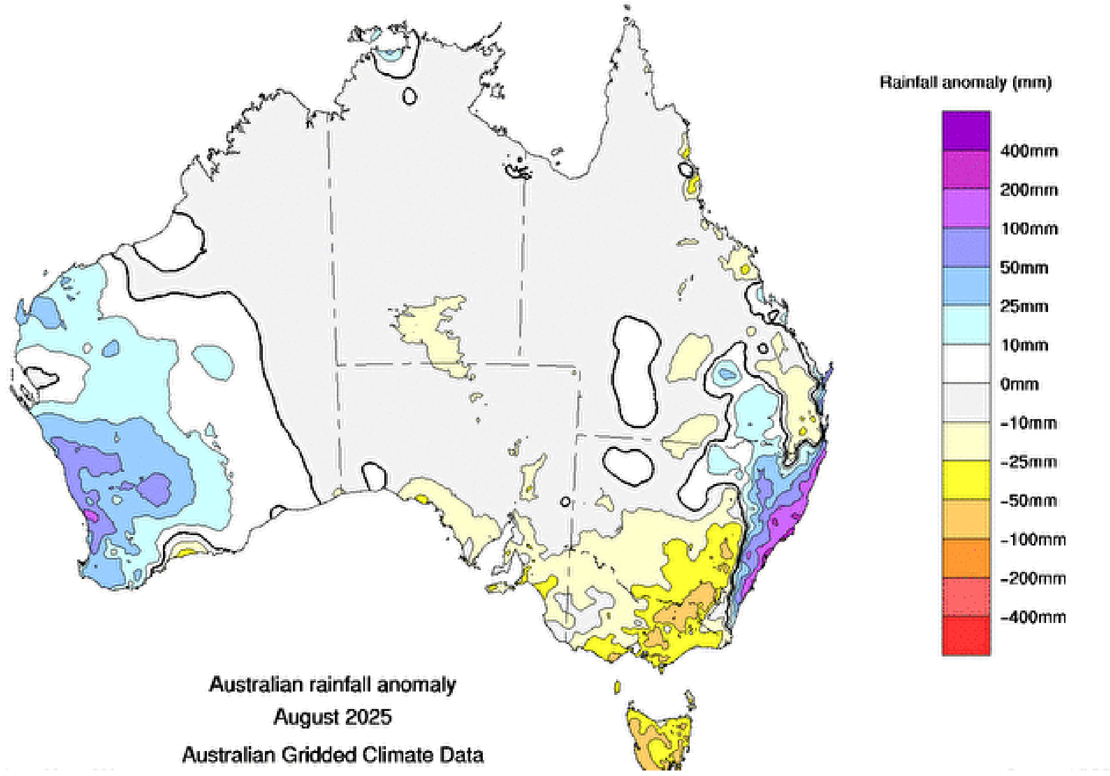
Further improved moisture in Western Australia and parts of the east coast

Western Australia as well as parts of the east coast received another significant amount of rain in August and while across South Australia, Tasmania, Victoria and southern New South Wales rains were below normal, also those regions got some extra moisture.

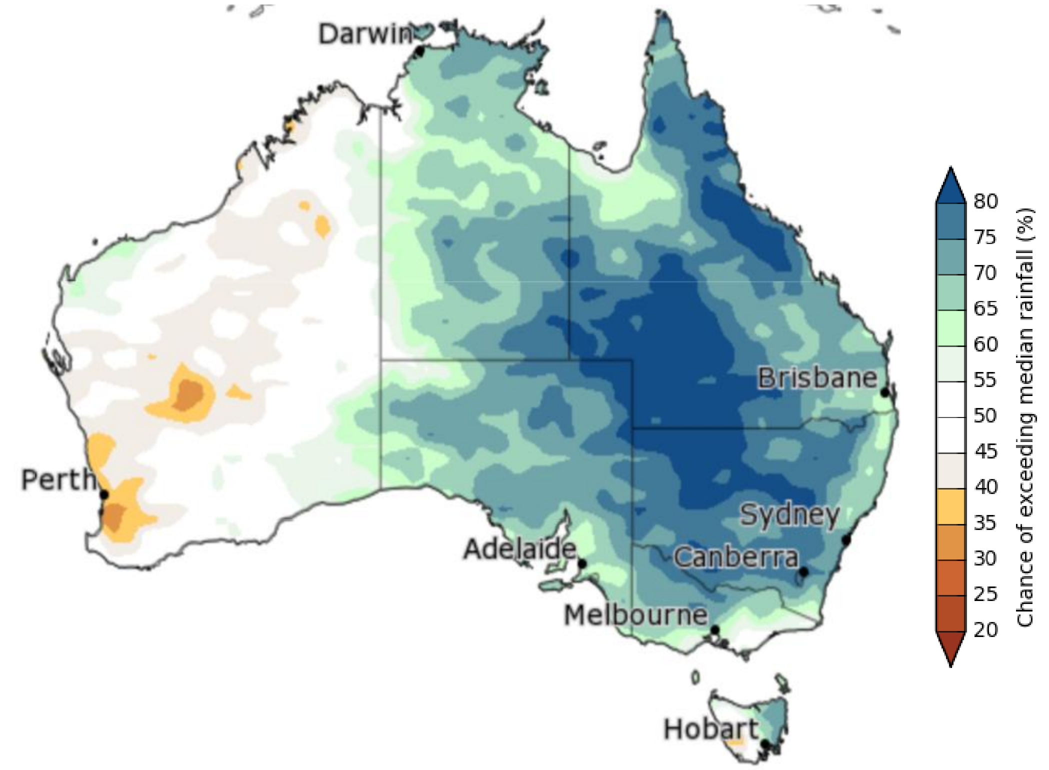
The Bureau of Meteorology (BOM) September to November long-range forecast predicts above-normal rains across most of Australia's farming regions, excluding Western Australia. This should further benefit grain and livestock feed production.

Conditions in July and August have improved across several cropping and livestock regions, boosting confidence as spring arrives. If the long-range forecast materialises and brings further beneficial rains to most of the country, Australia's grain production in 2025/26 could approach levels close to last year's.

Rainfall, August 2025



September to November 2025 rainfall outlook



Source: BOM RaboResearch 2025

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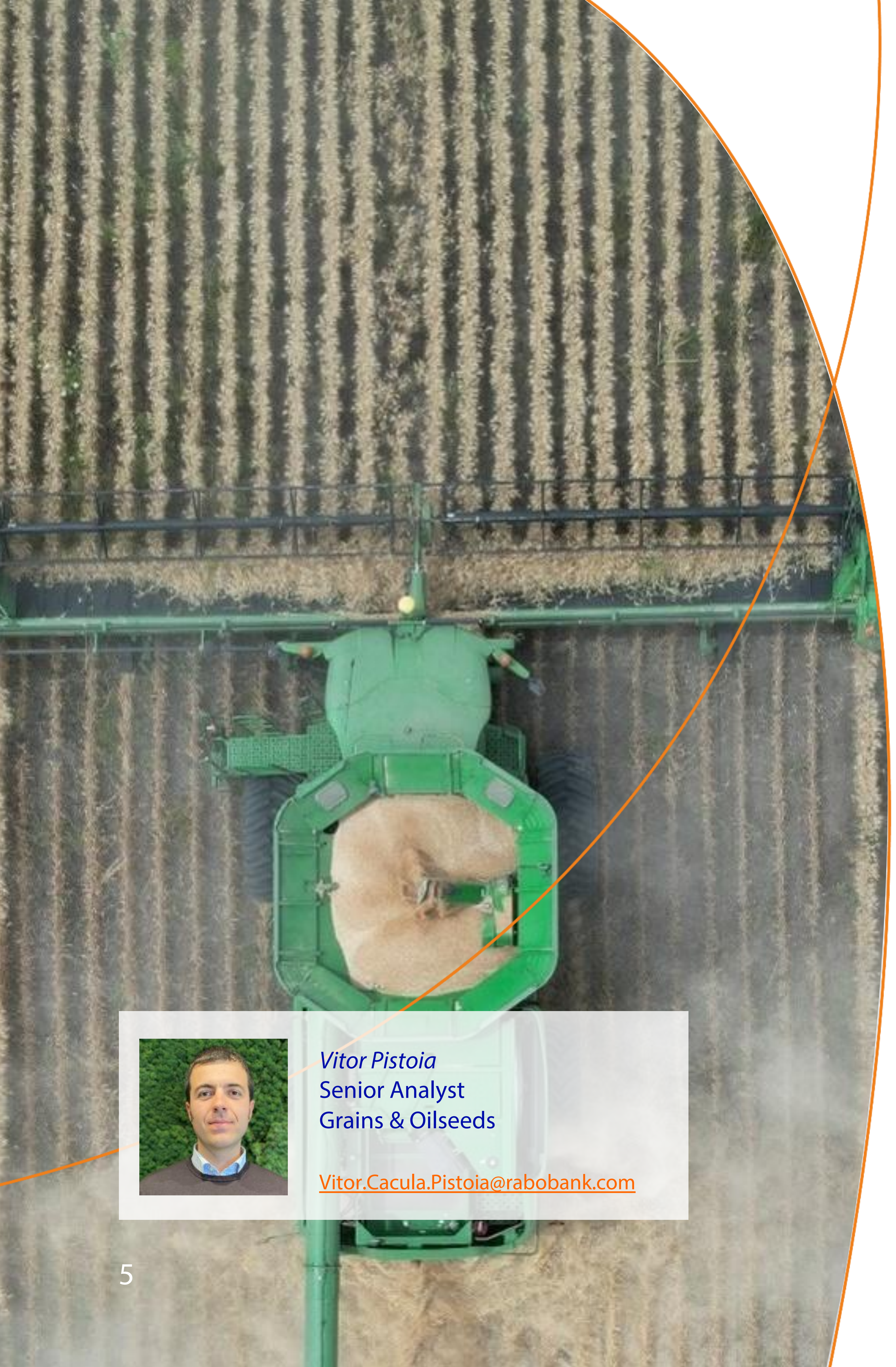

Wheat and barley

Soft global wheat exports pressure prices

The bulk of the Northern Hemisphere harvest is now complete, with no major changes in supply and wheat quality. The CBOT Dec/25 contract sits at AUD 297/tonne, down 2.3% over the last month. The MATIF Dec/25 contract also fell by 4.3% to AUD 343/tonne, while the ASX Jan/26 contract dropped 4.2%, to AUD 318/tonne. Market focus has shifted to export pace, as supply for the coming year is secured. Early figures reinforce a bearish tone.

For example, Russia's exports in the first two months of the marketing year – July and August – may total 6.0m tonnes, compared to 9.3m in 2024/25 and 9.7m in 2023/24. If the world's largest wheat exporter is struggling to move grain, other exporters face similar challenges, unless wheat is priced at a discount, as is the case with CBOT wheat. As a result, **US exports since April are running ahead of recent years**, with April to June shipments 33% above the two-year average – an increase of 1.5m tonnes.

At the other end of the spectrum, Australia provides a clear example of how stocks can accumulate from one season to the next. From October 2024 to June 2025, wheat exports reached 17.6m tonnes, well below the theoretical 20.2m tonnes needed to avoid an increase in carryover. **If exports from July to September continue at the same rate, Australia could carry an extra 3.3m tonnes from the 2024 crop into the 2026 marketing year.**

The 2025/26 season has so far seen favourable rainfall across much of the country, with a distribution similar to last year. Western Australia, Queensland, and northern New South Wales are on track for an above-average crop – possibly record-breaking – while the rest of the country is hoping for a good September rainfall to support grain filling. **Most forecasts suggest a national wheat crop above 31m tonnes, with the most bullish estimates reaching as high as 36m tonnes**. Regardless of which forecast proves accurate, Australian port prices are likely to face a downward correction in September. Feed barley is already showing signs of this ahead of harvest, and wheat's situation is even more complicated because of a year-on-year carryover increase. While some regions have the cash flow to hold grain and wait for better prices, others do not.

What to watch:

- **CBOT corn recovery –** In recent weeks, the CBOT Dec/25 corn contract has recovered by a few percentage points, prompting speculation as to whether this marks the beginning of a sustained rebound, similar to previous cycles. Back in 2020, the December contract bottomed out in mid-August at USD 3.20/bushel before climbing to USD 4.23/bushel. Some field surveys suggest that USDA's production forecast may be overly optimistic, while US biofuel mandates continue to support ethanol demand – raising hopes for steady consumption and potentially firmer corn prices. Any upside on this front would be supportive for Australian wheat and feed barley prices.

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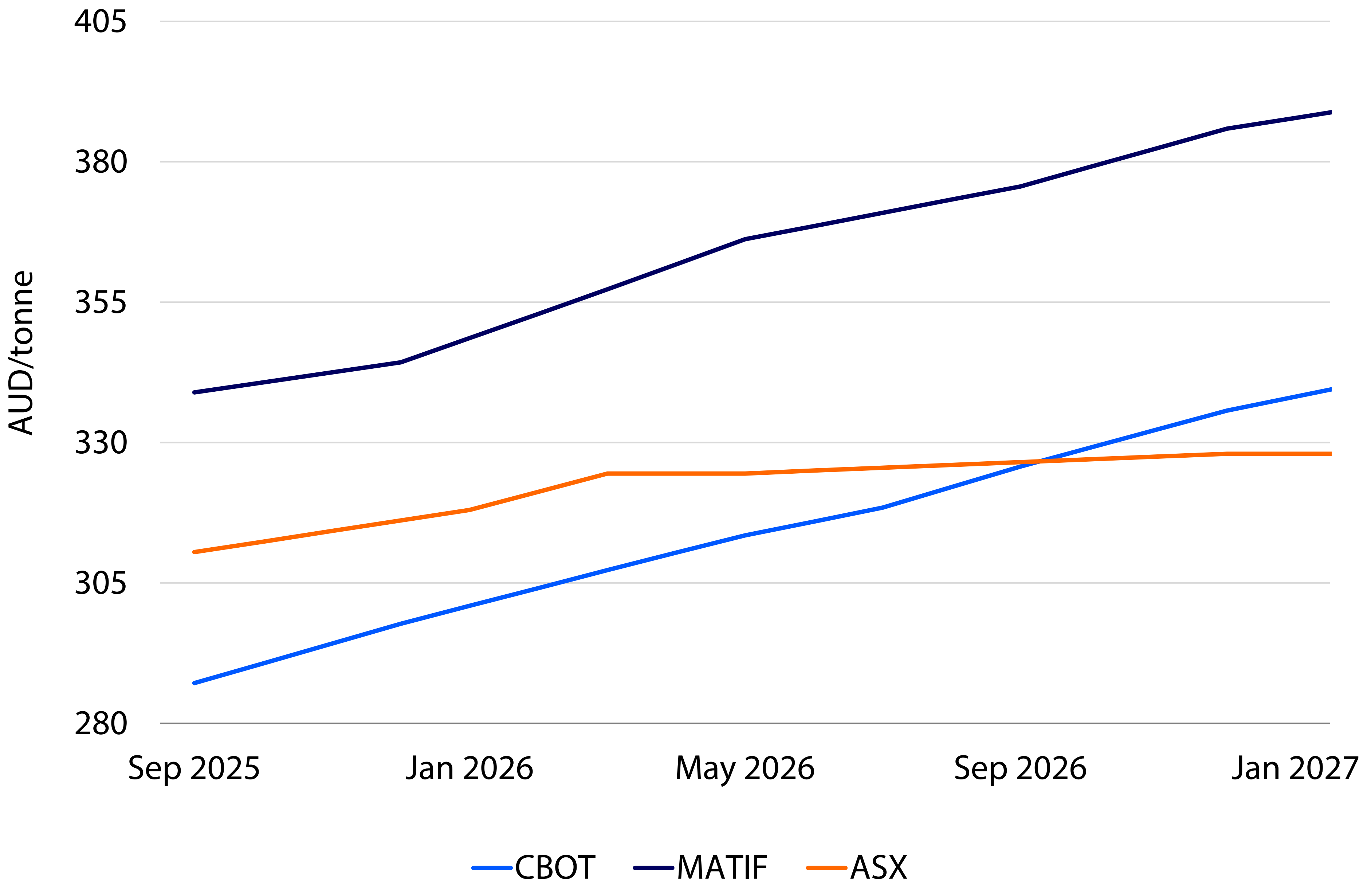
Wheat and barley

