



2025

# Australian Agriculture Mid-Year Outlook

 **Bendigo Bank**  
Agribusiness

# Contents

Executive summary.....	3
Economic outlook.....	5
Cattle.....	6
Cropping.....	9
Dairy .....	14
Horticulture .....	17
Sheep.....	22
Wool.....	25
Climate and carbon.....	28



# Executive summary

## ↑ Cattle

A lift in beef production, strong export demand and an increase in prices gives a positive outlook for the cattle industry.

## ↑ Cropping

Adequate global supplies will pressure domestic prices near-term, while geopolitical tensions and trade policy shifts will create volatility and marketing opportunities.

## ↓ Dairy

With Australian industry confidence low, producers are seeking support to manage the contraction of the industry.

## ↑ Horticulture

Rising domestic demand, combined with improved yields and quality will provide a boost to growers despite easing prices. Record calendar year export value is forecast.

## ↔ Sheep

Prices should remain firm over the next six months, but production will ease following dry conditions and destocking over the past two years.

## ↔ Wool

A reduction in supply should provide enough support to keep prices around their current level.

Bendigo Bank's *Australian Agriculture Outlook Mid-Year 2025* report provides an in-depth perspective on supply, demand, and price outlooks for Australia's major agricultural commodities. By analysing historical trends and considering future scenarios, the Outlook presents a detailed view on what lies ahead for Australian farmers to help them make informed business decisions. There are two major themes that are driving a varied outlook across the agricultural sector over the next six months. These themes being varied and challenging seasonal conditions, and the volatile geopolitical environment that has changed significantly over the past six months.

As we move into the second half of 2025, Australia's seasonal situation reflects a period of sharp climatic contrasts, marked by extreme weather events that have both supported and hindered production. Widespread and well above average rainfall in parts of New South Wales and Queensland during the summer and autumn period significantly improved soil moisture and summer crop yields, whilst also providing a solid foundation for winter sowing. Conversely, the flooding associated with this rainfall has had

devastating impacts upon livestock numbers and farm infrastructure. Parallel to this, large portions of southeastern Australia and Western Australia have been grappling with drought, elevated feed costs, reduced production and poor crop and pasture outlooks. The season so far underscores the growing unpredictability of Australia's agricultural climate, demanding resilience and adaptability across the sector from producers and the broader supply chain. Looking ahead at the Bureau of Meteorology's three-month rainfall outlook, Queensland, New South Wales and South Australia are generally forecast to have a greater than 50 per cent chance of exceeding median rainfall, while Victoria, Tasmania and Western Australia have more neutral to slightly higher chance of drier outlooks. How the season develops will be the major factor in how the industry performs in the second half of the year, with several regions looking to recover from drought conditions and the resulting lack of feed and stock water.

Australia exports over two-thirds of its agricultural production, underscoring the sector's critical reliance on global markets and the importance of maintaining strong diversified trade relationships.



The current geopolitical environment provides both threats and opportunities for Australia's agricultural industry. Growing uncertainty in the global trade environment, encapsulated by tariff announcements from the US and China, is leading to increased volatility in markets. The recent apparent de-escalation in trade tensions between the two has slightly eased concerns, but it still seems that any sustained agreement is a long way off. The largest impacts of the trade conflict and the sweeping US tariffs on Australian agriculture at this stage are generally expected to be through downstream effects, rather than directly from the 10 per cent tariff imposed by the US on Australia. These downstream impacts include increased demand for Australian red meat from China, or the forecast detrimental impacts that the trade war will have on both the Chinese and global economies, adding a bearish tone to wool and some horticultural markets. However, the uncertainty created by the US and Chinese trade announcements may see a higher chance of a trade deal being struck between Australia and the EU, which could offer significant opportunities for Australian beef and lamb. Conflicts in the Middle East and the Black Sea, as well as the threat that attacks will resume in the Red Sea are also disrupting global markets, as well impacting the supply of goods and increasing shipping costs. How these conflicts develop will be closely watched by the industry and markets more broadly over the next six months.

On a positive note, interest rates have moved into an easing cycle which will help reduce pressure on agricultural businesses, as well as see an increase in consumer spending as cost-of-living pressures ease. These factors will help improve profitability; however, it is worth noting that interest rates are not expected to fall to the lows experienced between 2022 and prior in this easing cycle.

Overall, the outlook for Australian agriculture is cautiously optimistic amidst the potential for improved seasonal conditions combined with rising consumer demand and lower interest rates. While the heightened uncertainty within the global trade environment remains a headwind for producers, processors and exporters alike, favourable trade terms and strong demand is expected to provide ongoing support.



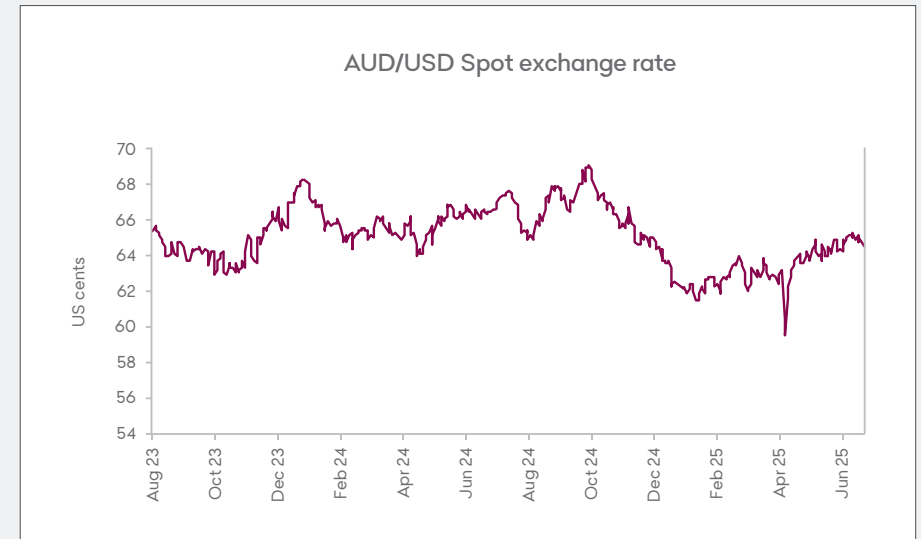
# Economic outlook

The Australian economy remains on track to gradually recover from the sluggish growth evident over the last few years. Amidst an ongoing cost-of-living crunch that was primarily driven by the global surge in inflation, recent data continues to show subdued activity with below trend consumer sentiment. In turn, this has weighed on business conditions, while labour markets remain tight with the unemployment rate remarkably low at 4.1 per cent.

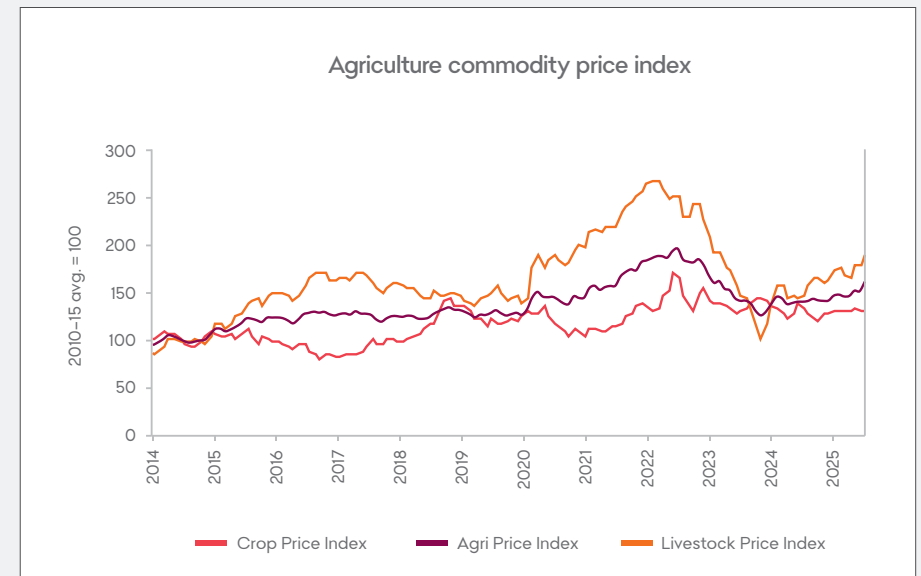
Growth was very modest in Q1 at only 0.2 per cent in real terms (1.3 per cent growth through the year) although there were some one-off factors that resulted in this lower-than-expected rate, including falling public spending and some extreme weather events (such as Cyclone Alfred) that impacted mining, tourism and shipping. Real household disposable income has seen a gradual improvement thanks to moderating inflation and two RBA rate cuts thus far, however the national accounts data showed households are primarily increasing savings rather than discretionary spending. Disposable income rose 2.4 per cent in the quarter while household spending only rose 1.0 per cent.

Inflation has continued to moderate with CPI at 2.4 per cent and core measures also on target based on the monthly series, so the primary challenge to our economy over the last three years (high inflation) is looking less threatening. Importantly the latest quarterly RBA Statement on Monetary Policy went to great lengths to explain why global trade tensions and in particular US tariffs in aggregate reduce inflationary risks ahead here, despite the likelihood that they will add to inflation in the US itself.

The initial extent of the 'liberation day' tariffs drove extreme volatility in financial markets and were a shock for most countries, making the subsequent deferrals (and in some cases de-escalation) all the more welcome. Nonetheless, the average US tariff rate is currently around 13 per cent (the highest level since the 1930s). As a result, stagflation risks in the US are significantly higher and some countries remain highly exposed to these tariffs. Australia has very little direct exposure but remains indirectly exposed via our major trading partners and via the prevailing policy uncertainty, suggesting further market volatility ahead and challenging conditions for businesses.



Source: RBA



Source: Bendigo Bank Agribusiness



# Cattle



## Supply

Australian beef production to remain at current levels which are well above recent averages.



## Demand

Demand for Australian beef is set to remain firm, as the US reduction in supply continues to favour Aussie producers.



## Price

Australian cattle prices will likely lift due to strong export demand.



## Outlook

Strong demand for Australian beef on international markets is expected to spur on prices and production.