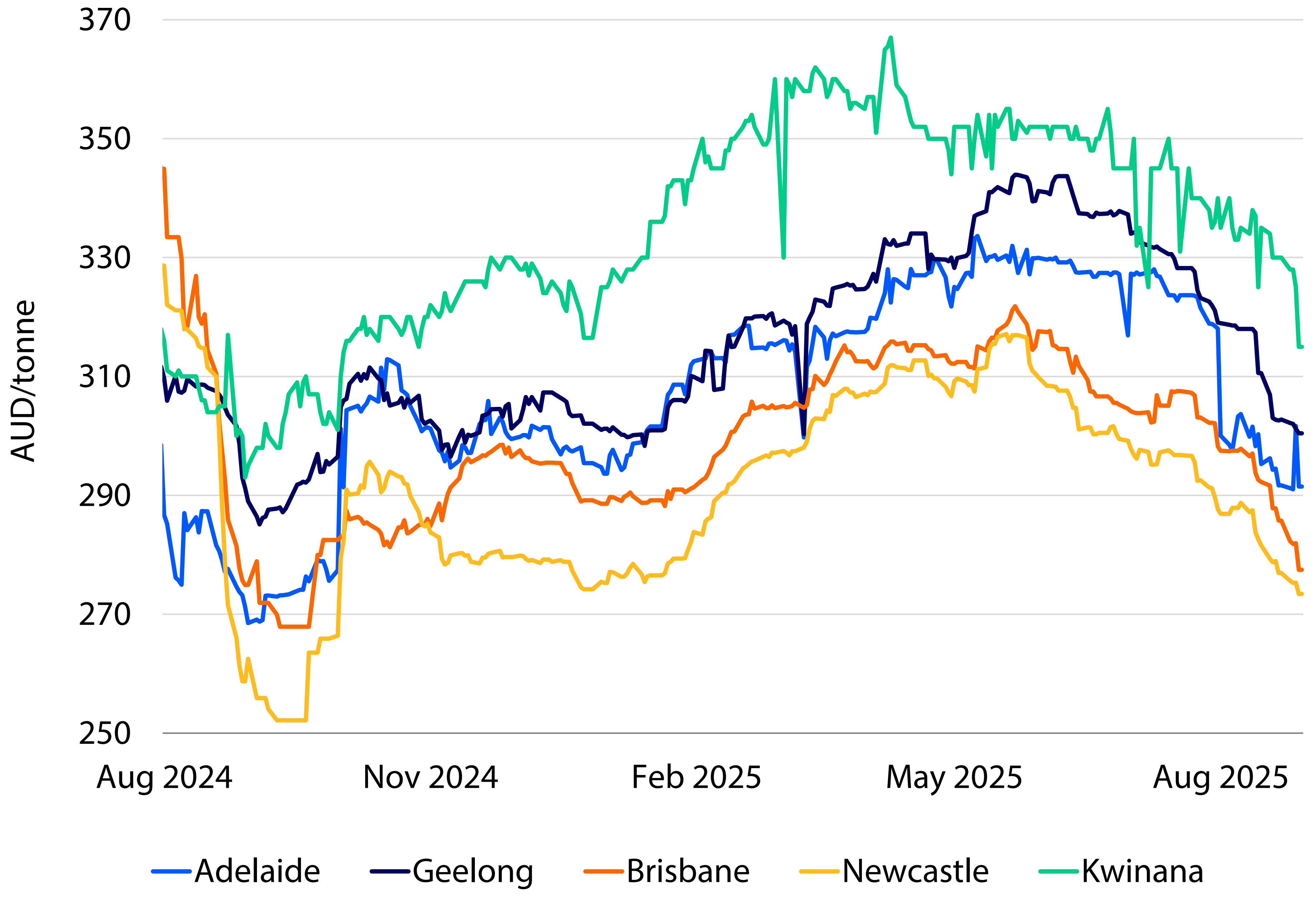
Pricing dynamics of a well-supplied market

While key wheat exchanges show full carry, ASX does not – indicating there is no urgency to lock in Australian supply



Source: *Bloomberg, RaboResearch 2025*

Australian feed barley port prices ease under pressure from an above-average 2025/26 crop, with wheat likely to follow



Source: *Bloomberg, RaboResearch 2025*

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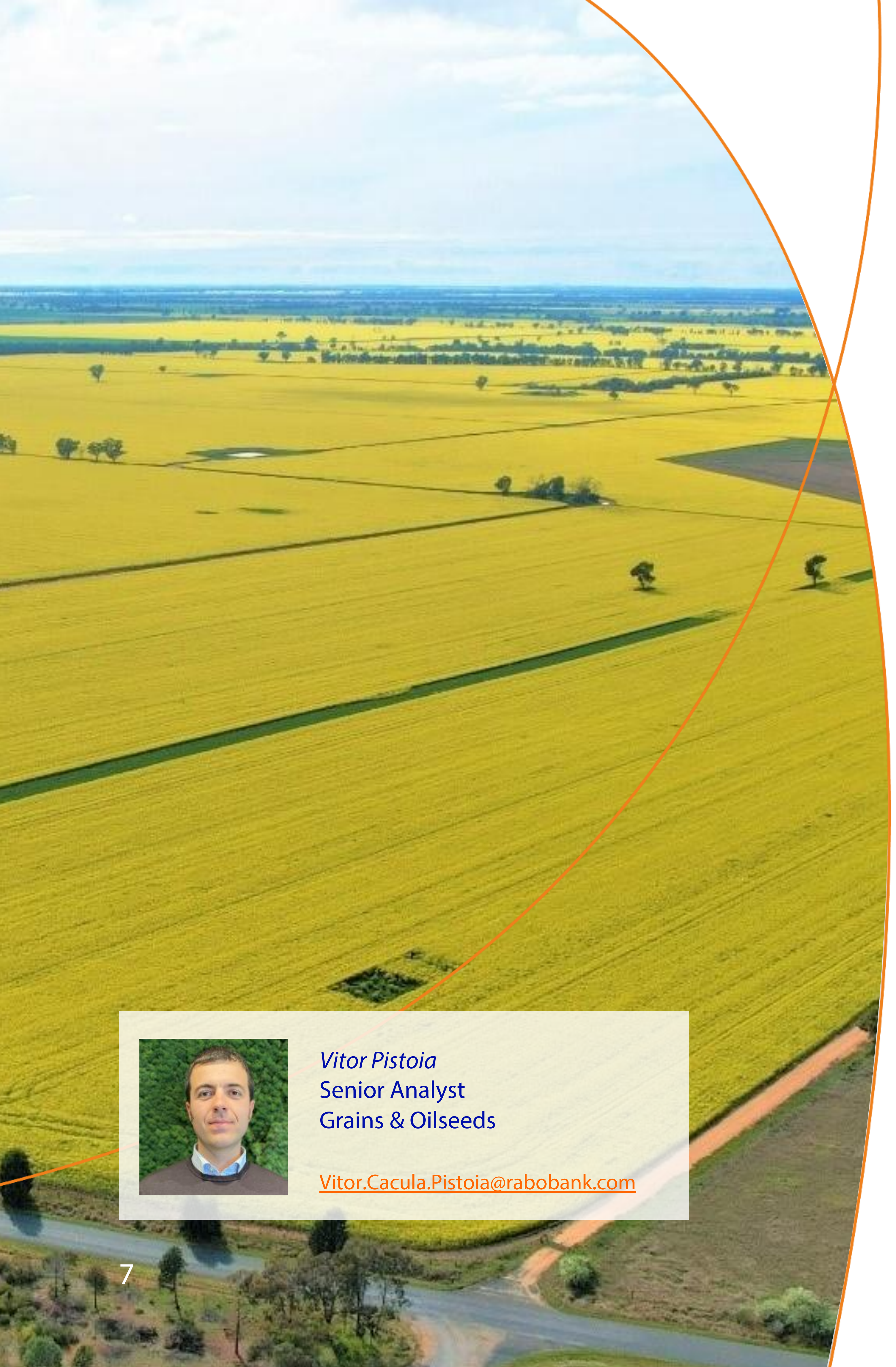

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Canola

Canadian trade uncertainty shapes price dynamics, again

Canadian canola remains a key market factor in 2025. In recent weeks, Agriculture and Agri-Food Canada (AAFC) revised its domestic supply forecast upward to 20.1m tonnes – 12.9% higher than its previous estimate. **Not only is the market facing a potentially larger supply than anticipated, but the country's exporters have also effectively lost access to the Chinese market following the imposition of import duties of 75.6% on canola seed**, in addition to 100% tariffs on canola meal and oil imports. This development stems from an anti-dumping investigation launched in late 2024, after Canada introduced tariffs on Chinese electric vehicles. A significantly larger harvest, coupled with the loss of China as the country's leading export destination, is placing pressure on the genetically modified (GM) canola market. Canadian exporters are likely to see a decline in sales over the coming months, while domestic stocks continue to build. In response, prices fell sharply, with the ICE Jan/26 contract dropping 7.2% in the last 30 days to AUD 721/tonne. MATIF canola, a non-GM benchmark, fell just 1.9%, with the Feb/26 contract at AUD 843/tonne.

From an Australian perspective, the likely impacts extend beyond GM pricing. **Canada might gain market share in Japan and the United Arab Emirates – markets that accounted for 18.4% and 12.5% of Australian canola exports in the 2023 and 2024 calendar years** respectively, adding up to 1.85m tonnes on average.

This would appear to be bad news for Australia, but in **a global market with only a handful of large-scale canola exporters, when one door closes, another is often unlocked in response**. While China has imposed hefty tariffs on Canadian canola, the ongoing five-vessel trial of Australian canola could open up this trade route by 2026. There are still requirements to be addressed – such as blackleg disease and seed screenings – before trade can commence, but the direction of travel is clear. From a pricing perspective, as seen in other supply chains, the overall balance between supply and demand is likely to hold, allowing market fundamentals to guide pricing – but not without creating turbulences in the short term.

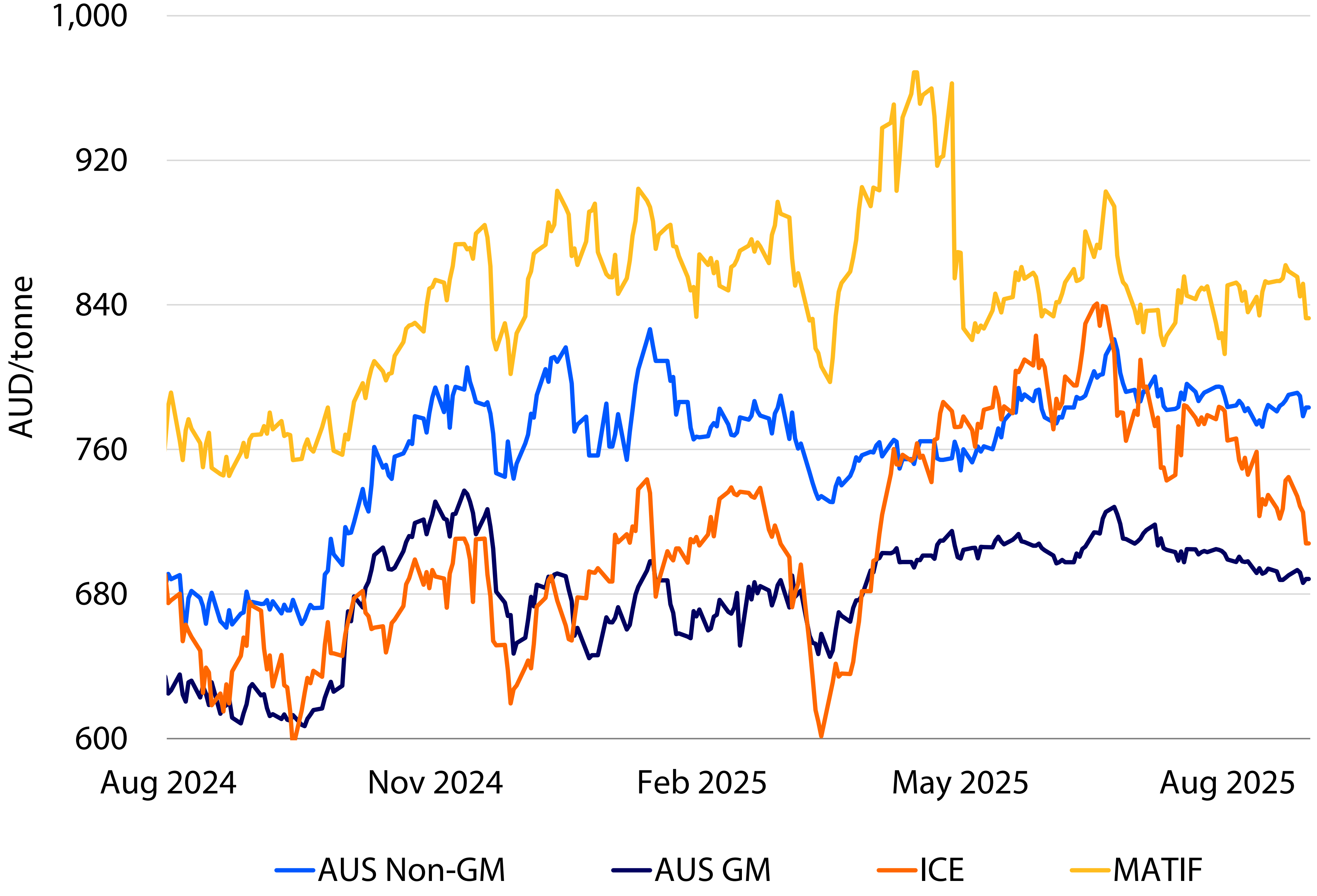
What to watch:

- **Soybean trade between China and the US –** As trade tensions persist, Chinese importers have yet to commit to significant new crop contracts from the US. While soy oil continues to find support through US biofuel policy, this dynamic places further downward pressure on soymeal prices. The resulting price differential could undermine price support for canola, particularly as soymeal has recently gained market share over canola meal even in Europe.
- **Europe sunflower harvest –** Harvest begins in September, and this season's supply is expected to grow more modestly than other crops. Adverse weather has hindered crop development across the Balkans, which typically account for two-thirds of Europe's production. If weaker output is confirmed, prices could find stronger support heading into early 2026.

Canola

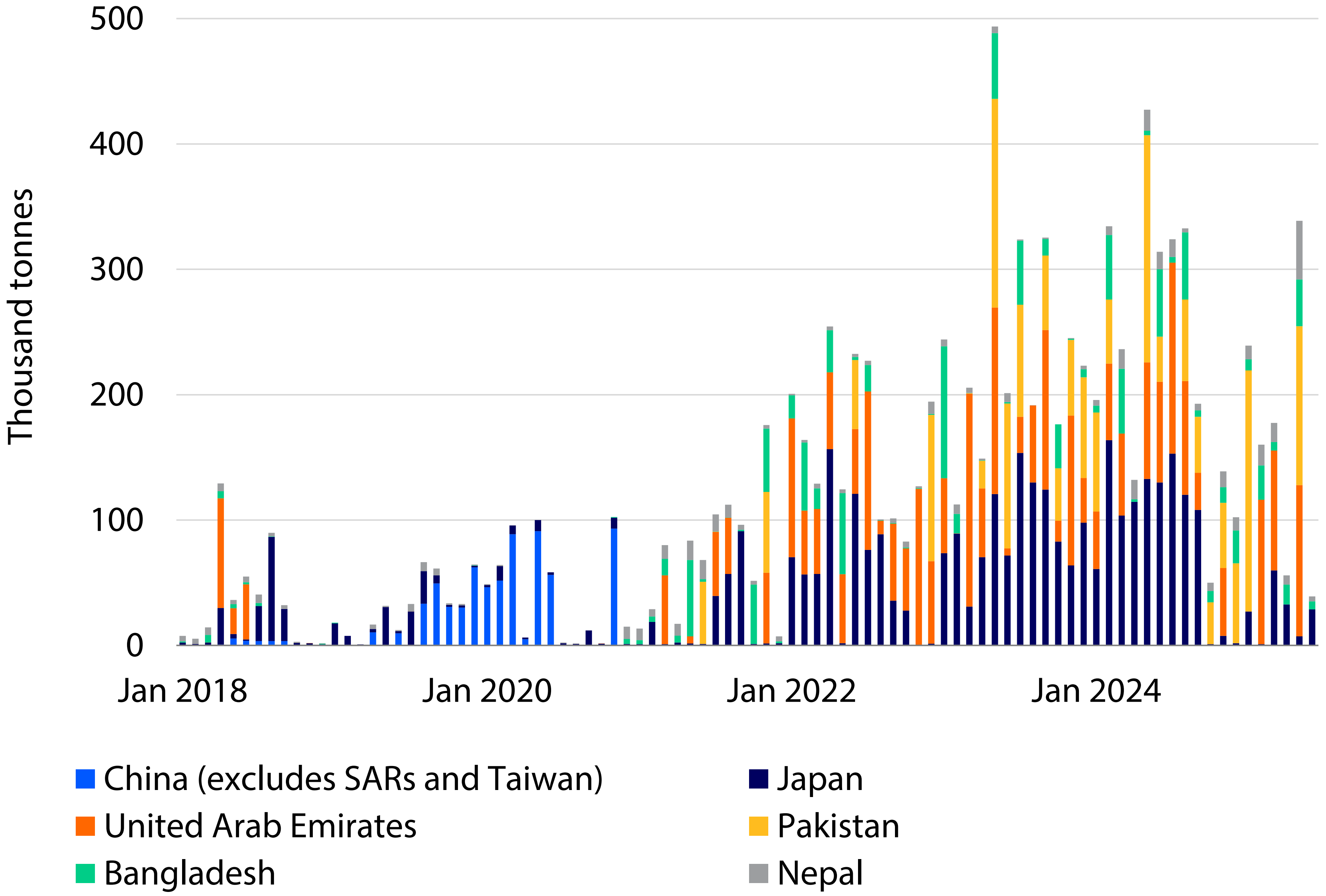
Canola prices mirror trade tensions

As global supply recovers year on year, prices are expected to soften, especially for GM varieties

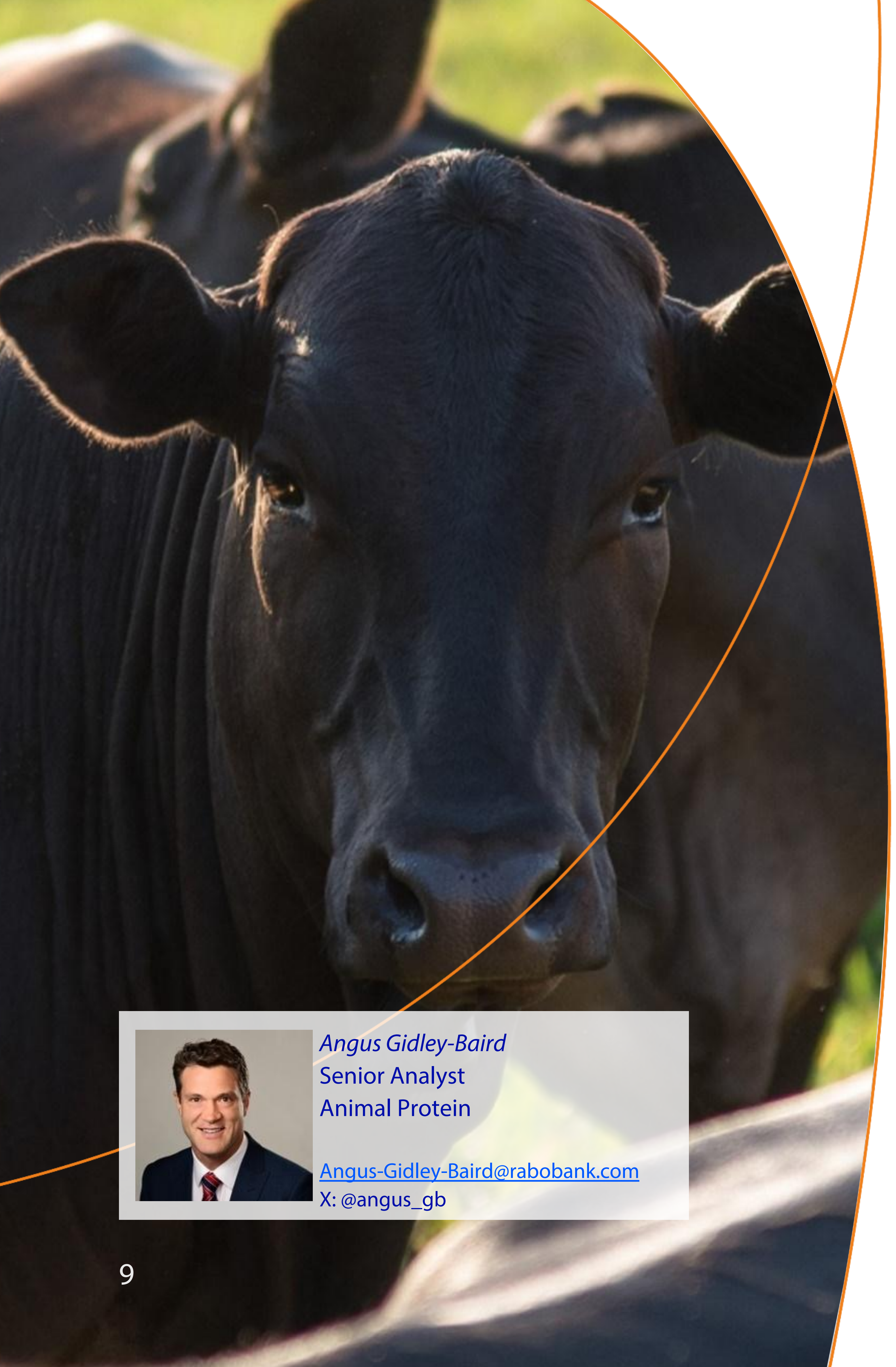


Note: *Australian prices reflect the weighted average across all states.*
Source: *Bloomberg, RaboResearch 2025*

Outside the EU, Australian canola exports are focused on Asia, accounting for nearly one-third of the volume



Source: *ABS, RaboResearch 2025*



Beef

Strong market conditions push prices higher

All Australian cattle prices had a stronger-than-expected month, with all key indicators now pushing above the five-year average for the first time since early 2023. The National Young Cattle Indicator rose 19% since the end of July to AUD 4.67/kg on 31 August. All cattle classes rose more than 12% for the month, with restocker heifers showing the strongest gains – up 29% to AUD 4.06/kg. Good rainfall through eastern states – particularly northern New South Wales – appears to have prompted stronger buying activity by producers. While some producers may be increasing herd size, buying activity may also be a consequence of a higher female kill recently, driven by strong cull cow prices, with producers now looking to replace those numbers. **This buying activity may stimulate the market to rise further and faster in the next month or so.** US import prices for 90CL trimmings have returned to an upward trend after a slight decline in early August. **Speculation that additional tariffs on Brazil will lead to increased demand for Australian product may be supporting these higher prices.**

National Q2 slaughter numbers were released in August. Slaughter was up 10% YOY, and production volumes were up 11% with average carcase weights up 1% at 307kg. **This brings 2025 slaughter to 4.5m – 15% higher than 2024 – and on track to reach close to a 9m head for the year – a level not seen since 2015**. Weekly national cattle slaughter continues to trend slightly above 150,000 head per week, and year-to-date volumes are 11% higher than the same period in 2024.

August was another big month for exports. Although 10% down on the record month of July, volumes were still 11% higher than August 2024. Volumes to the US were in line with 2024 volumes and down 5% on July volumes, suggesting there may be no real change in Australia-US trade volumes following the imposition of additional tariffs on Brazil in early August.

Live cattle exports are just 1% behind 2024 volumes for the first seven months of the year. Volumes to Indonesia (299,630) are 3% higher than in 2024, while volumes to Vietnam (65,797) are down 13%. **With Ramadan falling between February and March in 2026, demand for live cattle may start to increase through September and October.**

What to watch:

- **Feedlot demand** – National feedlot inventory numbers for Q2 were released in August, showing total cattle on feed at another record at 1.58m head – up 11% on Q2 2024. Feedlot capacity continues to expand, with almost 50,000 head capacity added since Q1. Utlisation now sits at 93% – the highest rate in history. New South Wales and Queensland – the two largest feedlot states – report the highest utilisation rates at 95% and 93%, respectively. Modelled feedlot margins also suggest they are experiencing profitable operations. With cattle prices and beef prices expected to stay at current levels or rise further, and grain prices potentially softening, we may see ongoing strong demand for feeder cattle.

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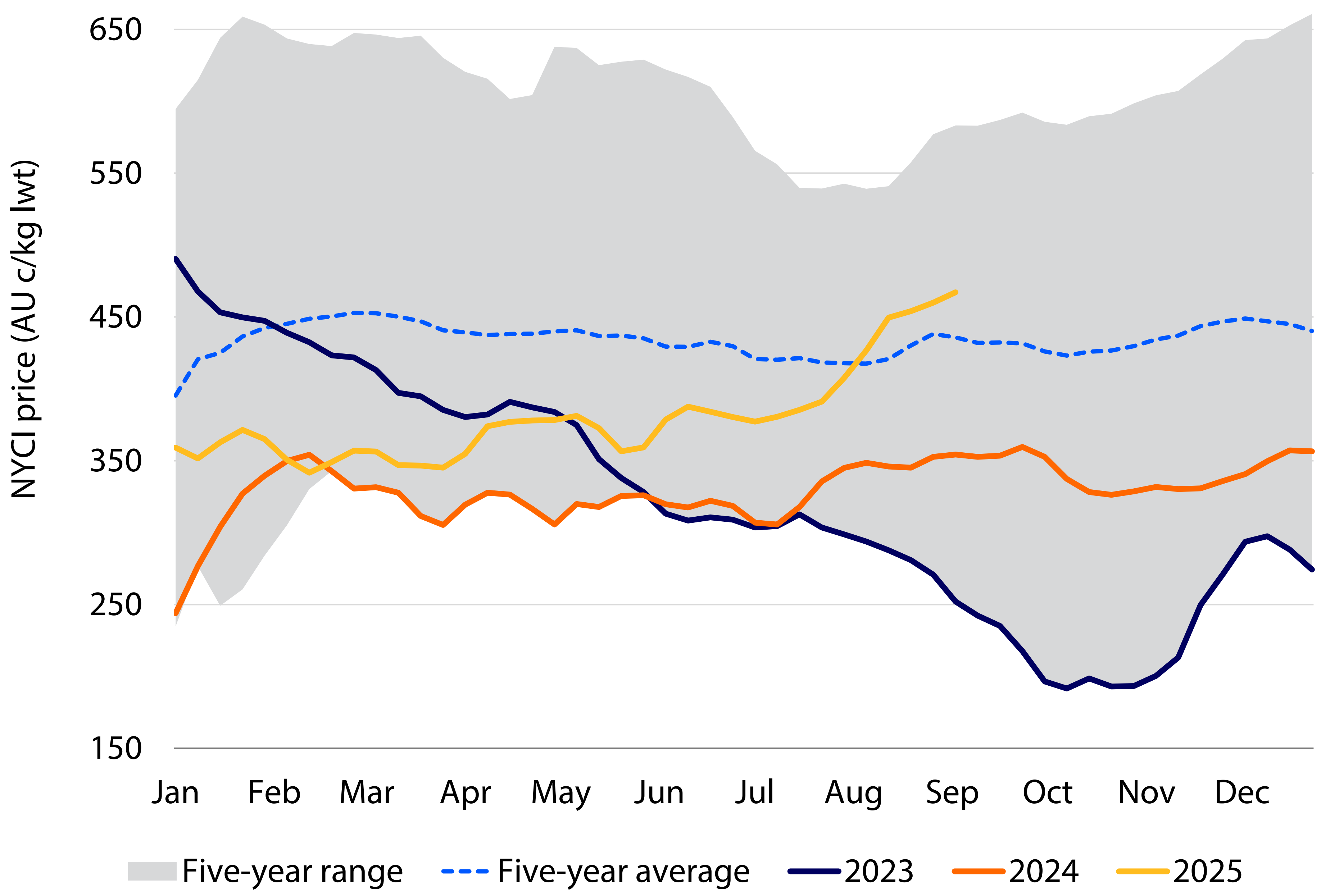
Beef

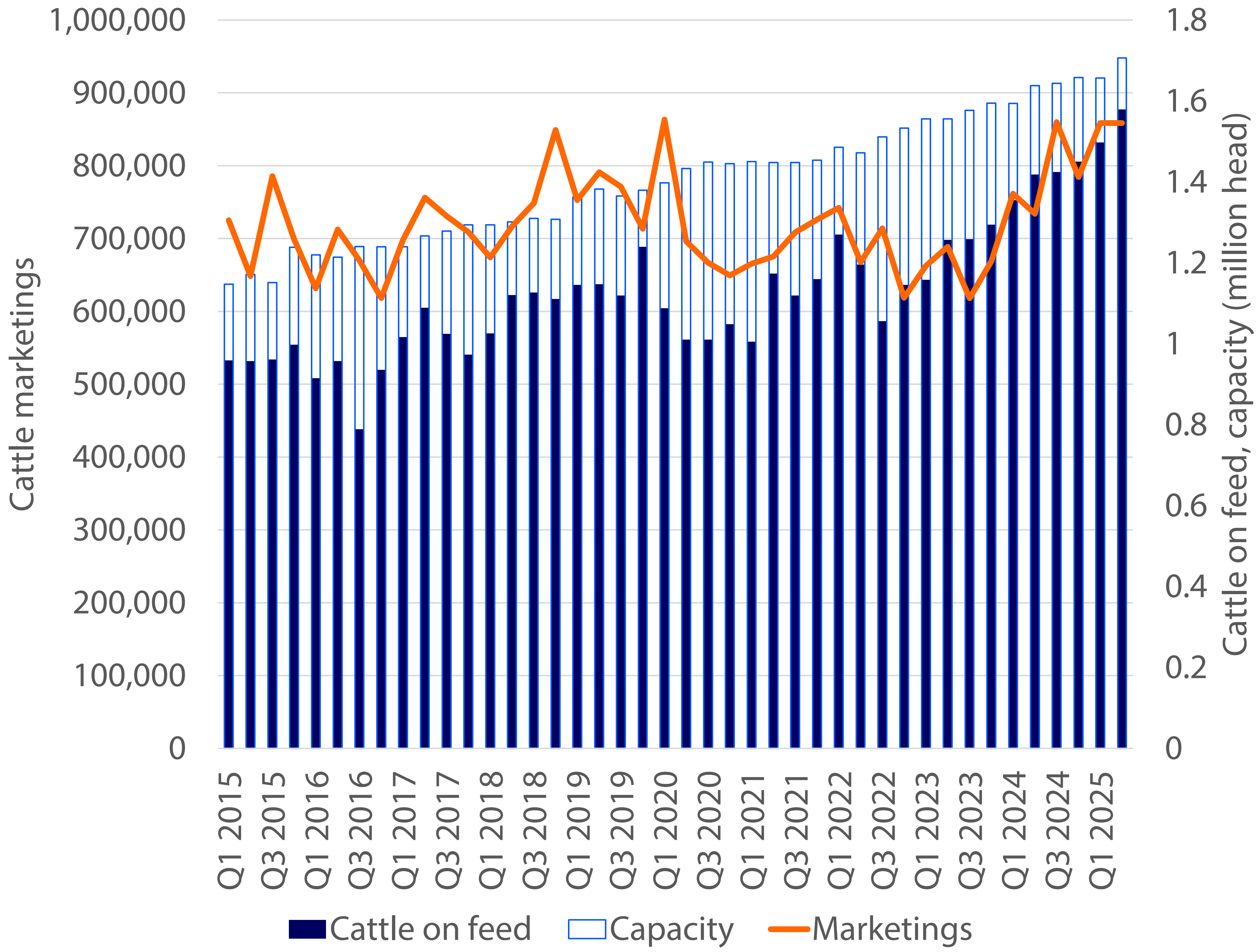
Australian cattle prices rise further and faster, while cattle-on-feed numbers continue growing