## Australian beef production

National beef production is forecast to remain mostly stable to marginally higher throughout the second half of 2025. Beef production year-to-date is just under 13 per cent higher than in 2024. The high demand for Australian beef on international markets is expected to keep production ticking over at the current levels or slightly higher. The average weekly slaughter on a national level sits at just under 140,000 head including public holidays and is expected to be at least at these levels for the remainder of 2025.

Despite an extremely rough start to the year for southern livestock producers, northern regions have fared quite well. The current forecast by the Bureau of Meteorology shows an above average chance of median rainfall across all cattle regions barring the south-west of Victoria. This could be the only major constraining factor on how high production could soar. If these forecasts eventuate, restocker demand may lift as producers look to either hold more stock and therefore aren't selling as much or purchasing more stock to build up herds.

## The story of the US moving forward

The United States has been at the forefront of beef news around the globe for a while now and looks to be continuing this trend heading into the second half of the year. Australia's beef exports to the United States are currently up 32 per cent year-to-date compared with 2024. USDA forecasts over the past few months have shown a gradual decline in their 2025 beef production figures as the high domestic prices at saleyards mean processing centres are struggling to maintain slaughter rates. Should the forecast remain at where it is or even fall lower, Australian producers are likely to see even more opportunity going forward. How high the ceiling is for US exports is yet to be seen but the outlook is favourable. A key market to watch going forward will be Brazil, as Australia will have competition to fill out the missing pieces of the US beef puzzle going forward. Looking into the end of 2025 and into 2026, USDA forecasts indicate even lower US beef production. Australian producers are now likely to see the already strong US market lift again late in the year as US domestic production fails to meet local requirements.







## Australia's beef export story

Global beef demand is expected to be broadly stronger across Australia's key export markets. The main story for Australia's exports will continue to be the United States. Exports to the US have been very strong so far and are likely to continue that trend moving into the back half of the year. Trade tensions between the US and China have prompted a reduction of US exports to China that will likely continue. China has been seeking alternative beef sources and as a result imports from Australia have risen 33 per cent year-to-date. This trend is expected to continue going forward. However, whilst the US and China are both forecast to increase their imports of Aussie beef, Japan and South Korea could trend downwards. This comes on the back of the US exporting more beef to these countries as opposed to China. So, whilst Australian producers will see stronger export opportunities to their two biggest volume markets, Japan and South Korea exports are forecast to be marginally softer. The reduced production in the US limits any significant falls but a slight decrease is expected in exports to Japan and South Korea. Overall, despite this likely decline and competition rising with Brazil, the outlook remains favourable as strong demand from the US and China outweighs the falls in South Korea and Japan.

## Local cattle price forecast

Australian cattle prices are expected to marginally increase throughout the second half of 2025. The strength seen in Australia's export market is forecast to continue keeping processors active at local markets, particularly in northern regions of Australia. Additionally, should the Bureau of Meteorology forecast eventuate, restocker demand may also increase as conditions look more favourable to retain stock. This will create further competition at the local level and apply further upwards pressure on prices.

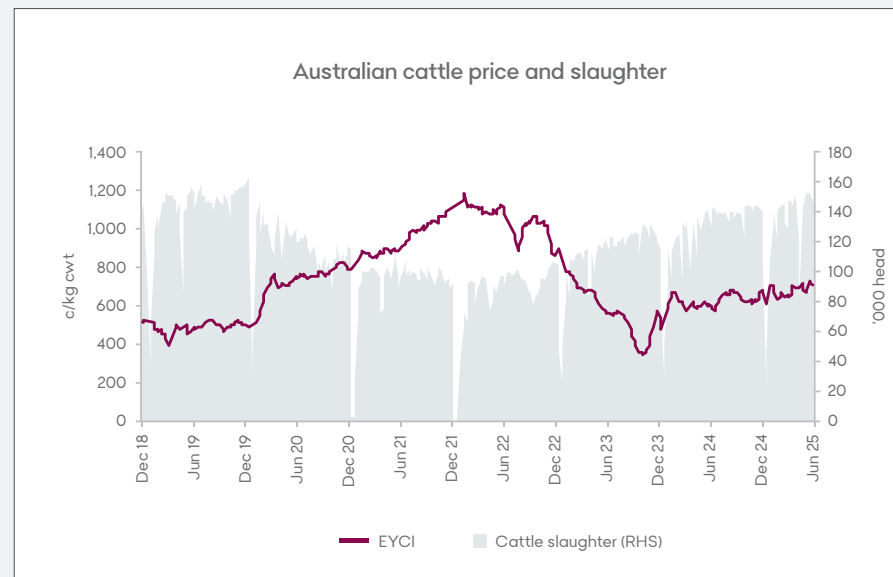


# Cattle

## From the field...

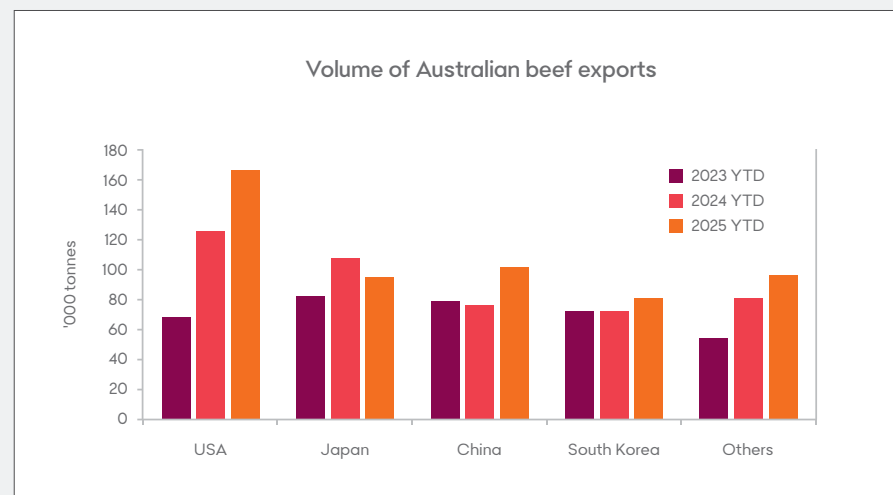
“Australia’s cattle industry is set for a big second half of the year. The strong export demand we are currently seeing is likely to keep processing centres buying plenty of stock at local markets for a while yet. Cattle prices are likely to remain strong and trend marginally higher in the back half of the year with central west and northern areas having an abundance of paddock feed and crop available for back grounding and trading opportunities. Seasonal conditions always play a major role in market sentiment and producer confidence, so should the favourable conditions continue in northern regions and southern areas begin to recover, the cattle industry will be heading towards a solid end to 2025.”

**Craig Rosenbaum,**  
**Regional Manager Agribusiness – New South Wales**



The EYCI and cattle slaughter from December 2018 to June 2025.

Source: MLA



Year-to-date Australian beef exports highlighting the significant role the US has played over the past few years in terms of total exports.

Source: Department of Agriculture, Fisheries and Forestry





# Cropping



## Supply

Early forecasts have winter production down nine per cent from last season to 54.5 million tonnes. A late break across southern Australia has lifted confidence and added upside potential if conditions are kind.



## Demand

Export demand has been very strong for canola, barley and chickpeas with ending stocks to be at multi-year lows. Wheat exports in the final quarter need to be historically high to hit projections.



## Price

New crop canola and barley prices are offering good value for forward sales; however, production risk would be deterring most. Wheat markets remain balanced and lacking any clear direction.



## Outlook

With a mixed production outlook and global market volatility, grain marketing opportunities will vary by region and commodity.

## Cereals

### Supply

Australia's total winter crop production for 2025/26 is forecast at 54.5 million tonnes, representing a nine per cent decrease from last season. This estimate reflects the challenging and varied seasonal conditions that have characterised the 2025 growing season to date. As of late-June, New South Wales and Queensland are tracking well with seasonal progress. New South Wales wheat production estimates remain around 22 per cent above the long-term average at 10.3 million tonnes, while Queensland's forecast sits close to the five-year average at 2.1 million tonnes. Victoria and South Australia have faced a more challenging start to the season. The long-awaited break finally arrived in early June, delivering 20 to 40mm across much of both states cropping regions, marking the most widespread and effective rainfall event in some time. However, rainfall was patchy in places, and both states continue to contend with issues related to late germination. This increases crop vulnerability to frost during flowering and heat stress throughout grain fill. Limited subsoil moisture means that

in-season rainfall must be both well-timed and above average to support yield potential. As a result, production estimates remain below average, with wheat forecast at 4.0 million tonnes for Victoria and 4.2 million tonnes for South Australia. Western Australia presents a mixed but cautiously improving picture. The Geraldton zone has seen some recovery in soil moisture following June rains of approximately 30mm, while the Esperance region continues to maintain good crop conditions with rainfall to late June exceeding 20mm. These rains have helped fill in previously patchy germination across much of the state's wheatbelt. However, most regions still require additional moisture. As of late June, forecasts were indicating a widespread rainfall event across the wheatbelt of 10–50mm. If received, this would significantly boost grower confidence and ultimately support a lift in yield potential, bringing wheat production closer to its five-year average of 11.6 million tonnes. Current estimates sit at 10.0 million tonnes.



# Cropping

The United States Department of Agriculture's (USDA) June WASDE report projects global wheat production for 2025/26 at a record 808.6 million tonnes, up from 799.9 million tonnes last season. However, demand is rising even faster, with global consumption and trade forecast at 806.4 million tonnes, up from 796.9 million tonnes the year prior. As a result, ending stocks have been revised lower to 262.8 million tonnes, down from 265.7 million tonnes in May, and now sit at their lowest level since 2015/16. Despite the tightening balance sheet, grain markets remain mostly steady, reflecting confidence that near-term supply will continue to meet demand. The risk profile is becoming more finely balanced, but without a clear supply shock or demand surge, prices are yet to react in a significant way.

While global grain fundamentals remain broadly balanced, a number of non-fundamental factors could have a significant impact on global prices in the months ahead. Escalating geopolitical tensions in the Middle East, shifting trade policy risks, including the potential for new US tariffs from July 9 and broader macroeconomic uncertainty all add layers of complexity to the market. These influences are inherently unpredictable, and while they may not disrupt supply-demand balances directly, they have the potential to drive sharp price movements and increase volatility. Maintaining perspective will be key, as markets navigate a period where sentiment and headlines may at times override fundamentals.