NYCI breaks through five-year average



Source: *MLA, RaboResearch 2025*

Cattle-on-feed and capacity continue setting new records



Source: *MLA, RaboResearch 2025*

Sheepmeat

Prices continue to decline as new season lambs trickle in

All lamb and mutton categories, apart from restocker lambs, saw a decline through August. Most categories were down between 1% and 4% from the end of July. The National Trade Lamb Indicator finished the month at AUD 11.41/kg, down 3.9% on late July prices. RaboResearch expected the price decline following a recalibration of processors' shifts to the new season lamb numbers. **We believe prices will fall further as the volumes of new season lambs start to flow into the market. Restocker lambs and merino lambs may not see as large a fall in prices, given the RaboResearch expectation that southern producers will look to restock over the coming months as seasons improve.**

National lamb and sheep slaughter figures for Q2 were released in August. National sheep slaughter was down 9% and national lamb slaughter was down 5% on Q2 2024 numbers. Victorian sheep slaughter saw the largest decline, down 17%; meanwhile South Australia experienced the largest decline in lamb slaughter, down 11%. Tasmania, on the other hand, saw sheep and lamb slaughter rise by 7% and 30% respectively. Tasmanian lamb slaughter (159,000 for Q2) was the largest seen since 2016. Sheepmeat production was down 11%, and lamb production was down 4% for the quarter, with a slight (1%) increase in lamb carcase weights to 24.78kg offsetting the drop in slaughter numbers. Slaughter weights rose across all states except Tasmania. New South Wales average carcase weights pushed above 26kg again to join South Australia over 26kg, while Tasmania has the lowest carcase weight at 19.36kg. After a couple of weeks with low numbers, weekly lamb slaughter returned to 370,000 head, but remains 6% below the five year average. Likewise, sheep slaughter returned to 140,000 head (18% up on the five year average) after some weeks of low numbers. **While the seasonal trend would suggest lamb slaughter numbers will increase toward the end of the year, flock inventory and prevailing conditions may still have a big impact on lamb availability.**

August exports showed a significant drop in lamb volumes – down 25% YOY and down 23% on July volumes – reflecting the drop in production. Volumes were the lowest recorded since April 2023. Mutton exports were down 33% YOY.

What to watch:

- **Western Australia and eastern markets price differential** – As eastern producers consider rebuilding stock numbers as seasons improve, we ask the question of where replacement stock may come from. In recent years we have seen large numbers of sheep and lambs transported in from Western Australia, but current prices in Western Australia, plus the reduction in the Western Australia sheep flock, may not make this such an attractive option this time. Back in 2020, Western Australia restocker lambs traded at an average of AUD 2/kg less than Victoria lamb prices. Western Australia restocker lambs averaged AUD 8.97/kg in August – an average AUD 0.30/kg below Victoria lamb prices. Given transport costs, this price difference is likely to rule out Western Australia as an option for restocking eastern states flocks.

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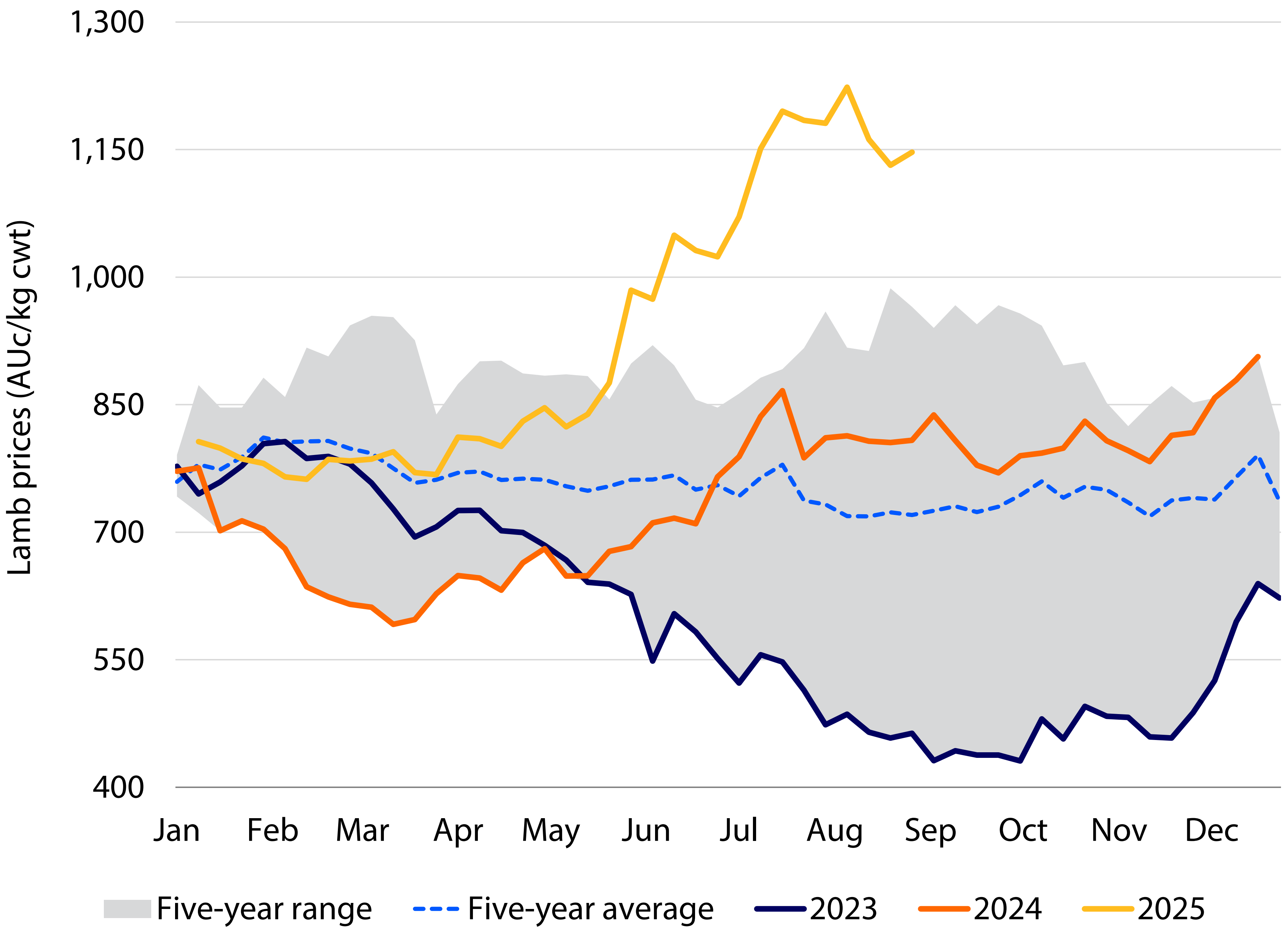
Sheepmeat

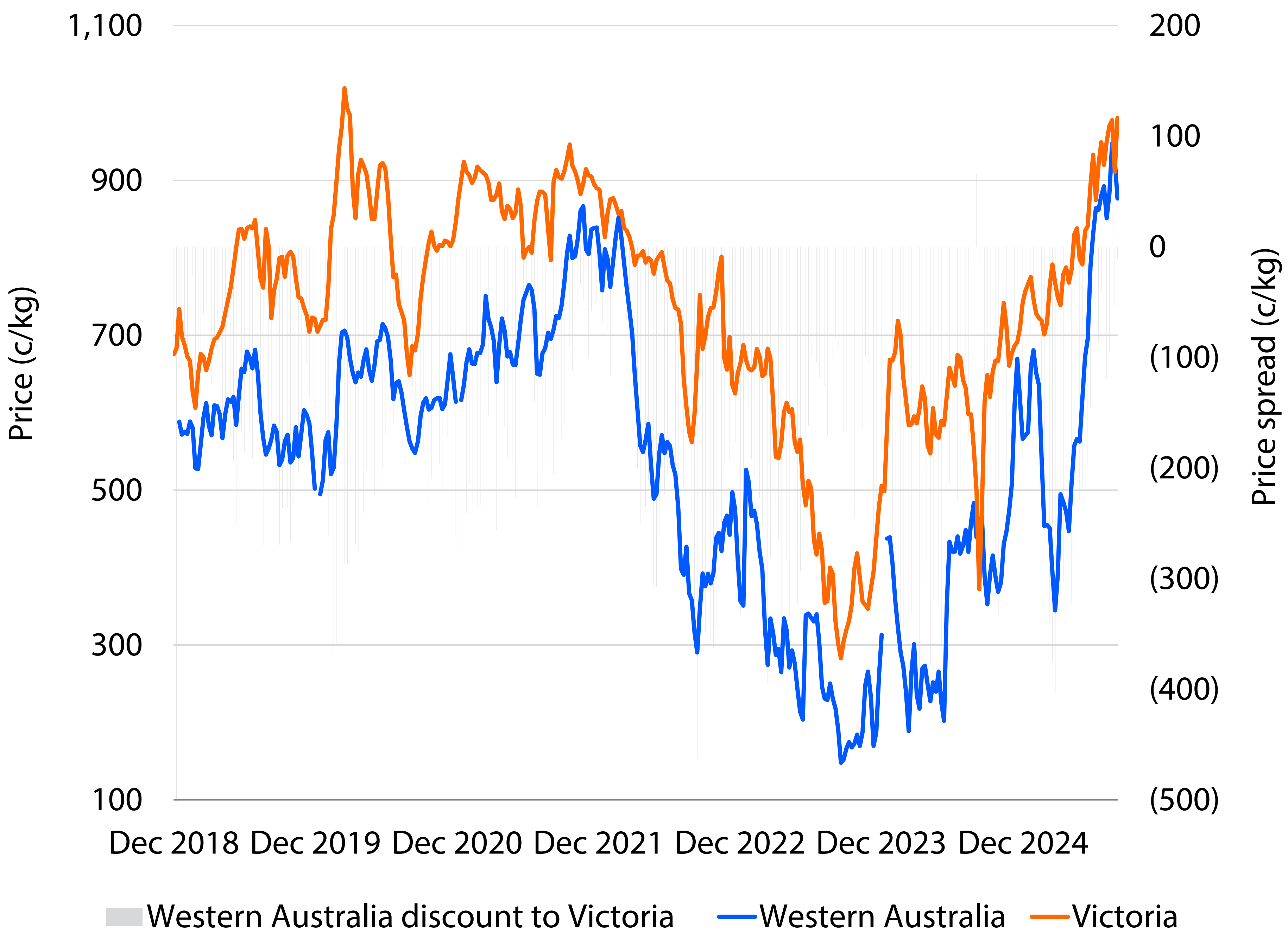
Lamb prices start to ease, but prices in the west have reduced the east-west price spread

Lamb prices decline



Source: MLA, RaboResearch 2025

Price spread between east and west not as large as last rebuild



Source: MLA, RaboResearch 2025

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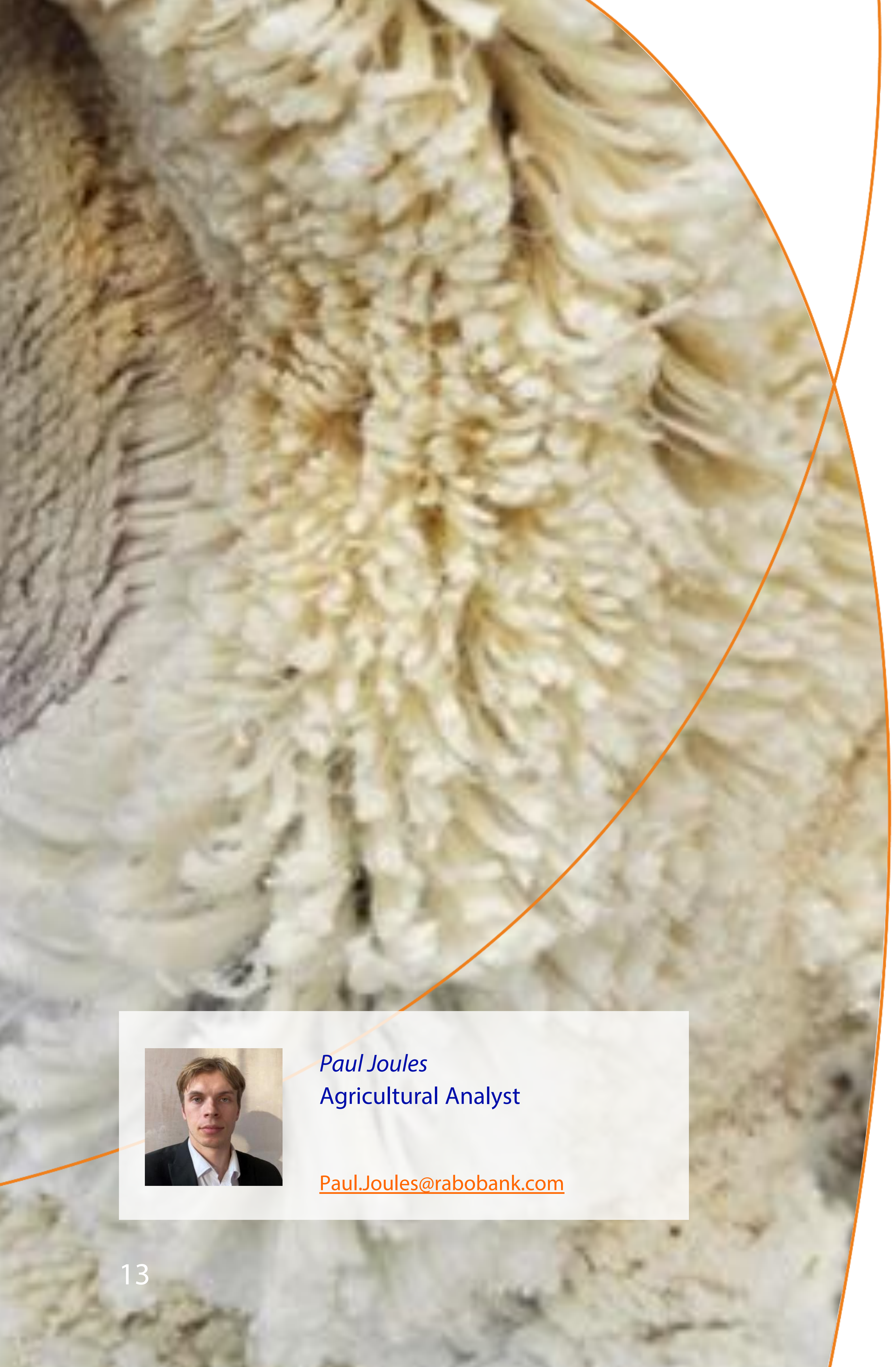

Wool

Wool prices find support following the winter recess

Australian wool auctions recommenced last week after the winter break, with a more optimistic tone emerging as the Eastern Market Indicator (EMI) climbed to its highest level since April. This recent lift has been supported in part by a softer Australian dollar, which is down 1.7% YOY.

Over the past six months, broader microns have led the charge in price gains. The 28-micron category has surged 24% to AUD 5.13/kg – its strongest level since August 2021. Similarly, 30-micron wool has risen 13.8% to AUD 4.25/kg, while 25-micron wool is up 10.5% to AUD 7.70/kg. Among finer microns, 18-micron wool has been the standout, increasing 5.1% to AUD 16.41/kg over the same period.

Despite some divergence in performance across micron types, all categories have recorded positive price movements in the past six months. While currency weakness has played a role, tightening supply is also a key factor. The Australian Wool Production Forecasting Committee recently projected a 10.2% YOY drop in wool production for the 2025/26 season. This supply-side pressure is helping to counterbalance subdued global demand, and any improvement in consumption could provide further upside. **A critical variable remains Chinese domestic demand. Retail sales data was disappointing in July despite persistent government efforts to boost consumer spending through stimulus measures.**

The most recent auction saw over 40,000 bales offered – a notable increase from the previous sale. Buyer interest appeared solid, especially for merino types. With Australian wool exports down 12.1% YOY, including an 11.7% drop in shipments to China, RaboResearch suggests that international buyers may be running down inventories due to hand-to-mouth purchasing strategies. This could prompt renewed buying activity, especially with the current exchange rate making Australian wool more attractive on the global stage.

What to watch:

- **Chinese demand remains a key factor for the wool market.** Australian wool exports to China have declined notably year to date, as buyers continue to operate on a hand-to-mouth basis. Any signs of a recovery in consumer demand could help support renewed buying activity. The market will be watching closely to assess how effective China's latest stimulus measures are in boosting domestic consumption.

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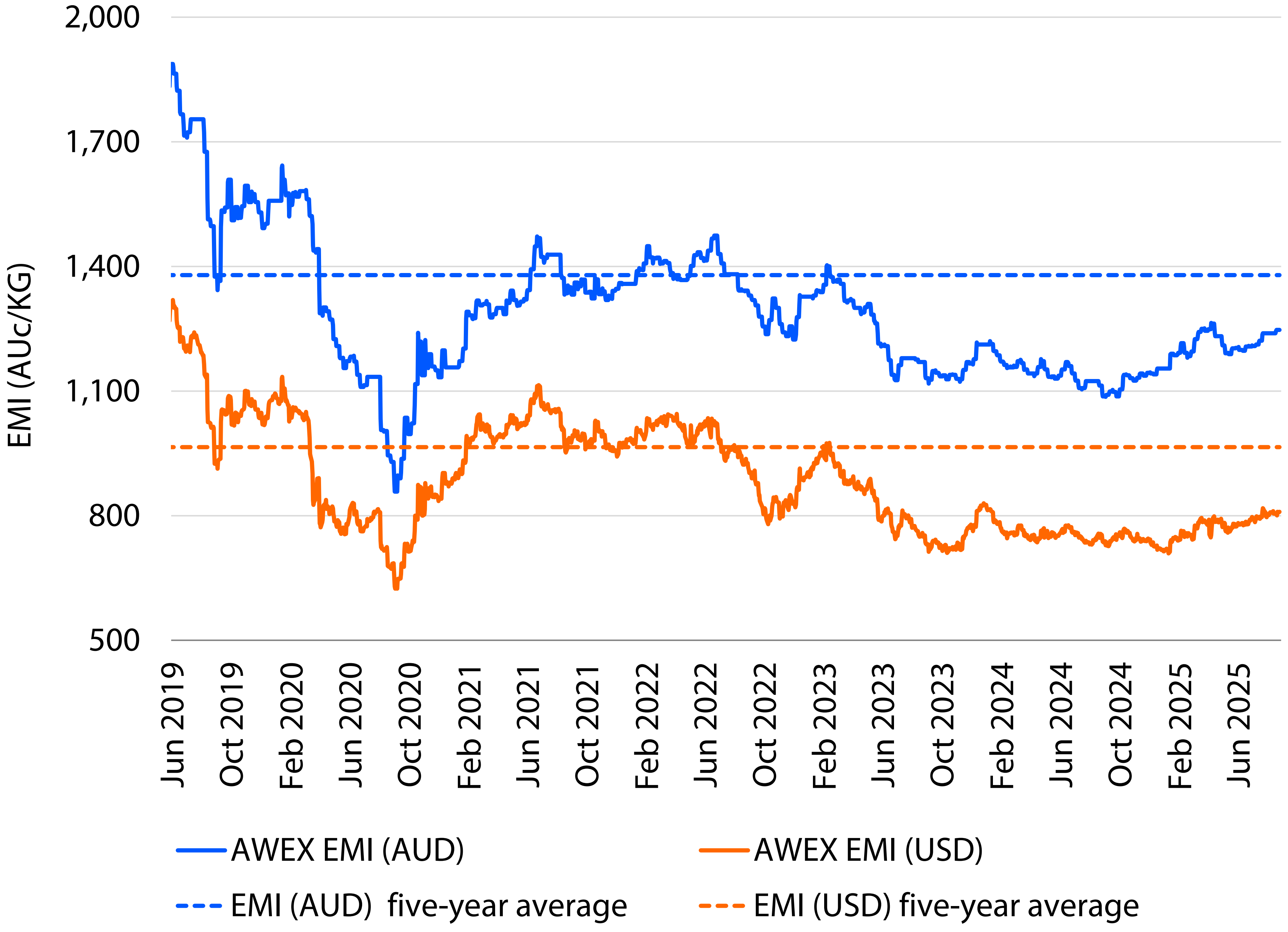
Wool

Declining production, alongside Australian dollar weakness, is supporting wool prices

EMI prices rise 0.6% MOM



Source: *Bloomberg, RaboResearch 2025*

28-micron prices have risen 24% over the past six months

Source: *Bloomberg, RaboResearch 2025*

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Cotton

Australian dollar dip pushes Australian cash prices higher

International cotton futures struggled for direction last month, with the ICE #2 Cotton futures contract bouncing between USc 68.40/lb and USc 66.00/lb. Ultimately, the contract closed 1.5% MOM lower. Australian cash prices managed to avoid overseas weakness, largely thanks to Australian dollar depreciation (AUD/USD cross down 1.8% MOM).

In terms of fundamentals, global supplies appear tighter than they did a month ago. The USDA cut the US 2025 production forecast by 1.4m bales, driven by a 15% reduction in harvested area expectations due to increased abandonment following recent dryness in the southwest. On the demand side, the USDA raised consumption estimates for both China and Brazil. The net effect on the global balance sheet was a 3.4m bale reduction in 2025/26 ending stocks.

Despite this, the market continues to face bearish pressure from massive Brazilian supplies. With the harvest now past the halfway mark, the market is awaiting Brazilian exports to arrive in full force as we move into Q4. This, combined with RaboResearch's expectation for the AUD/USD cross to reach 0.66 on a six-month view, could weaken the Australian cotton basis in the months ahead.

Over the past three weeks, Managed Money increased its net short position by 40%, extending a record one year and four months of net short positioning. Looking forward, money managers will likely be closely watching whether the Federal Reserve cuts rates, which could provide a more positive tone for the global cotton demand outlook.

Another key factor is the ongoing US tariff situation. Most recently, the US imposed a 50% tariff on Indian apparel, effective 27 August. As the US is India's largest textile buyer, this high tariff could weaken existing trade flows. In turn, other textile exporters with lower tariff rates – such as countries in Southeast Asia – may increase their market share in the US. This shift could lead to stronger cotton demand from Southeast Asia.

What to watch:

- **US-imposed tariffs remain in focus,** with uncertainty around the implications of the 50% tariff on Indian apparel for the Indian cotton industry. Meanwhile, US-China trade tensions continue, with the US recently threatening to impose a 200% tariff on Chinese goods if China fails to supply rare earth magnets. Given that India and China together account for 50% of global cotton consumption, these developments are raising concerns about trade flows between them and their key trading partner, the US. The market is likely to remain highly sensitive to further developments.

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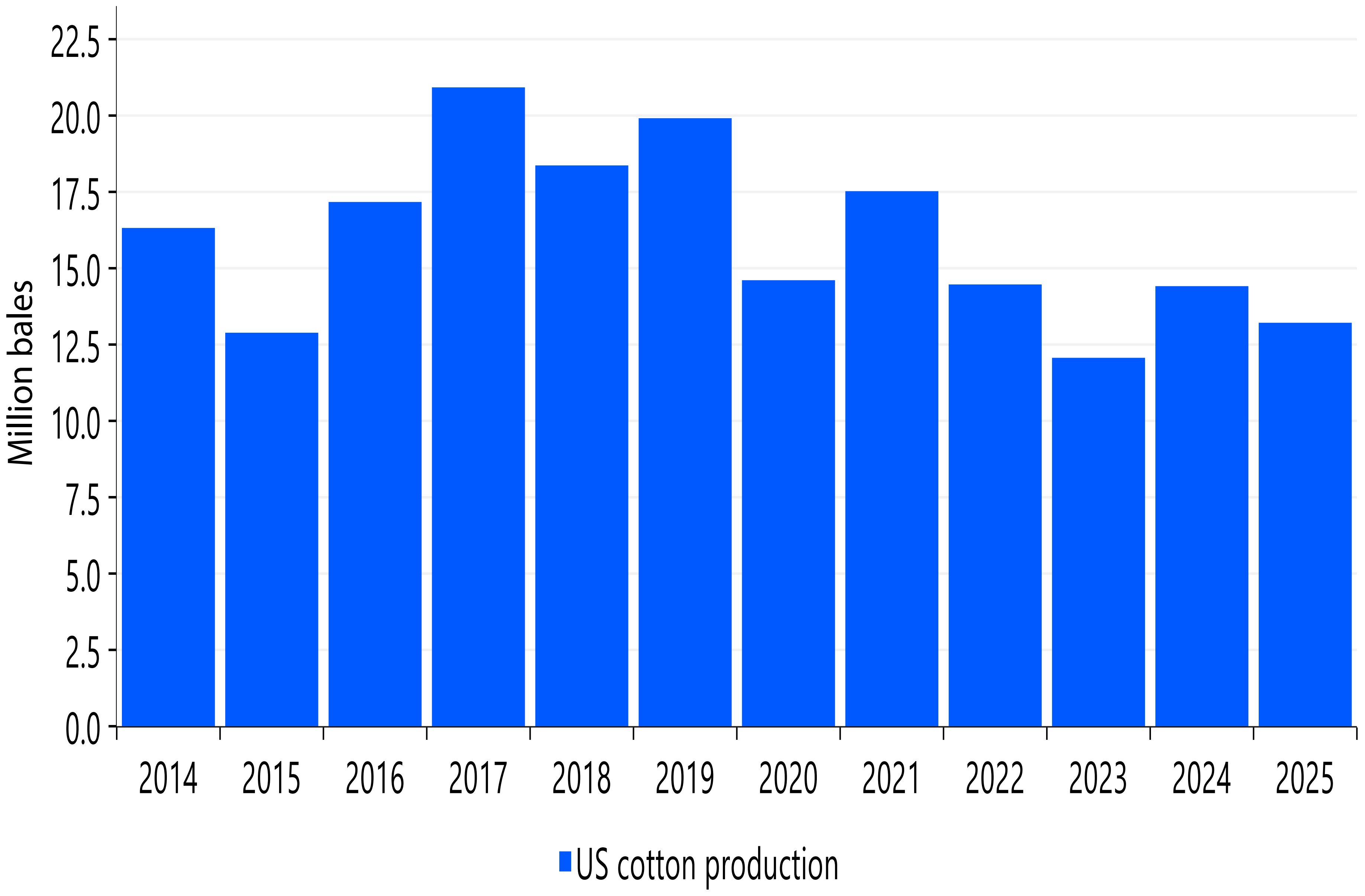
Cotton

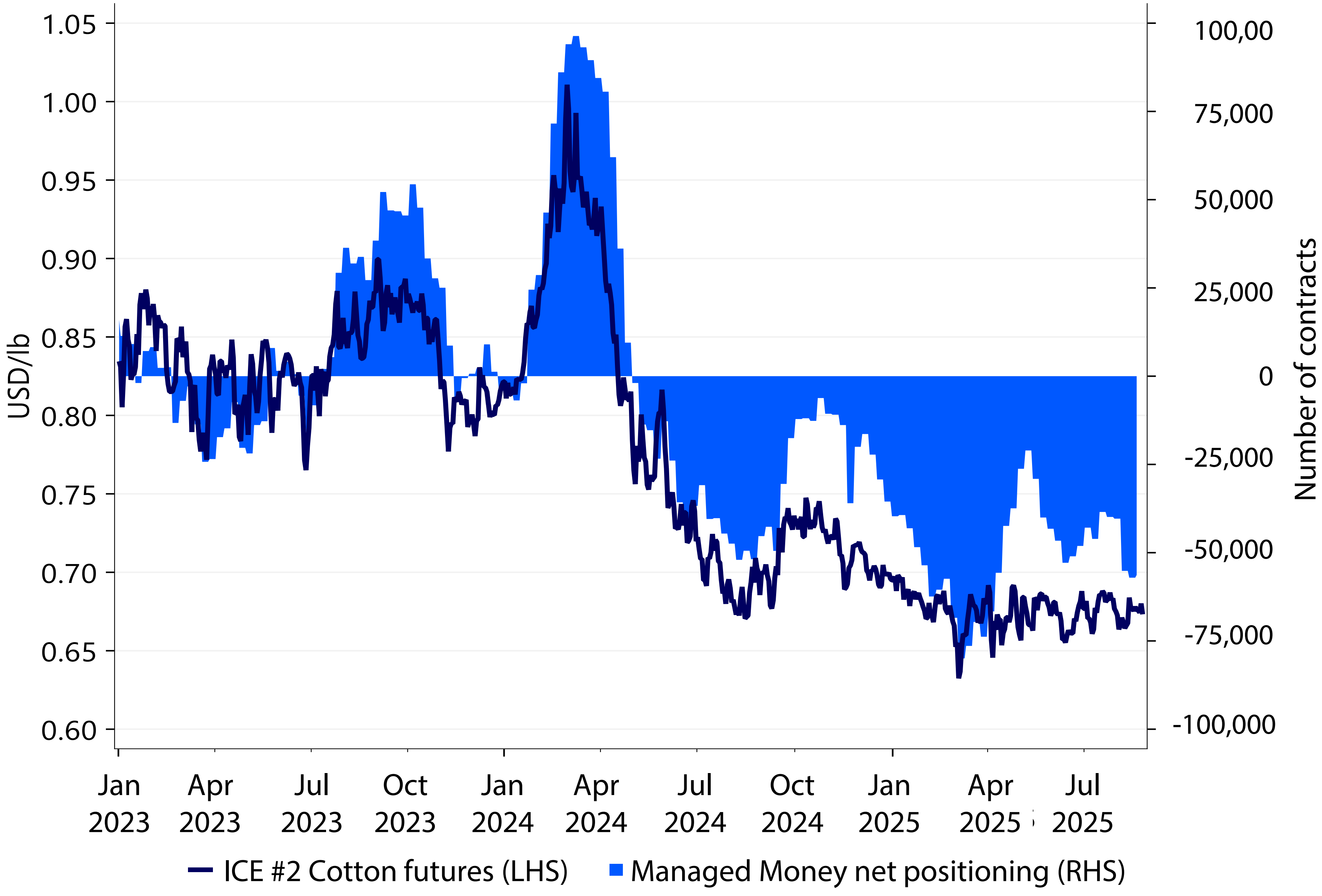
US production expectations have been trimmed