## Demand

Recent quarterly livestock production figures from the Australian Bureau of Statistics (ABS) and Meat & Livestock Australia (MLA) showed strong growth across most livestock sectors. The number of cattle on feed lifted to a record 1,497,325, up three per cent on the previous quarter and 11 per cent on the year prior. National chicken slaughter also lifted to a record 188 million head, up 0.5 per cent from the previous quarter and 4.3 per cent year-on-year. Recent outbreaks of avian influenza have not impacted the supply of chicken meat. National pig slaughter has declined over the past two quarters, however, looking at the 12-month moving average, overall figures remain close to historical highs. These strong production figures have seen our estimated domestic demand for feed wheat rise five per cent from the previous year and feed barley remain stable at historically high levels.

Australian wheat exports for 2024/25 are on target to reach 23 million tonnes. Shipping data is showing that around 76 per cent of the export program will be completed by the end of June. This leaves a historically high volume to be shipped in the last quarter, with the 5.4 million tonnes required the third highest volume for this period in the past 10 years. Despite the strong domestic demand and average export pace, Australia's current wheat carry out remains relatively healthy at an estimated 4.0 million tonnes, nearly double that of last season. There is some regional variability as to

where stocks are located which is seeing northern New South Wales and Queensland wheat values trade at an unusual discount to southern markets. Whether Australian grain can remain competitively priced into the back end of the season as Northern Hemisphere stocks become available will have a big impact on 2025/26 pricing. If we cannot remain competitive, then reduced exports will add to our already exportable surplus.

Barley exports have been running at near record pace with 6.6 million tonnes to be shipped by the end of June. This is in line with last season and second only to 2016/17 when 7.2 million tonnes had been exported for the same period. Primary demand has again come from China with full season estimate of five million tonnes accounting for around 66 per cent of the 7.6 million tonne estimate for 2024/25. The combination of strong domestic demand along with exports sees ending stocks tightening 14 per cent from last season to under two million tonnes and the lowest carry out volume since 2018/19. Despite the tightening balance sheet, prices have come under pressure from recent rainfall along with export demand dropping in Q4. In the short to medium term prices are likely to remain under pressure as the Northern Hemisphere crop comes online which will see global feed markets well supplied. Looking further out, the USDA is forecasting Chinese barley imports at 9.5 million tonnes, up 5.5 per cent year-on-year. Australia will once again be well placed to supply a large portion of feed and malt barley to the Chinese market.



# Cropping

## Outlook

The bottom line for Australia grains is that we are predominately an export focused origin, and as such domestic prices are largely guided by international values. Our current wheat production estimates are grounded in observed soil moisture conditions as of June and assume average rainfall for the remainder of the growing season. At this early stage, yield outcomes remain highly variable. Historical comparisons illustrate the potential for significant shifts. In 2017/18, production estimates declined by 17 per cent between June and final harvest results as dry conditions persisted through spring. Conversely, last season (2024/25) saw production rise 18 per cent between June and the end of harvest. This was driven largely by Western Australia delivering a major upside surprise due to timely rain, a mild winter and minimal frost impact. Such variability in production has direct implications for basis: the difference between the Australian local wheat prices and the international benchmark (CBOT). When production is strong, basis tends to weaken as surplus grain competes globally. When supplies are tight, basis typically strengthens, pushing local prices above global benchmarks. Western Australia is set for a solid carry out and has upside production potential, which could soften basis as exportable surplus builds. Queensland and New South Wales also have ample stocks and a strong production outlook. These regions are likely to see domestic prices trade at a discount to southern

markets as local supply exceeds immediate domestic demand. In contrast, Victoria and South Australia remain exposed to production risk. With tight carry out stocks and below-average yield potential, any further weather-related downgrades could see local values rise relative to global benchmarks as basis strengthens amid supply-side pressure.

## Oilseeds

Early estimates peg Australia's 2025/26 canola production at 5.4 million tonnes, down nine per cent from last season. This figure remains at risk of further downward revision, particularly across South Australia and Victoria, where patchy crop emergence may lead growers to reseed with shorter-season cereals. Export demand for Australian canola has remained robust throughout the season, with final exports expected to reach 5.5 million tonnes. The European Union, recovering from a poor 2024/25 crop, has been a major driver of demand, importing nearly 4.0 million tonnes of Australian canola, up from 2.5 million tonnes in 2023/24. As a result, national ending stocks are projected to fall to around 800 thousand tonnes, the lowest level since 2020/21. Looking ahead to 2025/26, Australia's exportable surplus is forecast to shrink to around 4.5 million tonnes, down one million tonnes from this season, due to the smaller crop. Global canola stocks remain tight, with carry out for 2025/26 expected to rise

only by one per cent to 9.3 million tonnes. However, EU production is forecast to rebound strongly, rising 13.5 per cent to 19.4 million tonnes, well above the five-year average of 18.2 million tonnes. As Australia's largest canola customer, this increase is likely to reduce our export volumes to the EU in the coming season. While global demand is expected to remain firm, Australian canola will need to find alternative export markets. These markets, however, typically offer lower price premiums than those available in the EU. Recent global developments have strengthened oilseed prices. The Middle East conflict has lifted crude oil prices, while stronger-than-expected US biofuel blending mandates have boosted demand for soyoil. US feedstocks will benefit most from tax incentives, shifting Canadian canola into food markets and tightening supply. Futures markets responded sharply, MATIF rapeseed rose 2.4 per cent and ICE canola 5.8 per cent. These global drivers are flowing into local markets, with old and new crop prices trading above \$800/t across most port zones. Canola is definitely in the sell zone at these values, but needs to be balanced against production risk, however for many it's still too early with crops just emerging. The outlook remains positive, but short-term volatility is expected. Key watchpoints include developments in the Middle East, the upcoming EU harvest and US tariff policy.



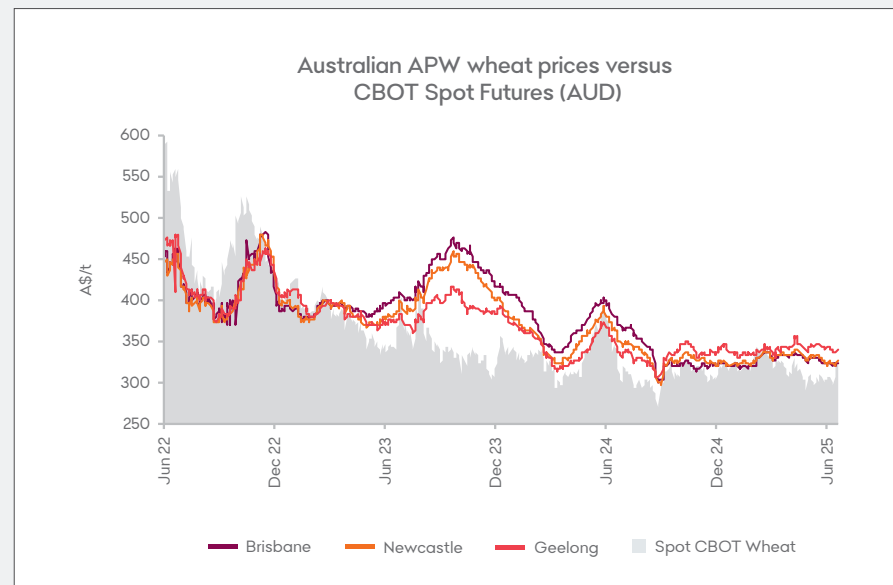
# Cropping

## Pulses

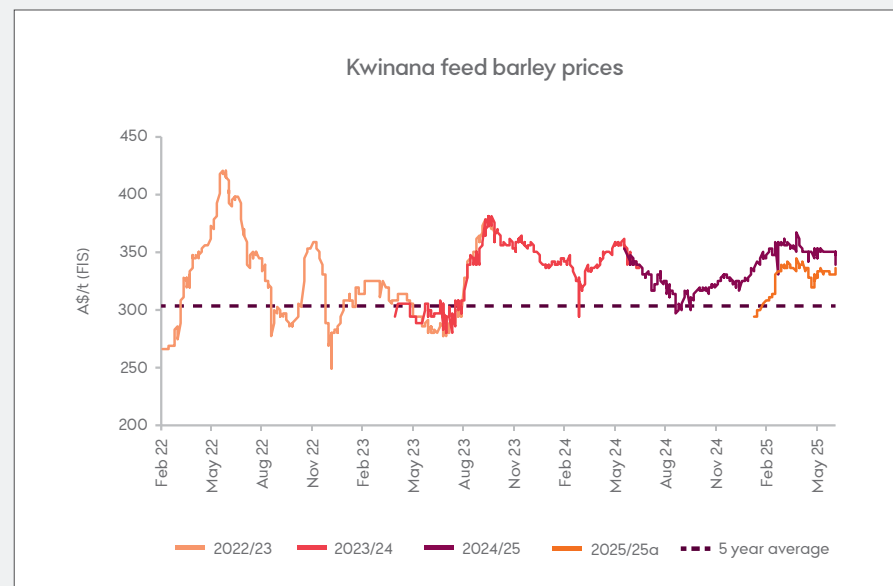
Australia's total pulse production for 2025/26 is forecast to decline by 4.5 per cent to 4.4 million tonnes. Despite the overall drop, chickpeas are set to be the standout performer for a second year in a row. Current estimates have the crop at 1.7 million tonnes, around 70 per cent above the five-year average – driven by favourable conditions in key growing regions of northern New South Wales and Queensland. Lentil production is tracking in line with last season at 1.2 million tonnes, but this figure remains highly dependent on seasonal conditions through South Australia and Victoria. Given the current dryness in parts of these states, yield outcomes will hinge on timely rainfall in the coming weeks.

Pulse exports in general have been strong with exporters enjoying a tariff free period on chickpea exports to India over the past year. ABS data shows chickpea exports to the sub-continent from October through to March at a record 1.4 million tonnes, up from just 33 thousand tonnes in the previous season. Around 700 thousand tonnes of lentils have been exported for the 2024/25 marketing season, in line with the five-year average but well down on the previous two seasons which each boasted exports of over one million tonnes. This season's slowdown is more of a supply side issue than a demand one.