A high abandonment rate has led the USDA to cut US production expectations following recent dryness

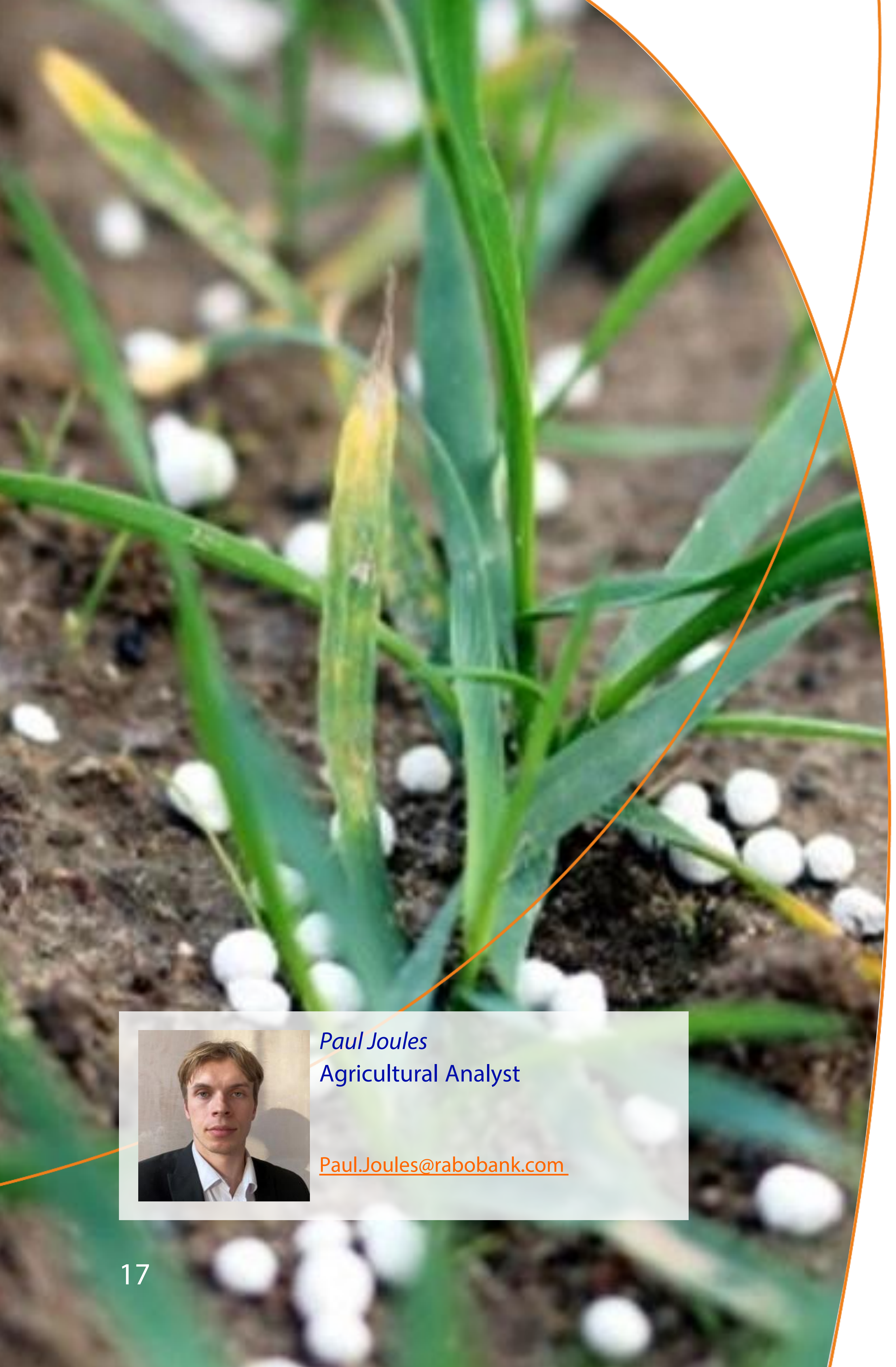


Source: *Macrobond, RaboResearch 2025*

Funds increased their net-short position by 40% in August



Source: *Macrobond, RaboResearch 2025*



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Farm inputs

Urea prices decline month-on-month

Urea prices were once again in focus last month, with FOB granular bulk prices declining by 8% in August in Australian dollar terms. Prices eased in recent weeks as news broke that China would be increasing its export allocations for both phosphate and urea.

DAP prices also responded to the move, having eased last week. This helped to offset gains made earlier in the month, with prices holding flat month-on-month at AUD 1,241/tonne. Potash prices declined by -1% to reach AUD 524/tonne.

Despite the de-escalation of the Israel-Iran war, urea continues to trade at elevated levels, with current prices 19% above the average levels for 2024. One of the key reasons for this is that very strong Indian demand has been absorbing a large proportion of already tight global supplies. Interestingly, China has now relaxed its prior export restrictions on India (which began last year), and urea volumes can flow to the world's largest urea importer. As both countries face trade tensions with the US, it appears that ties between the two BRICS member countries are strengthening. Although urea volumes will initially be fairly small, they have the potential to expand, and this could prove to be a catalyst for weaker urea prices in the long term. That said, in the short term, Indian demand will likely continue to be strong, with internal stocks still weaker than last year, and this could continue to prop up prices.

On the agrochemical side, we've recently seen a small uptick in some Chinese chemical prices, such as glyphosate. The move higher appears to be due to strong Brazilian demand, which has tightened stocks in China. Fortunately, the recent decline in containerised freight rates should prevent retail prices from rising substantially in Australia.

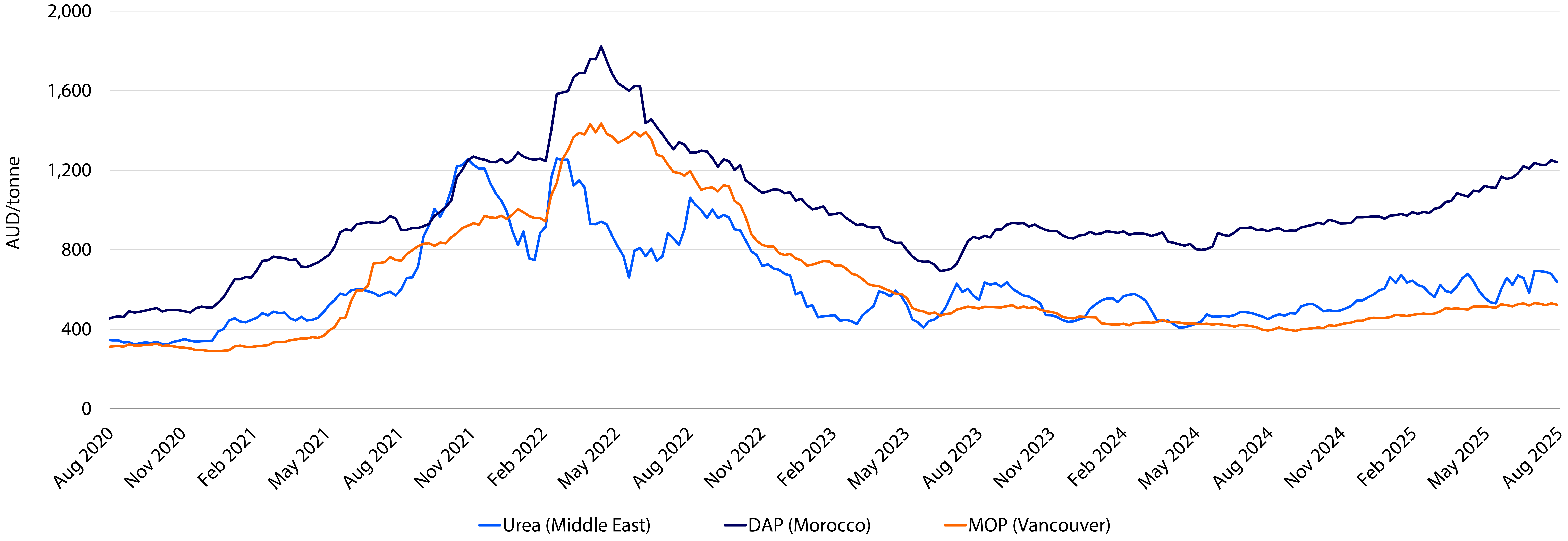
What to watch:

- **Despite this month's price action, urea prices remain elevated. This, alongside weakening corn prices, means that urea prices relative to corn are now around their highest level since April 2022.** With margins under pressure globally, growers may be inclined to reduce urea applications, and this could also have an influence on crop decisions – growers may prefer soybeans given their lower nitrogen requirements. Ultimately, this could translate to lower demand for urea globally, and this could prevent prices from moving substantially higher.

Farm inputs

Urea prices correct lower month-on-month, but remain elevated

News that China will be increasing its export allocations for both phosphate and urea helped ease markets



Source: *CRU, RaboResearch 2025*

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Dairy

The Oceania spring flush looms large

Through August, dairy commodity prices mostly drifted lower, according to USDA price data. Global fundamentals are well balanced through this period, and current spot prices remain well above five-year averages for butter (+29%) and WMP (+11%), and more aligned to the medium-term average for SMP (-1%) and cheese (+1%).

The velocity in milk supply growth across most of the key dairy export regions has shifted and outperformed RaboResearch's previous expectations. For example, July milk production in the US posted its strongest growth rate (+3.4% YOY) since 2021, and New Zealand has experienced a record start to its new season (albeit in the low part of the season). Milk supply growth is expected to maintain momentum into 2026, but at a moderating pace. In 2H 2025, milk supply growth in the Big-7 dairy exporting regions is expected to increase by 1.8% YOY before slowing to 1.1% YOY in 2026.

The Oceania spring flush is fast approaching. October will be the peak volume month for both countries. While Australia is facing a weaker spring peak due to feed shortages and a smaller herd, New Zealand has a solid footing for a very good peak. The forecast payout is currently set at a record high. Seasonal conditions are broadly ideal in many regions in Oceania.

Australia's 2024/25 milk production reached 8.315bn litres. This represented a marginal fall of 61m litres of milk (-0.7% YOY). Drought conditions and feed shortages were a drag on production – particularly across the south-east corner including in the western districts. This region saw a drop of more than 5% in the season. Unfavourable conditions also dragged production lower in eastern Victoria and Tasmania. July milk production was down 4% to start the new season.

Looking forward, the global dairy market looks set to be adequately supplied. Rising milk supply and sluggish domestic demand in key channels (namely foodservice) present a higher probability for a larger exportable surplus across most export regions, presenting downward price pressure on the dairy commodity market in the near-term.

What to watch:

- **New Zealand spring flush -** Strong early-season milk flows suggest the potential for another bumper season. The first two months of the 2025/26 production season saw milk volumes rise 6.7% YOY on a tonnage basis, and nearly 9% on a milk solids basis.

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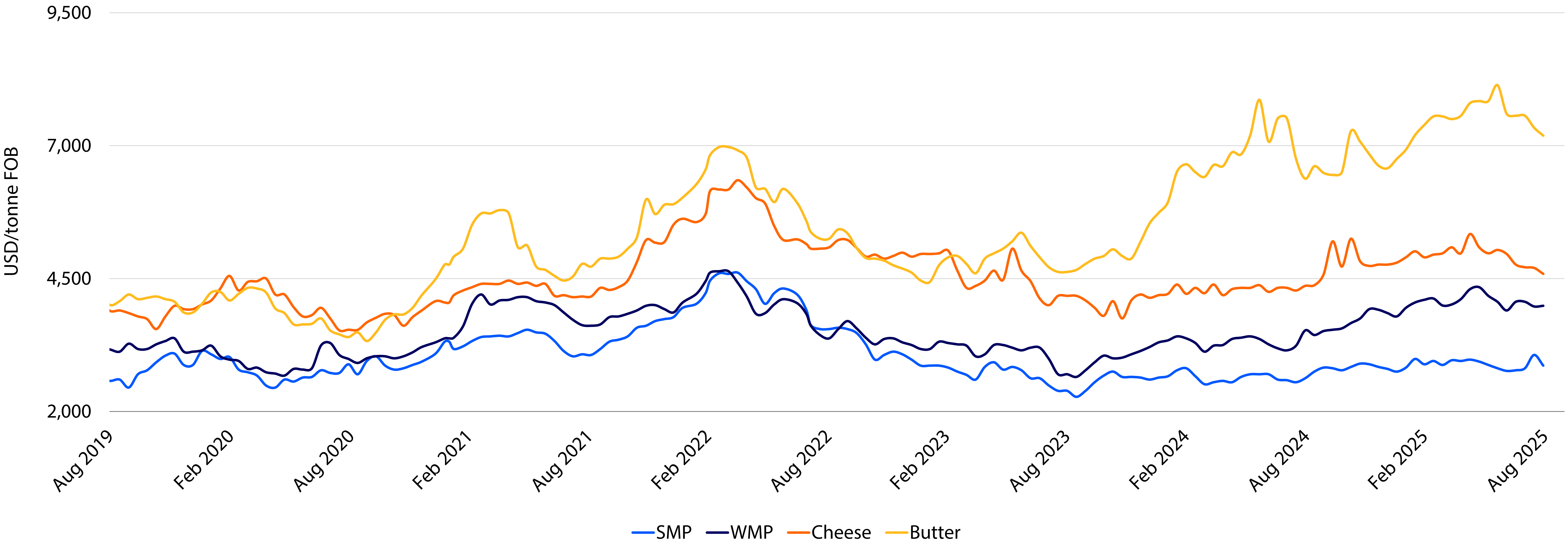
Dairy

Most dairy commodities drift lower in August

Oceania spot prices for dairy commodities



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

Consumer foods

Eggs and chocolate drive food inflation

Monthly food inflation data from the ABS showed a 3% YOY increase in the food basket in July. This was down from a 3.2% rate in June.

Meanwhile, looking at the major retailers, in the fourth quarter of the 2024/25 fiscal year, total supermarket price inflation remained steady at 1.5%, according to Coles. While inflation eased within the fresh category, fresh produce and red meat continued to be the primary drivers of overall inflation.

Vegetable prices were impacted by supply constraints, while rising livestock costs pushed up prices for lamb and beef. Inflationary pressures persisted in several categories, notably confectionery – driven by elevated cocoa prices – and eggs, which faced supply shortages due to the bird flu outbreak.

With a value-conscious consumer still lurking in the background, there is also ongoing investment in lower prices and improving affordability. Retailers continue to invest in own brands and are undertaking range reviews across food and non-food categories. For example, Woolworths' own and exclusive brand sales were up 5.0% in FY 2025, having launched over 350 new products.

E-commerce remains a key focus for major retailers. Coles' online sales surged to AUD 4.4bn in FY 2025, with penetration rising to 11.2%, up from 9.4% the previous year. Woolworths' WooliesX platform also saw strong growth, accounting for 16.8% of food retail sales, compared to 14.9% in FY 2024.

Notably, both retailers reported margin improvements across their e-commerce operations. Ultra-convenience offerings such as MILKRUN and DeliveryNow continued to gain traction, with over 40% of delivery orders fulfilled within two hours during Q4 2025 – highlighting growing consumer demand for rapid delivery solutions.

Domino's Pizza Enterprises' full year results provided a glimpse into the local quick service restaurant sector, which remains sluggish. In the Australian and New Zealand business, same-store sales were down 0.4% in FY 2025.

Meanwhile, McDonald's reported that it had achieved market share gains in Australia in Q2 2025 – the first time it had gained market share in a couple of years. The positive result was attributed to the launch of a chicken menu campaign.

What to watch:

- **Consumer confidence -** According to the ANZ-Roy Morgan Australian Consumer Confidence index, the most recent results show a broad-based decline in Australian consumer sentiment. This places household confidence in the economy at its lowest since June. A material improvement in sentiment will be key to lifting discretionary spending.

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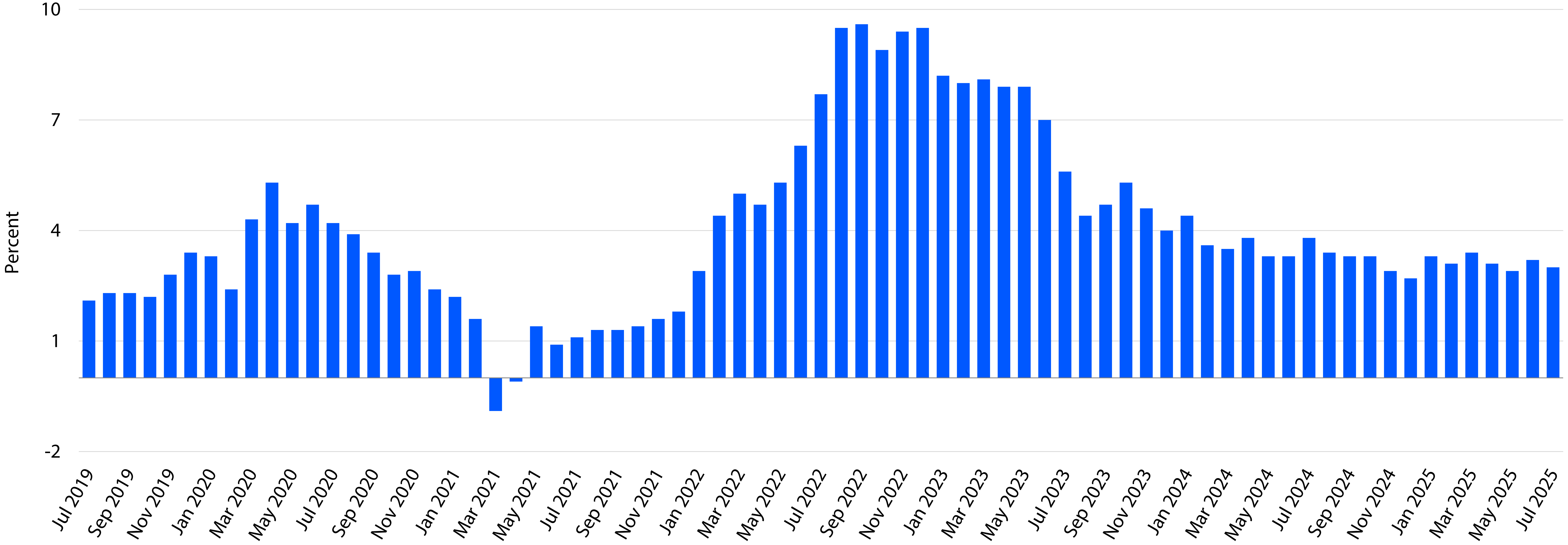
Consumer foods

Monthly food and beverage inflation tracking at 3%

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



Source: *ABS, RaboResearch 2025*

Interest rate and FX

RBA resumes the cutting cycle

The Reserve Bank of Australia (RBA) delivered a third cut to the cash rate in August, taking it down to 3.60%. As noted here last month, the cut was very much expected after RBA Governor Bullock said the decision to hold rates unchanged in July was a case of "timing, not direction".

Also released in August were Standard & Poor's Purchasing Managers Indexes (PMIs), which act as a leading indicator for the performance of the services and manufacturing sectors of the economy. Both sectors saw a substantial lift in the latest data, with services (by far the largest sector of the economy) performing particularly well.

Business and consumer confidence figures released in August also showed encouraging signs of rising optimism, while house price figures for July showed a 0.6% monthly gain and wages data for the second quarter of the year showed pay packets growing at an annual pace of 3.4%.

All of that to say that the data released during the month was mostly positive, which suggests that the economy is continuing to gather steam.

Likely as a consequence, the Australian dollar rose 1.79% in August to close at 0.6540 against the US dollar, and interest rate futures markets are now suggesting a slightly higher chance that the RBA will only cut two more times this cycle, rather than delivering the three additional cuts that we are forecasting.

We still hold the view that the RBA will cut the cash rate to 2.85% by May next year, as trade headwinds restrict growth and frothy asset market valuations come in for questioning.

We forecast the Australian dollar to rise to 0.6800 against the US dollar on a 12-month view.

What to watch:

- **ABS labour force report, 18 September** – With inflation now back inside the RBA's 2% to 3% target band, more attention is being paid to the state of the labour market. A lift in the unemployment rate could see a weakening of the Australian dollar and speculation over a faster pace of cuts to the cash rate.
- **RBA cash rate decision, 30 September** – We don't expect another cut from the RBA in September, but the wording of the rate announcement and the Governor's press conference will be an important update on the likely path ahead.

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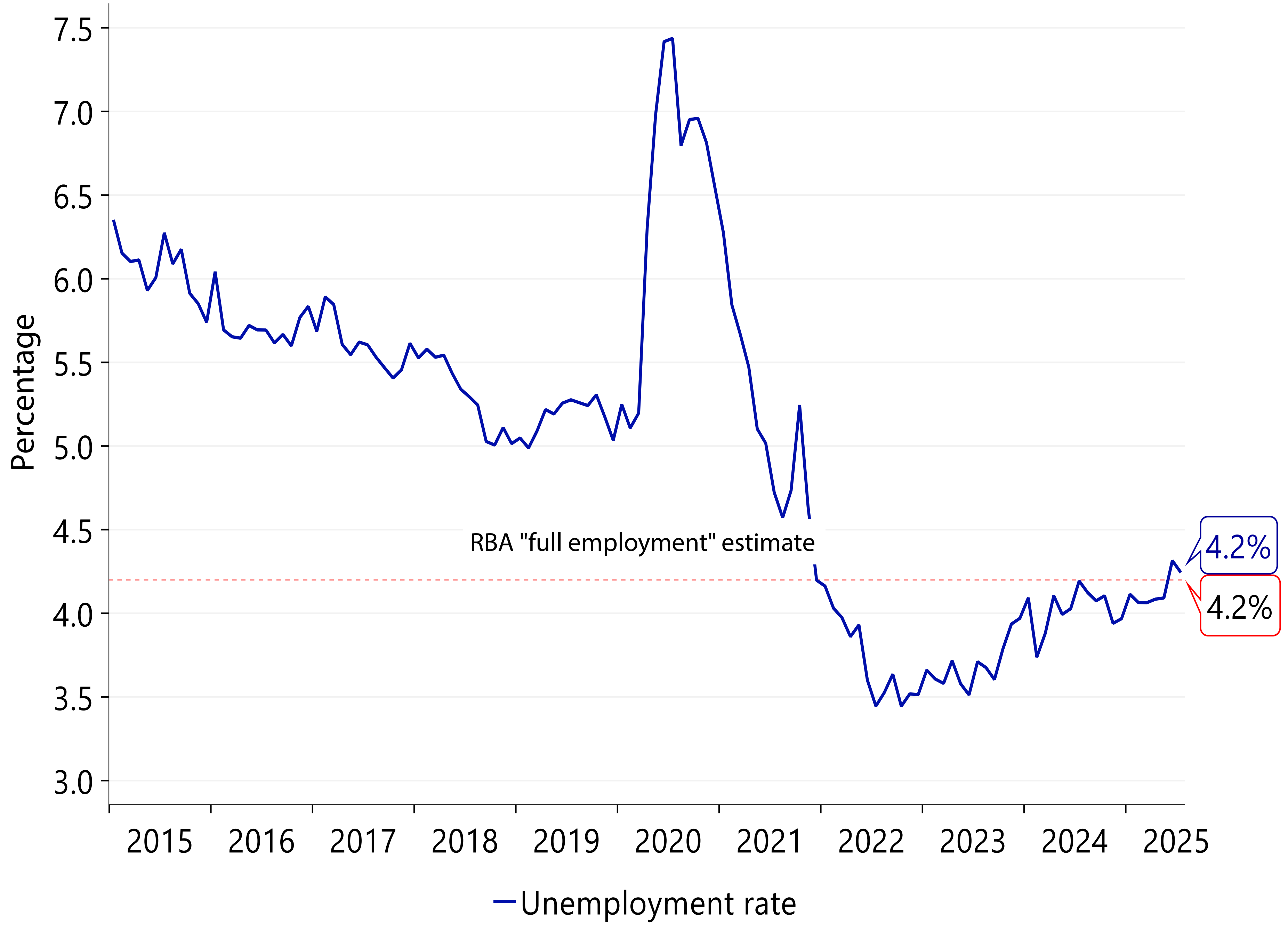
Interest rate and FX

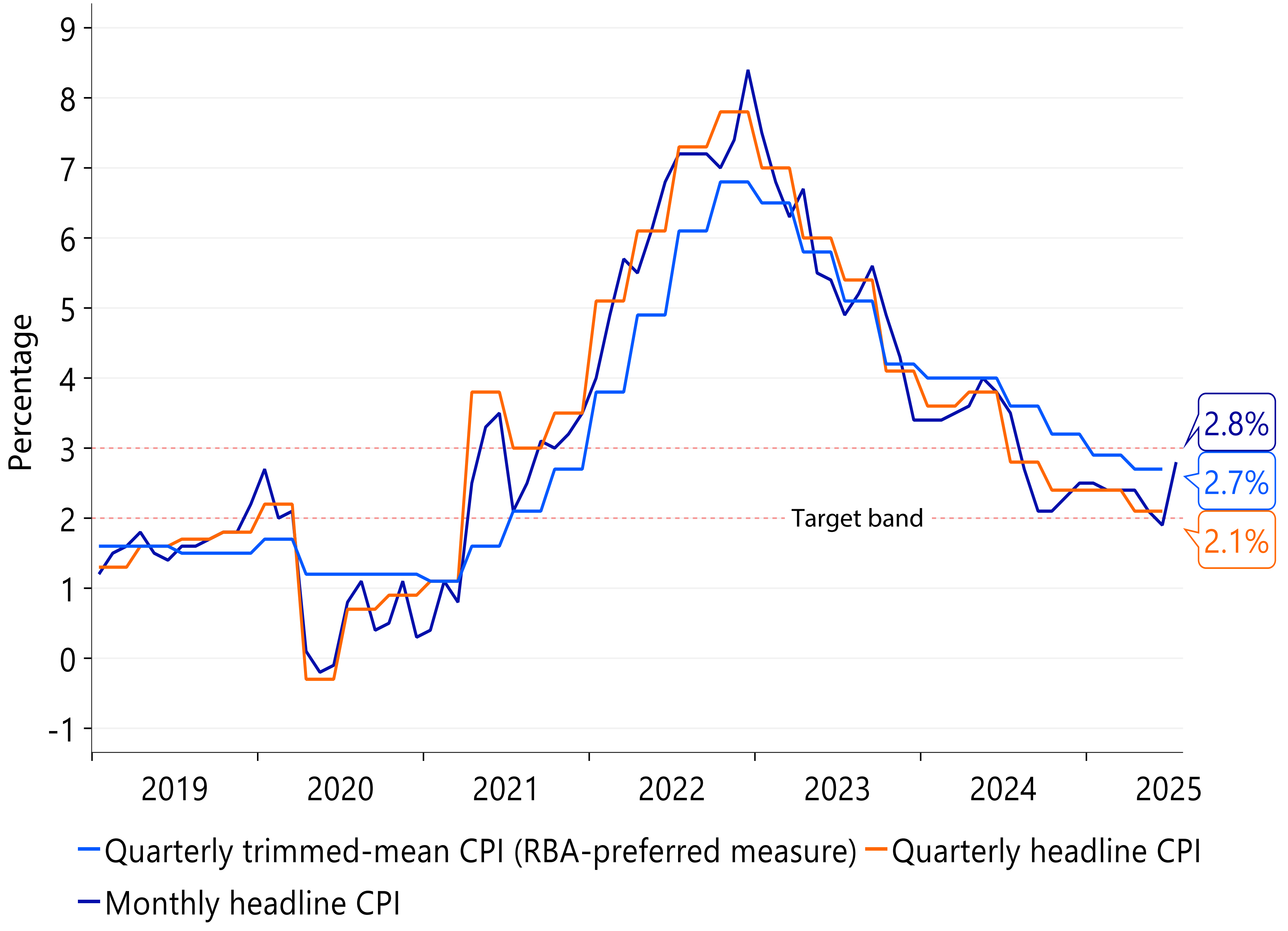
Stay on target, stay on target...

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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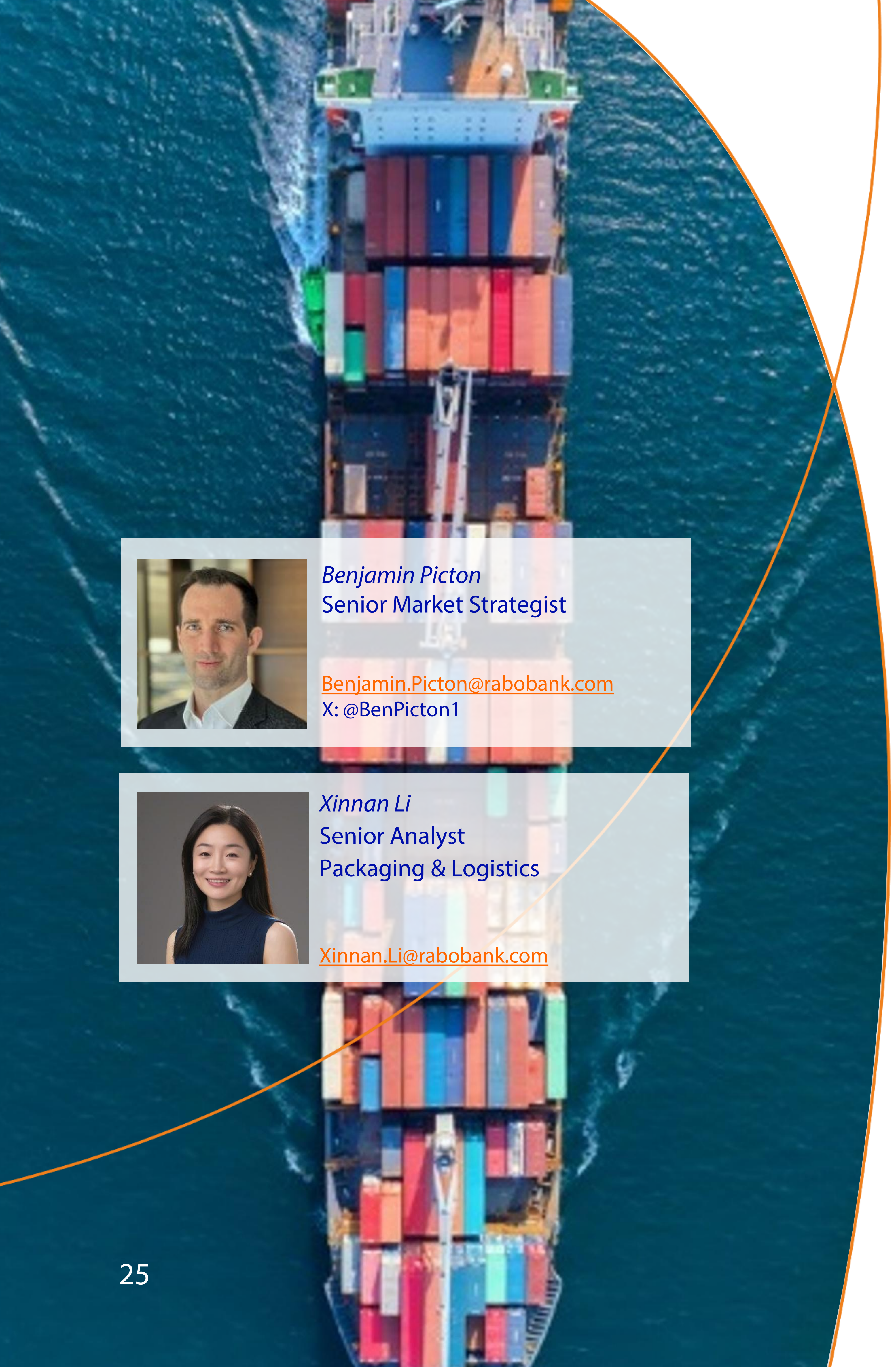

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Oil and freight

Finally, some relief

Benchmark Brent crude oil prices closed lower in August for the first time since April. The imposition of steep reciprocal tariffs by the US weighed on energy prices by dampening the outlook for global economic growth.