Market sentiment around Australian chickpeas remains fragile heading into the 2025/26 season. While production is expected to be strong, demand side signals, particularly from India, are cause for concern. India has imposed a 10 per cent tariff on Australian chickpeas, while extending its extension on Canadian yellow peas through to March 2026. Given yellow peas serve as a partial substitute for desi chickpeas and currently trade at around a 50 per cent discount, this policy shift is weighing on Australian chickpea prices. Prices have dropped by over \$100 per tonne in recent weeks to be now trading at decile six levels. For comparison, this time last year prices were at decile nine levels.



Source: Profarmer Australia, CME Group



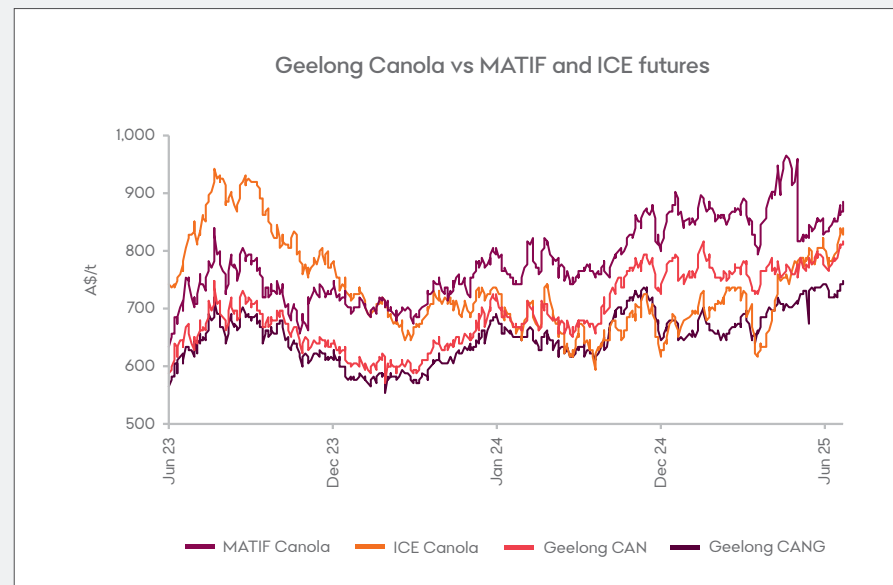
Source: Profarmer Australia

# Cropping

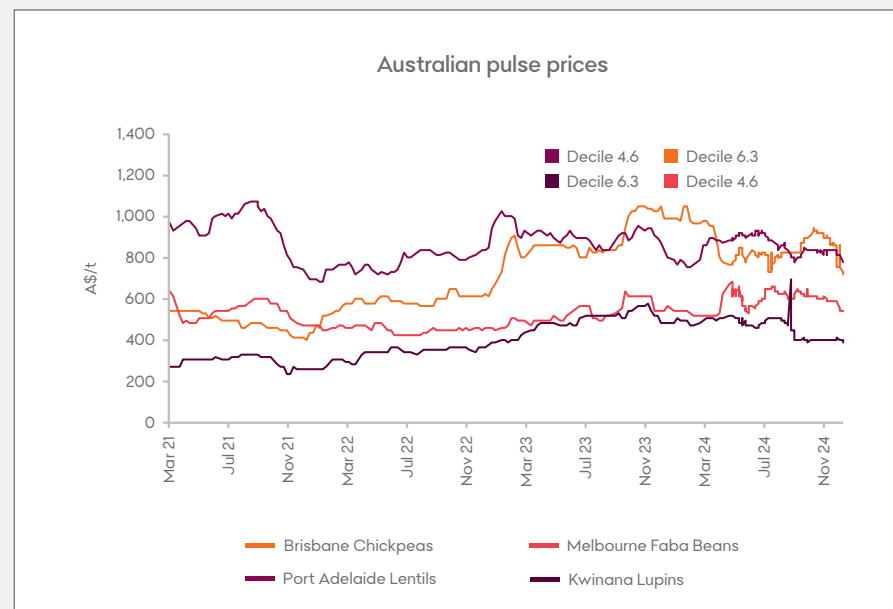
## From the field...

“The break in early June brought welcome relief across much of Victoria, including the northern Wimmera and Mallee, where dry-sown crops had been waiting for a drink. Most growers have now got crops out of the ground, though patchy germination in some areas means resowing decisions are still being made, particularly in canola. While the moisture profile isn’t ideal, timely winter rain could still see solid yield outcomes. For now, it’s a cautious start, but there’s still a sense of optimism that the season could turn out better than first expected.”

**Wayne Saunders,**  
Regional Manager Agribusiness – Western Victoria



Source: Profarmer Australia, CME Group



Source: Profarmer Australia



## ↓ Supply

Australian milk production to decline three per cent to 8.2 billion litres, its lowest level since 2022.

## ↔ Demand

Global markets remain stable due to easing Chinese demand which has been offset by increased interest from Southeast Asia.

## ↑ Price

Opening farmgate prices disappoint many growers, with step-ups expected as the season progresses.

## ↓ Outlook

With Australian industry confidence low, producers are seeking support to manage the contraction of the industry.

## Supply

As the Australian dairy industry enters the 2025/26 season, national milk production is forecast to continue its downward trend, shaped by a combination of structural and climatic pressures. Preliminary estimates expect 2024/25 production to close between 8.30 and 8.37 billion litres, marking a marginal decline from the 8.37 billion litres recorded in 2023/24.

This modest decrease reflects drier conditions across key Australian producing regions, elevated input costs and declining herd numbers, as producers remain cautious following recent climate related disruptions. We expect the supply for the 2025/26 season to further contract two to three per cent, with the national production forecast to fall to around 8.20 billion litres – provided seasonal conditions do not worsen. Should conditions deteriorate further, production may drop below 8.10 billion litres.

Global milk supply remains relatively stable. Growth has been limited, particularly among northern hemisphere producers, who face high costs, weather variability and tighter environmental regulations, and disease affecting production. In the US, concerns around tariffs and disease are creating additional uncertainty. US milk production has been affected by avian influenza over the past year, but a recovering national herd is forecast to see supply improve in the next six months. This will be partially offset by a marginal decline in milk output in the European Union

which is expected to see a fall of less than one per cent on last year. New Zealand is also expecting a decline in 2025/26 on the back of a strong 2024/25 season.

## Demand

Retail consumption in Australia continues to grow modestly, supported by strong in-home consumption, rising interest in private label and right sized products, together with the influence of social media food trends. These factors have helped to offset declines in foodservice. However, import competition, easing shelf prices and cost-of-living pressures may limit further growth.

While plant-based alternatives remain part of the market mix, concerns over nutrient content and heavy metals in some products are reinforcing consumer trust in locally produced dairy, which is known for its clean, safe and regulated production systems.

Meanwhile, China, traditionally a driver of global demand, is scaling back milk powder demand due to high inventories and growth in domestic production. This is shifting the global trade focus towards Southeast Asia, particularly for value-added fats. This realignment further crowds markets that Australia has historically relied on, adding pressure, as these markets have increased sensitivity to prices.





Despite stable global demand, Australia's competitiveness will continue to be challenged by rising input costs driven by geopolitical instability, feed and fuel price volatility, and global inflation. These factors, coupled with a declining national milk pool and the impact of exchange rate fluctuations, are squeezing margins and compounding structural pressures in the sector. Australia faces intensified competition from the EU and US, who leverage protected domestic markets, scale efficiencies and subsidised production to capture export demand. Despite this, growing global demand, regulatory shifts and climate-related disruptions among key producers may offer opportunities for agile suppliers.

## Price

Australia's dairy pricing environment remains under pressure, shaped by rising input costs, global inflation, and a declining national milk pool. Geopolitical instability, energy and feed price volatility, and exchange rate fluctuations continue to squeeze margins across the supply chain.

Opening prices from major processors for the 2025/26 season in Australia averaged around at \$8.90/kg MS, falling below the publicly stated expectations of farmer advocacy groups, while reflecting a cautious approach from processors still carrying losses from previous seasons where farmgate prices exceeded market returns. Prices have since strengthened with averages now sitting around \$9.00/kg MS, which we forecast will

reach between \$9.60–\$9.80/kg MS by the end of the season. There may be further price upside should local supply lag, and global pricing firm.

On a market level, the disconnect between milk supply tightness and on-farm pricing is raising critical questions about the sustainability of the current value chain. Despite constrained domestic production, farmgate prices have not kept pace with market fundamentals. This misalignment is compounded by retail pricing structures, where milk is frequently used as a loss leader, and the growing use of imported dairy to cover shortfalls, reducing the market signals passed back to the farmgate.

Global dairy commodity prices are expected to remain firm with slight upside, supported by tightened European supply and demand from Southeast Asia. European prices are set to firm on the back of a hot summer and blue tongue disease concerns. Ongoing demand for butter and cheese products is anticipated to support global prices in coming months. In achieving success, Australia's ability to capture price value will hinge on differentiation, rather than competing against the global market on volume or cost alone.

## Outlook

Dairy farmers continue to express disappointment with farmgate prices below \$9.00/kg MS, citing the disparity between lifts in export values and the prices on offer. This contrasts sharply with the dynamic pressures that farmers continue to contend with. Beyond the immediate impacts of climate variability, producers must navigate rising input costs driven by global geopolitical instability, inflationary pressures, and shifting trade dynamics. These forces are contributing to a steady erosion of farm confidence in Australia, with a steady number of producers actively considering exit strategies. Dairy land values are at a record-high, averaging \$12,906/ha, which make the option of selling an attractive one, particularly where no clear succession plan is in place. At the same time, entrance to the industry is difficult for those without existing commercial linkages or relationships.