This downward pressure was partially offset by threats of secondary sanctions on buyers of Russian crude cargoes, although most of the effect on prices occurred in late July. If implemented successfully, such sanctions would effectively remove Russian supplies from the market, as buyers become reluctant risk penalties from the US.

India has already been affected by secondary sanctions, with an additional 25% tariff imposed on its goods exports to the US (on top of the 25% reciprocal tariffs).

Low inventories and scheduled refinery closures in the EU and the US later this year are expected to keep prices for distillates, such as diesel, elevated relative to crude oil.

Freight rates across major routes – including Asia–Europe, trans-Pacific, and trans-Atlantic – continued to decline. In response, carriers are implementing cost-control strategies, including slow steaming, returning chartered vessels, and switching to more fuel-efficient options like very low sulphur fuel oil (VLSFO). On the Asia–Europe route, carriers responded to softening spot rates and excess capacity by raising rates and blank sailings. Strategic shifts are also emerging amid ongoing tariff uncertainty between the US and China. Some shipping alliances have restructured services to avoid high US port fees on Chinese-built vessels. Meanwhile, the China-Mexico trade lane gained momentum, with carriers such as OOCL launching new express services to capitalise on shifting supply chains.

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.

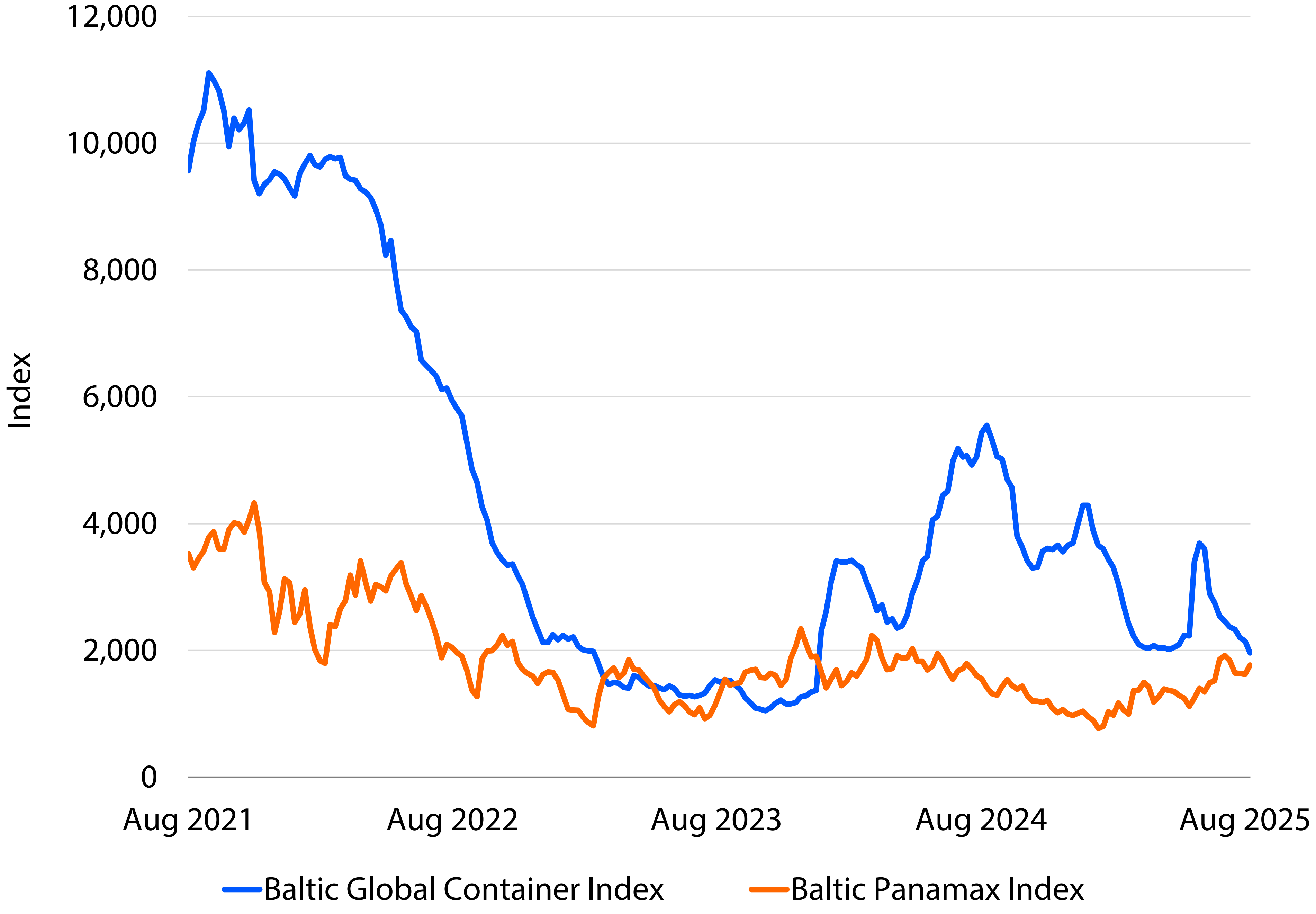
What to watch:

- **OPEC Oil Market Report, 11 September** – OPEC will release updated estimates of the global energy market's supply and demand balance.

Oil and freight

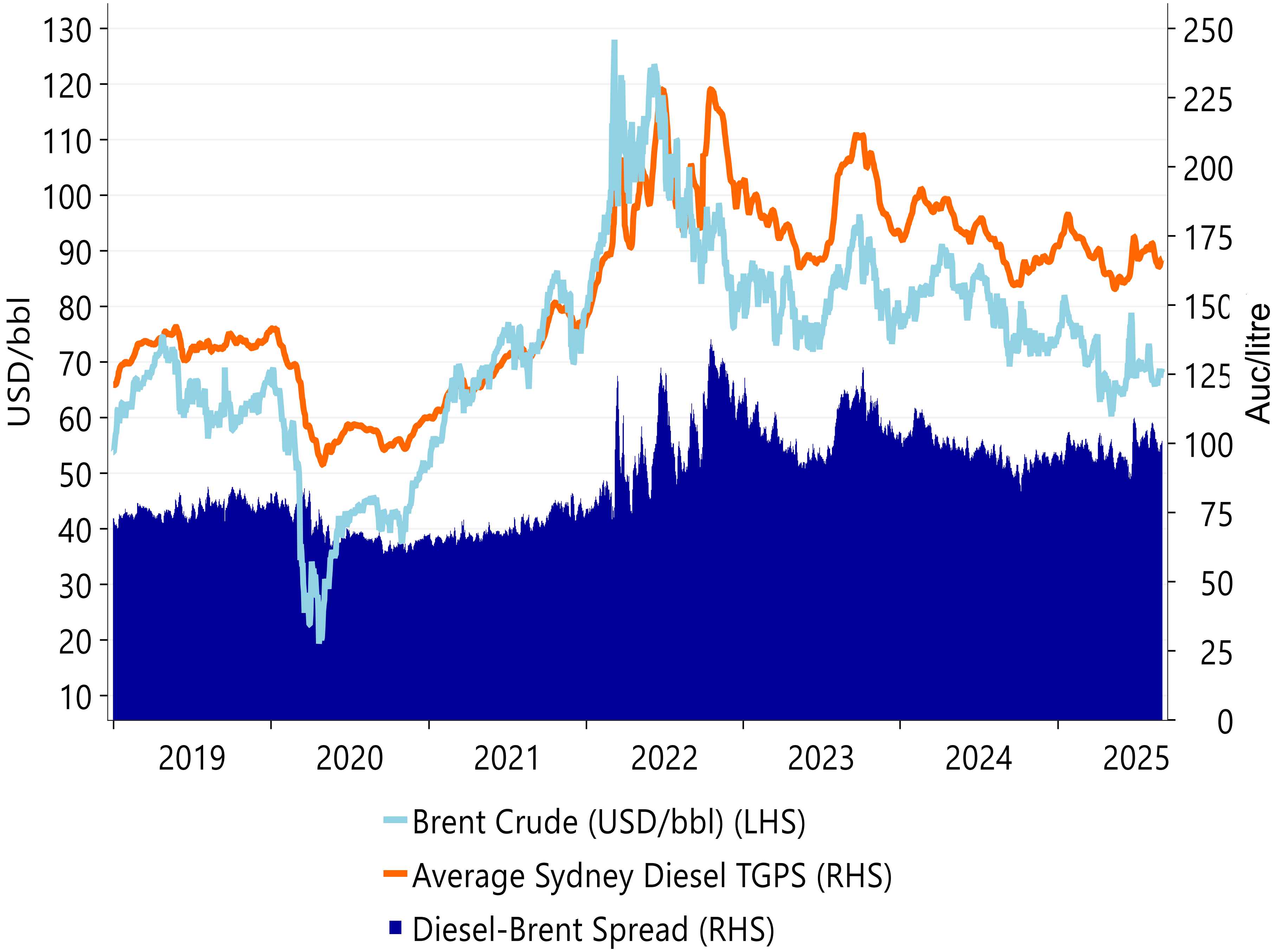
Crude falls, but diesel prices are proving more sticky

Baltic Panamax Index and Dry Container Index, Aug 2021-Aug2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus Sydney diesel prices, 2019-2025



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

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Agri price dashboard

26/08/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	505	539	508
CBOT soybean	USc/bushel	▲	1,024	989	508
CBOT corn	USc/bushel	▼	389	394	508
Australian ASX EC Wheat Track	AUD/tonne	▼	318	329	508
Non-GM Canola Newcastle Track	AUD/tonne	▼	755	758	508
Feed Barley F1 Geelong Track	AUD/tonne	▼	307	323	508
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	879	854	685
Feeder Steer	AUc/kg lwt	▲	458	420	371
North Island Bull 300kg	NZc/kg cwt	▲	835	830	685
South Island Bull 300kg	NZc/kg cwt	·	765	765	615
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▼	1,148	1,190	807
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	980	975	730
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	985	980	725
Venison markets					
North Island Stag	NZc/kg cwt	▲	990	970	965
South Island Stag	NZc/kg cwt	▲	985	955	925
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	7,338	7,563	6,750
Skim Milk Powder	USD/tonne FOB	▲	3,063	2,775	2,550
Whole Milk Powder	USD/tonne FOB	▼	3,975	4,063	3,238
Cheddar	USD/tonne FOB	▼	4,700	4,763	4,275

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

26/08/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	78.9	78.7	82
CE No.2 NY Futures (nearby contract)	USc/lb	▼	66.0	67.4	70
Sugar markets					
CE Sugar No.11	USc/lb	▼	16.4	16.4	19.6
CE Sugar No.11 (AUD)	AUD/tonne	▲	558	554	598
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,247	1,221	1,095
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	517	493	343
DAP (US Gulf)	USD/tonne FOB	▲	760	750	550
Other					
Baltic Panamax Index	1000=1985	▼	1,770	1,798	1,381
Brent Crude Oil	USD/bbl	▼	68	70	80
Economics/currency					
AUD	vs. USD	▼	0.648	0.652	0.679
NZD	vs. USD	▼	0.585	0.597	0.625
RBA Official Cash Rate	%	▼	3.60	3.85	4.35
NZRB Official Cash Rate	%	▼	3.00	3.25	5.25

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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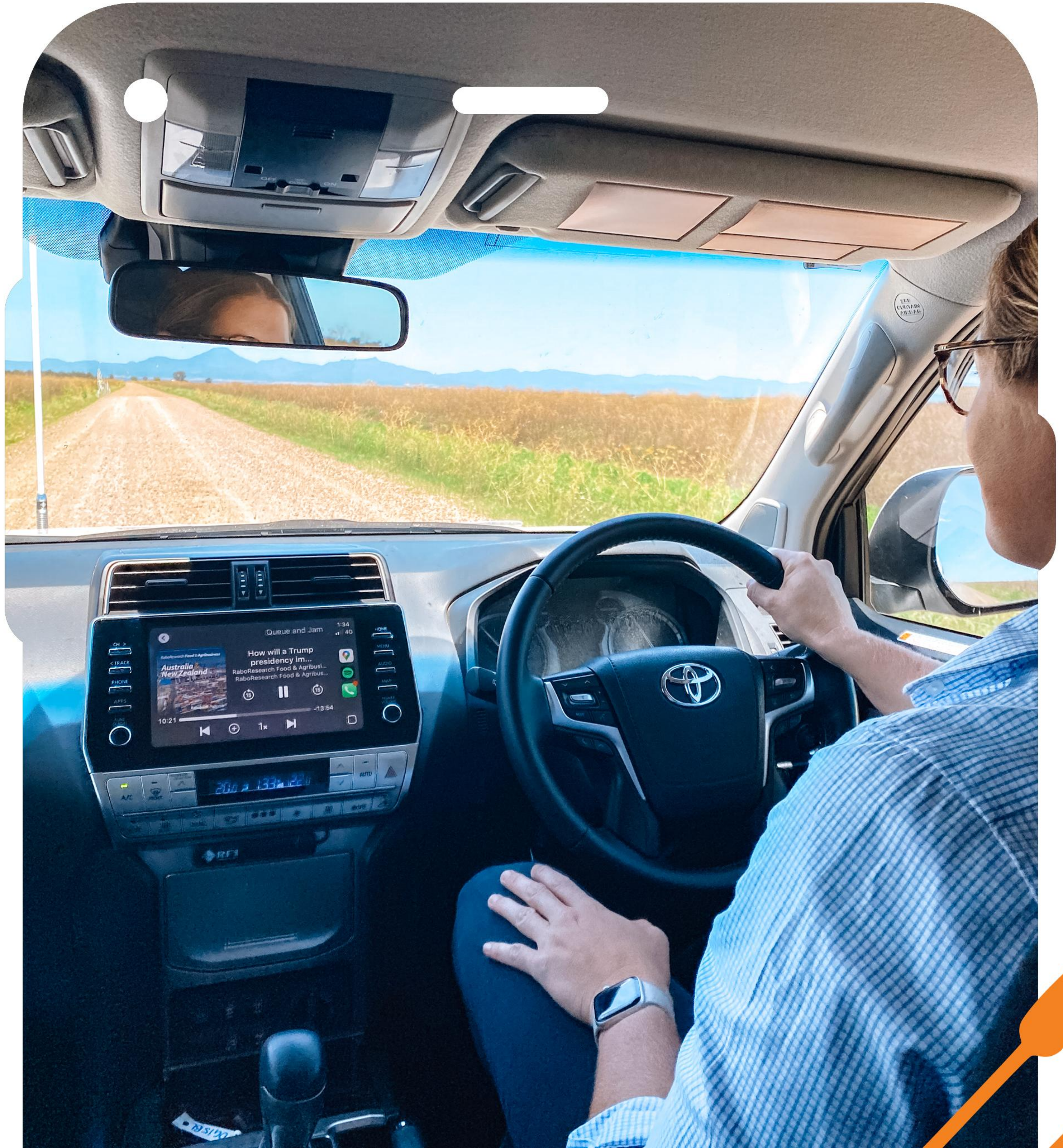

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