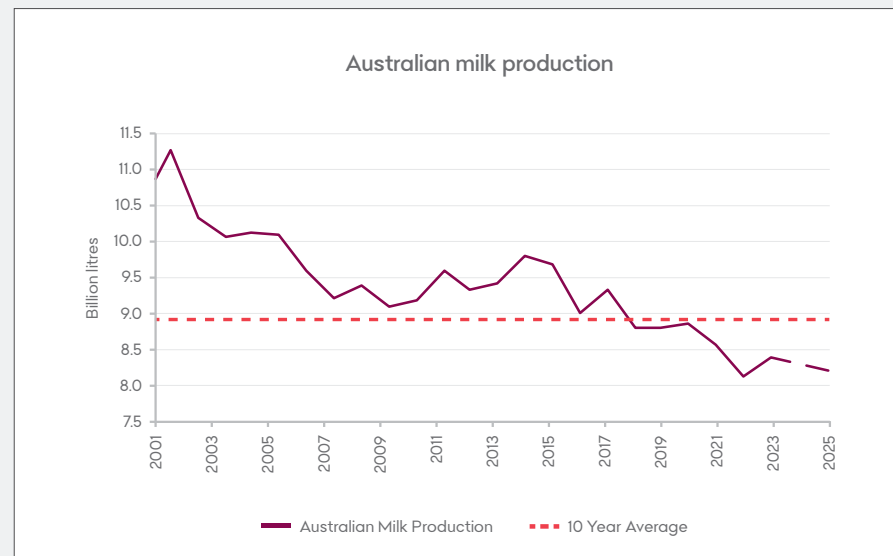
Despite strains on producers, the global fundamentals remain positive for dairy in coming months. Demand for butter and cheese is expected to remain firm and global prices will remain supported. Closer to home, structural challenges around farmgate pricing and market signalling, industry structures, succession and climate adaptation will continue to weigh on the outlook for milk production. If at least some of these issues aren't addressed, it's likely that contraction will continue, ultimately impacting the overall viability of the local dairy supply chain.



## From the field...

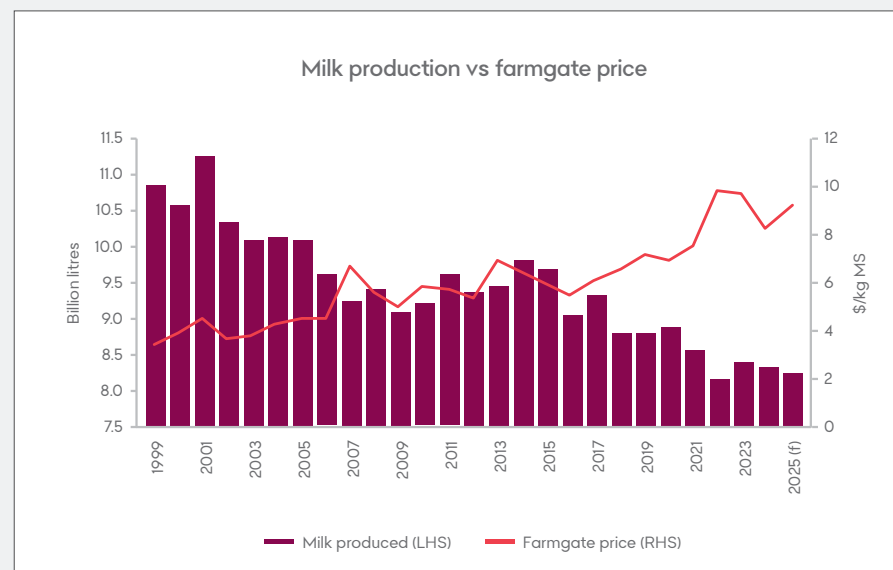
“Seasonal conditions are incredibly tough across most dairy regions of Australia this winter with drought conditions in the South and devastating floods in some Northern dairy areas. Fodder stocks are low and we’re seeing it transported vast distances to maintain herds. Season finishing milk price step-ups were welcome, as are the higher opening prices for the new season, but for many farmers this will not be enough to encourage supply as they battle seasonal conditions and rampant costs.”

**Tony Anderson,**  
**Regional Manager Agribusiness –**  
**Southern Victoria & Tasmania**



Highlights the long-term decline in Australian milk production since 2000.

Source: Dairy Australia



Decline in historical Australian milk production against farm gate prices.

Source: Dairy Australia and Bendigo Bank Agribusiness



# Horticulture



## Supply

Improving conditions will drive more consistent fruit and vegetable availability while favourable quality will continue.



## Demand

Domestic demand is expected to lift. Record calendar year exports are forecast, despite slightly softer export demand.



## Price

Fruit and vegetable prices are expected to ease slightly on the back of improved supply. Almond and macadamia prices will remain elevated.



## Outlook

Improving yields and quality will provide a boost to growers despite easing prices. Record calendar year export volumes are forecast.

## Outlook

An increasingly unpredictable global trade environment, contrasting seasonal conditions and easing inflationary pressures are driving a varied, albeit still broadly positive outlook for the horticultural sector over the second half of 2025.

From a supply perspective, both production and quality across key regions remains closely tied to seasonal conditions. Vegetable crops are expected to see mixed, though broadly improving output compared to the first half of the year due to a more favourable weather outlook. Although further rainfall across northern regions of Queensland could cause major production issues, after a cold start to winter and high-water tables. Output across most major fruit varieties should continue to see above average yields including citrus, avocados and bananas. Meanwhile yields across almond crops are mostly in-line with expectations. On the demand side of the equation, fundamentals remain more mixed. The prospect of easing cost-of-living pressures, improved produce availability and several industry marketing campaigns are expected to drive a lift in consumer buying across both retail and food service sectors. Strong production across export focused varieties should also ensure a record calendar year finish for horticultural exports. Although export growth is forecast to slow compared to the first half of 2025 which benefited from record Chinese demand for almonds and table grapes. The indirect

effect of the US tariff agenda remains a key concern as the economic impact is expected to affect a range of our key export destinations. Meanwhile greater seasonal competition from South American exporters will also add to demand headwinds for fruit exports. From a price perspective, improving production and some more variable export demand will see fruit and vegetable prices continue to move lower, particularly across the seconds market. Almond and macadamia prices are expected to find greater support from reduced stocks and ongoing demand from key Asian destinations which is providing a rosier outlook for producers compared to recent seasons.

Outside of the key supply and demand factors, costs remain a key focal point for producers. While labour supply is much improved on previous years, sourcing pickers in regional communities during peak season can still be a challenge. The process of employing migrant workers is also tricky and expensive for smaller producers amidst the ongoing reliance on the Pacific Australia Labour Mobility (PALM) scheme. Meanwhile, after several years of cheap irrigation, rising water costs have arrived. Both temporary and permanent water prices are trending higher across the Southern Murray Darling Basin (SMDB) on the back of reduced storage levels and high interest for next season's water. There also remains some uncertainty surrounding the allocation of temporary



# Horticulture

water rights, further limiting selling interest. The price of fertiliser and chemicals are slightly higher year-on-year primarily due to reduced import volumes. The continued impact of these elevated costs is continuing to reduce margins and limit on farm investment. This is a key source of frustration for the industry at a time when the efficiencies derived from mechanisation and vertical integration are increasingly important in driving growth.

## **Fruit production to lift, while domestic markets are becoming increasingly quality conscious**

Output across most key fruit varieties is anticipated to sit well above average despite contrasting conditions between northern and southern states. Fruit supply out of the key northern production regions has begun to lift after picking was delayed following severe rainfall events and cool weather. Volumes coming out of Queensland are expected lift through winter with yields on the higher side of expectations. Increased drainage and soil quality are paying dividends following significant grower efforts post Tropical Cyclone Jasper. From a demand viewpoint, more quality focused retail demand has become increasingly common as strong output allows supermarkets to pick and choose. Produce is being rejected by supermarkets for almost non-existent blemishes which continues to devastate smaller growers in particular. This is also seeing a higher number of seconds hit wholesale markets. Seconds are being sold at notably lower prices as a result, while quality produce is seeing

greater price support on the back of that retail demand from supermarkets which is competing with quality sensitive export markets. On that note, export markets are facing some headwinds. Record fruit export value and volume through the first half of 2025 was driven almost exclusively by table grapes. We forecast record full calendar year exports thanks to strong availability across export focused varieties including citrus and stone fruit. However, the economic impact from the US tariffs will affect a range of our key export destinations including China, by far our largest market. Vietnam, South Korea, Hong Kong and Japan are also likely to see a decline in consumer confidence. How these tariff negotiations play out over the back half of the year will have a bearing on the performance of export orientated varieties. Greater seasonal competition, both in terms of volume and quality, from Chilean and Peruvian exporters also continues to be a watchpoint.

At a varietal level, record citrus production is currently forecast with strong mandarin volumes coming to market out of Queensland in recent months. Retail citrus prices continue to hold up despite the increased availability, amidst that more quality orientated demand from supermarkets. During years of higher volume production, supermarkets will often be more prescriptive on quality, so it is no surprise to see this trend returning this season on the back of the strong output. This has resulted in a two paced market whereby wholesale markets are absorbing a larger proportion of the seconds, resulting in falling prices.



Picking of navel oranges is also underway in southern states, yields are looking positive, with the industry anticipating a consistent lift in production with young plantings yet to hit peak production. Quality appears high across Sunraysia and the Riverland following the dry first half of the year which has limited disease pressure. Sizing is also in the ideal marketing range for both domestic and export consumers. This should ensure there will be availability of quality produce to meet both supermarket and export demand. We expect to see strong interest from the key Japanese and Chinese markets despite that increase in competition from Chile. Domestic citrus purchasing is also trending higher from both a volume and value perspective, with this trend expected to continue through the back half of 2025. While supply and demand appear favourable, higher irrigation costs will limit margin upside for growers.

Avocado production is anticipated to lift in the 2025/26 season while better than expected yields coming out of Queensland did provide a boost to the lower production estimates seen in 2024/25. Trees in major Queensland production regions have held onto fruit and remained upright despite the challenging weather events seen across the state through the first half of the year. This has been attributed to the measures and maintenance that producers undertook following Tropical Cyclone Jasper and the flooding that proceeded it in late 2023. Queensland production should top 60,000 tonnes this season. Retail pricing is currently in line with last season

across the east coast at \$1.61 single fruit average. Meanwhile harvest across Western Australian regions is now underway with current industry estimates placing the crop at over 67,000 tonnes. The continued growth of the Australian avocado sector is also being supported by rising export demand. Exports are expected to continue to benefit from rising consumption, particularly across Asian markets. However, a large Peruvian crop will make exports competitive over the next six months.

## Strong pricing lifting sentiment across almond and macadamia sectors

The 2025 almond harvest wrapped up in April. Pre-harvest production forecasts sat at just over 155,000 mt (kernel weight equivalent), slightly below the 2024 harvest. However post-harvest processor reports have indicated a further reduction to crop size of around 10–20 per cent. Quality has underwhelmed across the key production region of Sunraysia, despite mostly favourable conditions throughout harvest. This lower quality is expected to reduce the volume specifically available for export. Despite this lower quality, market dynamics are expected to provide a favourable environment for the Australian almonds over the remainder of the year. China, (the world's largest consumer), slapped the US (the world's largest producer), with retaliatory 125 per cent tariffs on almonds earlier this year. This resulted in a significant uplift in exports of Australian almonds to China which

has significantly reduced available stocks. While Chinese demand is expected to temper somewhat on the back of concerns surrounding a slowing economy, the more limited availability of export quality produce and growing Indian consumption should see average export prices lift further in 2025, from \$9.20/kg closer to \$10.50/kg. Although this may fluctuate depending upon currency movements and any change to current US-China trade tensions.

The long macadamia harvest season is continuing through winter. Early season industry forecasts pegged the crop at 56,000 tonnes in shell (3.5 per cent moisture); however, the industry body has recently downgraded this forecast to 37,300 to 41,970 tonnes. The key production region of Bundaberg has reported decent yields with many trees in the region now five years old. Unfortunately, producers across northern New South Wales have seen some of the lowest yields in a decade. Challenging and unpredictable weather over recent months have driven this crop downgrade. Thankfully, quality is reportedly excellent which remains key to engaging with export markets. Export prices through the first half of 2025 have remained well above the 2024 season. Prices are expected to remain higher year-on-year with strong demand from China (absorbing 35 per cent of export volumes YTD) to continue, while the smaller than anticipated crop will also provide support for prices. Outside of local production, the primary factor

weighing on industry sentiment remains the potential for US tariffs to redirect trade flows. South Africa, the world's largest producer at over 93,000 mt, remain concerned. Depending on how the situation plays out, we could see South Africa begin to compete more readily into our key Asian markets. Short term we anticipate continued support for Australian export prices which currently sit around 40 per cent above last season, as low global inventory drives competitive export demand. Australian production will rebound over coming seasons with the Australian Macadamia Society forecasting output will reach 100,000 tonnes by 2029. When combined with surging global production, increasing exports while also continuing to position macadamias as a viable alternative to other nuts will be key to ensuring pricing remains sustainable for producers over the long term.

### **Improved seasonal conditions to lift vegetable availability, weigh on prices**

The outlook for vegetable crops is generally favourable, however mixed conditions across regions may result in some seasonal variation in supply. We anticipate output from Queensland and northern New South Wales to lift through July. This follows a cold start to winter which slowed crop development and limited availability, which had been exacerbated by a seasonal easing of supply out of the southern regions. Rainfall totals into spring will have a large bearing on Victorian and South Australian production, particularly

for producers that primarily utilise groundwater. A build-up of salinity within soils resulting from overreliance on groundwater may become an issue should dry conditions re-emerge in coming months, potentially limiting yields. Supermarkets are also being more quality prescriptive when it comes to vegetables. This is impacting the viability of smaller producers and driving a larger number to sell produce into wholesale markets rather than via retail contracts.

Domestic consumption for vegetables will remain tied to availability and pricing over the back half of 2025. That improving supply alongside a further easing of cost pressures is expected to see a slight rise in buying at both a retail and food service level. Export volumes should see a slight lift on the back of the increased availability of most key export varieties (potatoes, carrots, onions). Vegetable prices are anticipated to remain well below peaks seen throughout February to May. At a varietal level, seeding of onion crops is continuing for mid sown varieties through South Australia, while sowing of late season varieties will continue through September. Several rainfall events in mid-June will benefit early to mid-maturing onion varieties while also lowering irrigation requirements which have become a larger cost burden for producers in South Australia and Victoria. While potato production occurs year-round, the peak planting period remains July and August within the main potato growing states. South Australia and Victoria are currently seeing higher seed potato costs due to

reduced yields and availability following significant rainfall deficits earlier this year. Industry commentary has noted that should producers in regions more heavily reliant upon rainfall and dams encounter a dry winter, there may be a shortage of potatoes available in early 2026. However, the current seasonal forecast points to an average to slightly above average chance of exceeding median rainfall for most regions. Wholesale potato prices have remained above the long-term average over the first half of the year, though should improved seasonal conditions eventuate, prices are forecast to return towards longer term averages around \$1.80/kg.



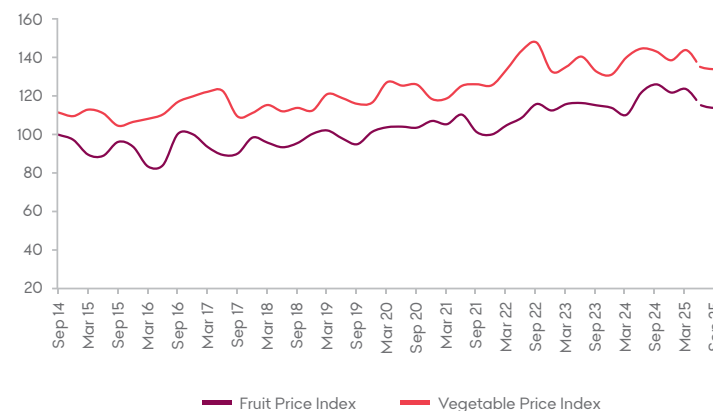
# Horticulture

## From the field...

“Weather will be the key driver of horticultural output over the back half of the year. Northern regions have seen a slow start to winter fruit picking, however yields are on the higher side of expectations. This elevated supply is being met by more prescriptive quality demands from supermarkets, driving a larger volume of fruit onto the seconds market. Fruit and veg prices are expected to ease as availability improves through winter, while macadamia producers in northern New South Wales are looking at reduced yields on the back of challenging weather events. However macadamia prices will remain elevated amidst low stocks. Input costs remain the major challenge for growers and will continue to restrict margins though the remainder of 2025.”

**Bruce Berruti,**  
**Agribusiness Relationship Manager –**  
**Far North Queensland**

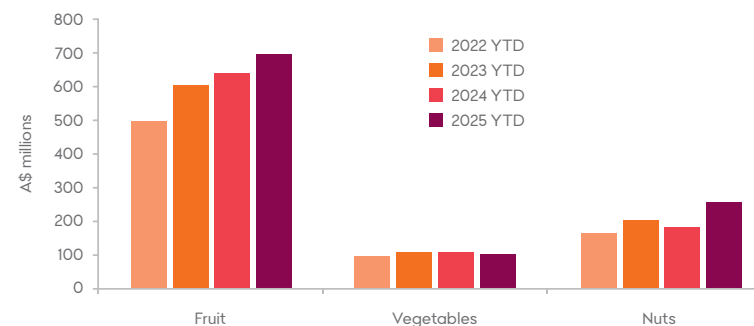
Fruit and vegetable price index



Quarterly fruit and vegetable price index forecast.

Source: Australian Bureau of Statistics (ABS), Bendigo Bank Agribusiness

Value of Australian horticulture exports



Year to date value of horticultural exports.

Source: Global Trade Atlas



# Sheep

## ↓ Supply

Australian lamb and mutton supply to ease from the high levels seen over the past two years following destocking.

## ↔ Demand

Demand to remain firm throughout the second half of 2025 as processors look to maintain throughput.

## ↔ Price

Australian lamb prices to hold comfortably above five-year average levels, but how much upside is possible?

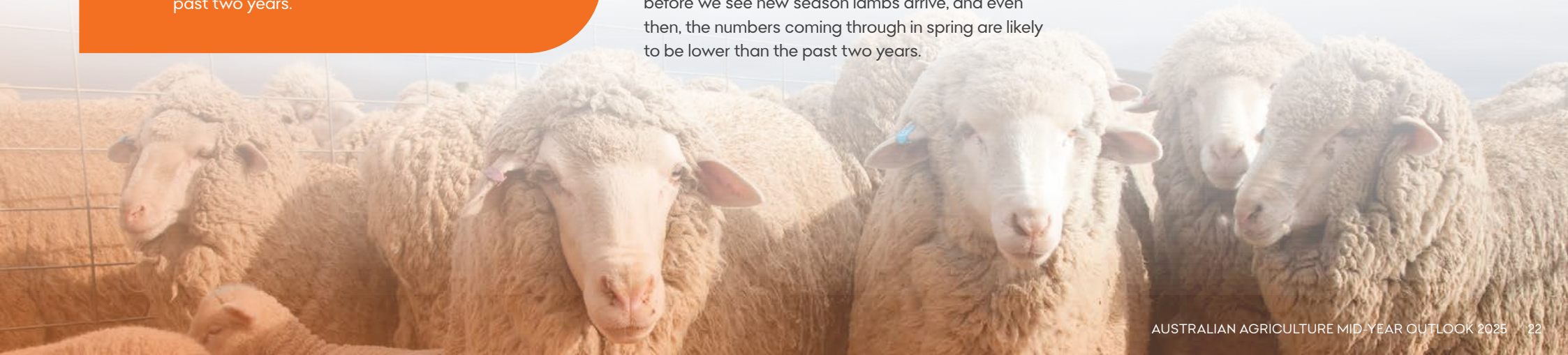
## ↔ Outlook

Prices should remain firm but production to ease following dry conditions and destocking over the past two years.

## Supply

Australian lamb supply is expected to tighten in the second half of the year as the prolonged period of dry conditions and high turn-off rates will result in a reduced new season lamb crop. Large areas of sheep producing regions in southeastern Australia have experienced severe dry conditions over the past 18 months. This has impacted pasture growth and stock water availability and has encouraged growers to destock to manage these resources. The resulting decline in breeding stock, as well as unfavourable conditions at joining and lambing are expected to see reduced numbers of new season lambs arrive in the second half of 2025. Lamb processing rates have remained elevated throughout the first half 2025, with year-to-date weekly slaughter up 0.6 per cent from last year but 23.5 per cent higher than 2023. There are concerns that the supply of old season lambs will run out well before we see new season lambs arrive, and even then, the numbers coming through in spring are likely to be lower than the past two years.

Mutton supply is also expected to decline over the next six months following the high processing rates recorded over the past two and a half years. Weekly sheep slaughter averaged approximately 102 thousand head per week between 2020 and 2021. In 2023 mutton processing rates increased to 150 thousand head per week, then 182 thousand head per week in 2024. So far in 2025, Australia has processed 188 thousand head per week, but it's worth noting that processing rates have slowed from the peak seen in February. This prolonged period of high turn-off is expected to come to an end as the quantity of stock available is expected to tighten. Should more favourable conditions eventuate in southeast Australia, growers would look to consolidate and potentially enter a restocking phase in the final quarter of 2025.



# Sheep

The Bureau of Meteorology's is currently forecasting neither a greater nor lesser chance of achieving median rainfall for most sheep producing regions in the southeast over the next three months. Areas through South Australia, New South Wales and Queensland are forecast to have a greater than 50 per cent chance of exceeding median rainfall, while parts of Victoria, Tasmania and Western Australia are tipped to be drier, with the outlook favouring below median rainfall. This relatively balanced rainfall outlook does not encourage a full rebuild at this stage but could put an end to the destocking seen over the past two years.

## Demand

Processor demand is expected to remain elevated as they look to maintain throughput, however, the decline in supply of both lamb and mutton is forecast to result in a slowdown in processing rates, even following the return from the winter maintenance periods. An improvement in seasonal conditions would see a sharp uptick in back-to-paddock demand as we move into spring. However, given the low stock water levels, cold conditions and slow rates of pasture growth over the next few months, a rebuild in the southeastern states will be delayed until later this year and dependent on more rainfall.

Domestic consumer demand for Australian lamb is expected to be supported through the second half of the year as interest rate cuts will continue to ease cost-of-living pressures. However, the sharp rise in prices seen at the processor and saleyard level will eventually

flow through to consumers to some extent, which could see purchasing slow. Historically, changes at the processing level have taken several months to be felt by the consumer and it is worth noting that the saleyard price is only one of many factors influencing retail prices.

Export volumes of both lamb and mutton have been strong over the past two seasons; however, export volume is expected to be lower as processors won't have the supply to maintain these levels. Demand from Australia's key markets will remain strong, the US will continue to be a major market for lamb and will see increased demand as they look to fill the protein gap left as they rebuild their beef herd. Demand from China is also expected to remain elevated for lamb and mutton, as ongoing tensions between the US and China are likely to see them look elsewhere to meet their protein requirements from other nations, providing support for both Australian beef and sheepmeat. The past two seasons have seen increased export volumes to the Middle East, although it is worth noting that volumes are down on the peak in 2024. Export demand for Australian lamb will also be supported by reduced competition from New Zealand, the second largest global exporter of lamb. New Zealand is forecast to have lower lamb production this season following dry conditions and industry exits which will limit their export volumes.

## Price

Lamb prices are forecast to remain firm through the second half of 2025, perhaps not at the records seen throughout May and June, but comfortably above five-year average levels. The main driver of prices will be the decline in the availability of both lamb and mutton, while strong export demand in a tighter global protein supply environment will also provide upwards pressure. Price upside will be limited by processor appetite, as they may struggle to find buyers for their product at higher price points. However, given how much processing capacity has increased over the past two years, there will be pressure for them to maintain output. The forecast for further upside in the Australian Dollar is also expected to cap price increases, given a high percentage of both lamb and mutton is exported.

The other big watchpoint will be how seasonal conditions develop in the second half of the year. The prolonged period of high turn-off will be replaced by restocking through southeast Australia should conditions improve. However, stock water shortages and slow pasture growth will continue to maintain pressure on stocking rates and limit back-to-paddock demand through the colder winter months.

Mutton prices should also maintain their recent strength, however, may come under some supply pressure during weaning when old stock is turned-off. But following the recent destocking phase, as well as the hope of a return to more favourable seasonal conditions, prices should hold relatively firm.

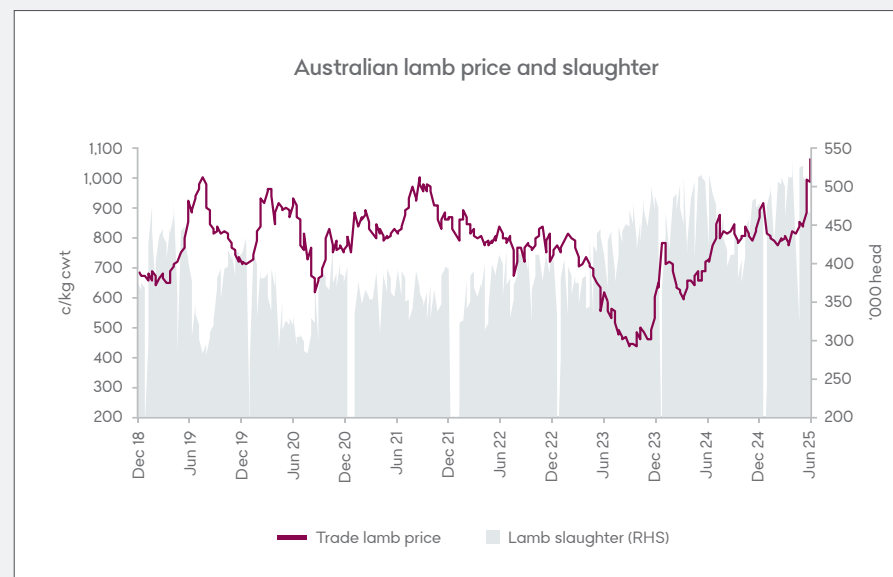


# Sheep

## From the field...

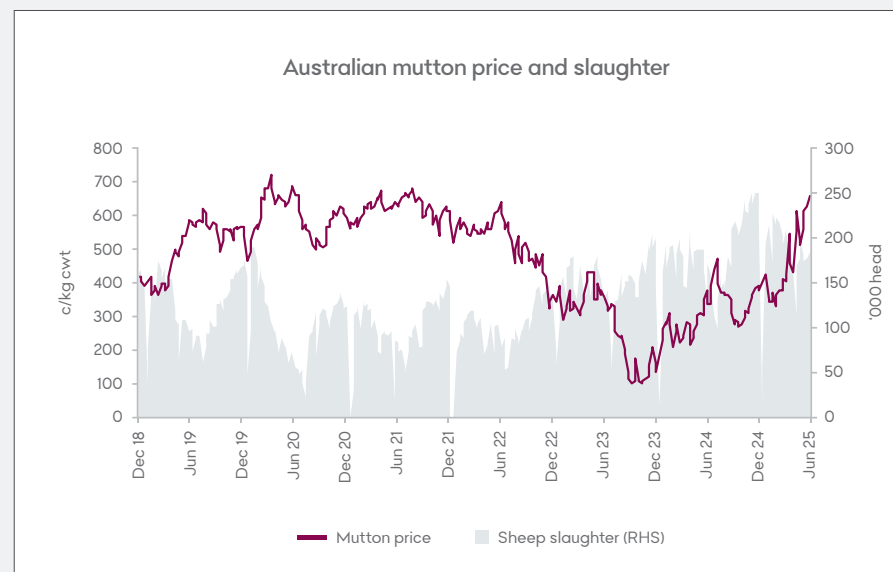
“Australian lamb and mutton markets should remain elevated through the second half of 2025, supported by the tightening supply environment following two tough seasons and high turn-off of stock. Solid export demand, as well as reduced production from our major competitor in New Zealand, will also provide some upwards price pressure. However, this will be tempered by a tipping point where processors will not be able to pass on further increases to the consumer.”

**Matt Gill,**  
Senior Agribusiness Relationship Manager – Victoria



The NTL and lamb slaughter from December 2018 to June 2025.

Source: MLA



The NMI and sheep slaughter from December 2018 to June 2025.

Source: MLA



## ↓ Supply

Australian wool supply to remain below last season's levels as flock numbers decrease again.

## ↔ Demand

Weak demand to continue as economic conditions prove challenging in China and Europe.

## ↔ Price

Wool prices to be tested as demand remains low and the Australian Dollar strengthens.

## ↔ Outlook

The Australian wool industry is hoping to find price support amid tough climatic and economic conditions.

## Supply

For the start of season 2025/26 Australian wool supply is expected to be lower than the previous season. Supply is expected to continue decreasing as flock numbers reduce in size. The Australian Wool Production Forecasting Committee (AWPFC) has estimated the 2025/26 season's production to be 257 Mkg greasy, an anticipated -8.4 per cent decrease from the 2024/25 predicted season total of 280 Mkg greasy. All states are forecast to have fewer head shorn and total shorn wool production to be down. However, average cut per head is predicted to be comparable to previous seasons.

For the current 2024/25 season Australian Wool Testing Authority (AWTA) reports that test volumes are down 8.9 per cent year-to-date compared to the 2023/24 season and 7.0 per cent down on the five-year average. As areas of Australia, particularly through Victoria and South Australia, struggle through drought conditions it is predicted that the overall downwards trend of volume supplied seen recently will continue. Destocking that has already taken place will likely continue, although at a slower rate. Many producers will be assessing their farming mix with increased lamb prices seen in the past year requiring consideration for what breeds are prioritised.

The Bureau of Meteorology has forecast above average median temperatures across the country through to at least September 2025 with southern states forecast to expect around average rainfall, making it challenging to replenish stored stocks used during the drought conditions. As many of these areas have already been struggling with water and feed availability, the start of the 2025/26 season will create further challenges for producers with regards to rising input costs. While labour availability has become less of an issue as flock sizes decrease and some producers shift to shedding breeds, it is an additional cost to be considered by farmers. Australian Wool Innovation notes that wool stocks held on farm will have decreased across this year with older bales being sold into the market this season with slightly higher prices on offer.





## Demand

Challenging economic conditions continue to persist globally, although as trade agreements with the European Union are negotiated there are potential opportunities into some fine wool markets, particularly Italy. As a luxury good, spending on wool has remained lower as cost-of-living pressures rise, reducing much of the potential demand.

China remains the destination for 85 per cent of Australia's wool and while the gradual recovery of China's economy is occurring there is little additional demand to be had at this time. An improvement in China's economy would help spur demand for Australian wool.

## Price

With the forecast reduced offerings for the 2025/26 season there is hope that current pricing levels will find support. Over the 2024/25 season prices have been mixed, with some of the finer microns struggling for price growth year-on-year while support has been found for crossbred wool that has been offered. For the Melbourne selling centre, prices for 26-micron and 28-micron wool are currently sitting 11.5 per cent and 16.5 per cent higher year-on-year respectively. There has been a small shift towards finer wools being offered, with a mean fibre diameter of 20.5 microns down 0.3 microns from the 2023/24 season.

The forecast strength in the Australian dollar will put significant downwards pressure on prices. While there may be some volatility as the Trump Administration's tariffs and broader policies are put in place, the current forecast is for the Australian Dollar to reach US\$0.68 by the end of the year.

Overall, the reduced supply available for the coming season should put some upwards pressure on pricing, as evidenced by the support found towards the end of the 2024/25 season where season low offerings drew continued interest from buyers. The current offerings are 25 per cent below the five-year average while prices are -3.4 per cent below the five-year average. With both figures showing declines on the average, further reductions in supply should offset the strength of the Australian Dollar.

The competing forces of diminishing supply, stronger Australian Dollar and steady demand should hold prices steady. However, with the limited supply it is likely that some microns will find greater support. For example, 28-micron wool has increased in price by 16.5 per cent over the past year and is currently 11 per cent above the five-year average. The support found towards the end of the 2024/25 season and the lower supply will hopefully combat the influence of currency changes on the market.



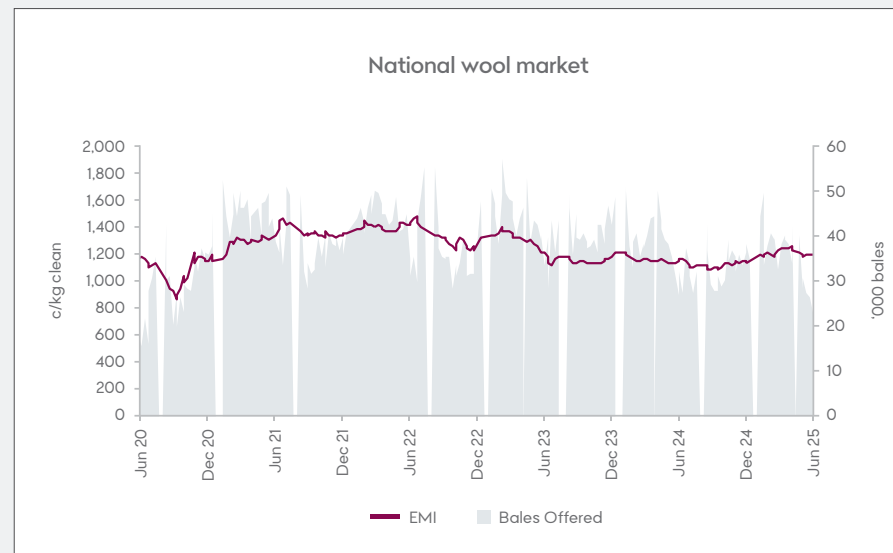




## From the field...

“The headline feature of the Australian wool market over the next six months will be the continued drop in production volumes. Victoria, the nation’s largest woolgrower, can expect to see much further falls in production as the impact of prolonged drought takes hold. Despite the supply reduction, when accounting for inflation, the price of 20-micron wool is almost 30 per cent below a decade prior. Growers can only hope the long-term waning of demand can be addressed when the nation rebuilds the flock after the current drought subsides.”

**Ryley Verley,**  
**Agribusiness Relationship Manager – South Australia**



The Eastern Market Indicator and National Bales offered from June 2020 to June 2025.

Source: AWEX



Prices for 18-micron, 20-micron and 28-micron wool in Melbourne selling centre from June 2018 and June 2025.

Source: AWEX

# Climate and carbon

Amidst the current push for greater climate action, farmers often find themselves facing a pendulum that swings between embracing the opportunities provided by renewables and emissions reduction technologies, versus the costs and upfront risks. On one side, productivity gains and avoiding the risks of inaction (such as exclusion from lucrative markets), versus the additional investment required, and possibility of depreciating assets or technological dead ends.

While there are great conversations about innovation, productivity and opportunity. Unfortunately, the most media focused decarbonising discussions in agriculture revolve around the negative effects on workability, operability and the dependence on the value chain. In exploring how farming and renewables can thrive together, acknowledgement of the transitional and physical climate risks is key as producers navigate this ever-changing industry.

Physical risks are defined as risks resulting from climate change that can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations such as direct damage to assets or indirect impacts from supply chain disruptions.

Transitional risks relate to the transition towards a lower carbon economy. This may entail extensive policy, legal, technology and market changes to address the mitigation and adaptation requirements

related to climate change. Depending on the nature, speed and focus of these changes, transition risk may pose varying levels of financial and reputational risk to organisations.

## Cost-benefit to family farms

Farmers are increasingly grappling with the increased cost of inputs caused by the progressively more volatile geopolitical environment. Fortunately, there are solutions which can bridge the divide between industry and regulation while not de-farming highly valuable farmland, noting that producers are at varying and diverse stages of the journey.

Renewables will continue to divide communities, however, a recent study in New South Wales saw benefits for sheep producers when grazing stock under solar panels. Not only did the sheep lower the costs associated with mechanical and chemical control of vegetation, but the panels also provided additional benefits through shade, shelter and ecosystem interactions. Retention levels of soil moisture improved by the runoff generating higher value feed (increased biodiversity) with the dryness of land beneath the panels reducing parasites, improving wool growth leading to stronger fibres. Crops on the other hand obtained higher yields during hot, dry and arid conditions as the panel shading prevented excess evaporation. To put it simply they “still farm and do everything [they] used to do .... Except under solar panels” (Gilbert, 2024).

This is an example of what’s being termed Agrivoltaics, which has been a saviour of family farms enabling them to remain profitable. Providing secured income during floods and droughts whereby income of \$1,500 per hectare for solar panels or \$40,000 per wind turbine per year. This is important given that farmers have become more sensitive to droughts as the difference in profit/loss widens between ‘normal’ and drought years. This dual-purpose usage of land enables farmers to continue farming alongside the direct value-added benefits of improved infrastructure e.g. maintenance of service roads. Beyond this, there are immeasurable indirect benefits to the communities via indirect contributions to the supply chain or through specific community funds boosting the local economy.

## Feeding in scope 3 emissions

On the other hand, this demonstration of Agrivoltaics is pertinent given that the biggest threat to agriculture is “local opposition all centred around land-use questions” (Gilbert, 2024). This comes as producers, namely beef and dairy, face downwards pressure on scope 3 emissions from domestic buyers and government bodies. This is due to the scope 3 emissions generated on-farm impacting upon the supply chain, particularly in terms of market access and participation.

Studies are currently underway investigating the visibility of feed additive products, such as Bovaer, into the domestic market more broadly. The feature of these additives is that during digestion methane producing enzymes are targeted within the rumen reducing emissions, with some research highlighting additional benefits in reducing the number of grazing days necessary to achieve targeted weight gain. Whilst there are benefits, some research has indicated human health risks when PPE handling requirements are not followed during manufacture. In addition to this, the ultimate cost of use on farm remains unclear, creating questions about viability. Consumer acceptance remains another issue, with campaigns already emerging against the use of these additives.

The tandem usage of Agrivoltaics and feed additives could be broadly accepted within the commercial market. This is because not only is resource efficiency achieved with regards to land and stock, but resilience is strengthened along the supply chain. With plenty of enthusiasm for renewables, there is also much dispute for them. Namely the lack of regional expertise and high barriers of entry impeding farmers from exploring such opportunities. Projects such as Agrifutures, 'Agrivoltaics: A Win-Win for farmers?' are exploring this, endeavouring to capture the capacity of renewables in a 'normal' farming environment. However, those which can balance the pendulum while exploring the unknown, market price benefits are beginning to be presented.

## Next steps

As producers are increasingly faced with pressure to reduce emissions, a pragmatic first step is exploring industry resources such as emissions calculators, informing themselves of where their farms currently sit within the market.

For farmers, understanding their 'number' and the drivers of emissions in their own business, as well as being familiar with the basics of the calculations will be valuable when these practices become mandatory. In addition, these tools offer another avenue for identifying productivity and cost saving opportunities that can offer benefits right now.

Gilbert, S. (2024). Under a Texas sun, agrivoltaics offer farmers a new way to make money. Washington Post. With agrivoltaics solar farms and farmland coexist to provide clean energy (Washington Post 2024)





# About the research

The *Australian Agriculture Outlook Mid-Year 2025* report provides a forecast for domestic and international supply, demand, and price dynamics for agricultural products. Significant effort has been taken to secure the most recent data available.

All prices represent Australian Dollars unless otherwise noted.

# Glossary

ABS	Australian Bureau of Statistics
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AWEX	Australian Wool Exchange
AWPFC	Australian Wool Production Forecasting Committee
AWTA	Australian Wool Testing Authority
AUD	Australian Dollar
CPI	Consumer Price Index
EMI	Eastern Market Indicator
EU	European Union
EYCI	Eastern Young Cattle Indicator
GDP	Gross Domestic Product
GDT	Global Dairy Trade
MLA	Meat and Livestock Australia
MS	Milk solids
NMI	National Mutton Indicator
NTLI	National Trade Lamb Indicator
RBA	Reserve Bank of Australia
US	United States
USDA	United States Department of Agriculture

For banking enquiries on our range of specialist farm finance products and services, search Bendigo Bank Agribusiness, call 1300 236 344, or visit your local Bendigo Bank branch.

For more detail on farmland values or other in-depth insights and customised reports, email [AgribusinessInsights.Mailbox@bendigoadelaide.com.au](mailto:AgribusinessInsights.Mailbox@bendigoadelaide.com.au)

Or search Bendigo Bank Agribusiness and subscribe for free to receive future research and analysis that support you in making informed business decisions on your farm.

This report has been created by Bendigo Bank Agribusiness Insights. It is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). The information herein is believed to be reliable and includes information obtained from official or other sources considered reliable. Bendigo and Adelaide Bank makes no representation as to or accepts any responsibility for the accuracy or completeness of information contained in this report. Any opinions, estimates and projections in this report do not necessarily reflect the opinions of Bendigo and Adelaide Bank and are subject to change without notice. Bendigo and Adelaide Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth therein, changes or subsequently becomes inaccurate. Information contained in this report does not take into account your personal circumstances and should not be relied upon without consulting your legal, financial, tax or other appropriate professional.

Bendigo Bank Agribusiness Insights is a division of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. Please [click here](#) to view our disclaimer and terms of use. (2139941–2190791) (06/25)