October 2025

AGRICULTURE REPORT

Quarterly update on the Australian Agriculture Industry

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The **Westpac Agriculture** report is produced by Westpac Economics.

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The next issue will be published in Q1 2026

Key points

- We have raised our 2025 farm gross value added forecast to 9.6%, compared to 8% in the previous report. The upgraded outlook reflects stronger than expected crop output and continued momentum in beef production and exports. This is offsetting weakness in sheep production.
- Activity has also been raised for 2026. Still, growth is expected to moderate sharply to 0.8%, as crop production levels normalise and farmers rebuild herd numbers.
- The Westpac Agriculture Commodity Price index rose 5.3% in Q3 and stood 12.8% higher than a year ago. Meat prices were the standout. We expect the index to ease over the rest of 2025, as meat prices pullback from earlier highs and increased global supply weigh on crop prices.
- After rising an estimated 7.2% this year we expect the overall index to edge lower over 2026 ending the year 0.3% below Q4 2025 levels. Still, for the year as a whole the oveall index is forecast to be 0.7% higher than in 2025. Performance will be uneven across commodities with sugar recovering from lows and beef and sheep prices moderating, but still above that received over the past three years. Overall, the index on average will remain more than 20% above the 2016-2019 pre-pandemic average.
- External demand for Australian exports remains resilient despite the challenging backdrop of US extreme trade protectionism. Beef and sheep exports in particular continue to benefit from limited substitutes in the US market. At the same time, Australian goods have a tariff advantage over NZ, Brazil and the EU as well as one over the US in China. Still, agriculture exports are expected to moderate over the coming year as supply of meat and crops decline.
- The outlook for the agriculture sector is not without risks. On top of the risks related to increased US trade protectionism and greater uncertainty, the risk of further ‘safe guarding’ measures applied on meat exports to China could soften external demand. Seasonal variability in southern cropping regions also remains an issue, and input costs—though off their peaks—remain elevated compared with pre-pandemic levels. Should agriculture commodity prices weaken more than expected, or external demand slow materially, the income picture for farmers could deteriorate more sharply.

Key agriculture indicators*

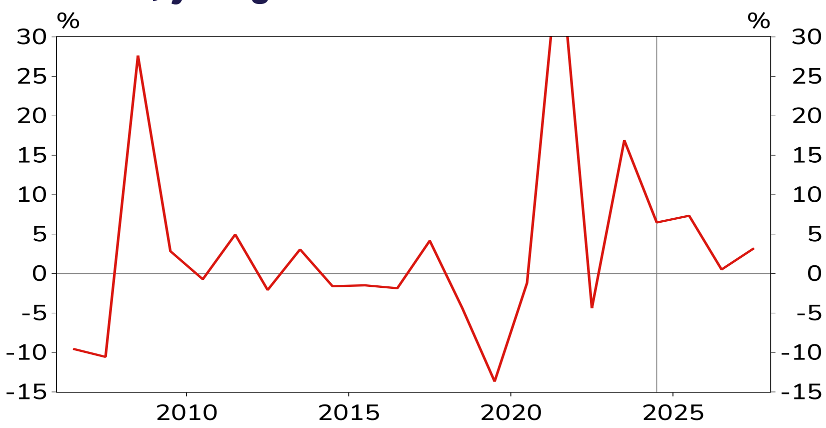
% change	2024	2025	2026	2027
Farm GDP, %yr avg	6.5	9.6	0.9	2.3
ABARE agriculture output in A$ (FY) (a), %	–12.5	13.6	0.7	n/a
Real GDP, %yr avg (b)	1.0	1.8	2.4	2.5
Westpac Commodity Price Index, % yr end (c)	9.4	1.5	–0.3	–2.6
Brent Crude Oil, US$ per barrel, yr end (c)**	74.6	58	65	72
A$ vs US$, yr end (b)	0.65	0.67	0.71	0.73
RBA Cash Rate, % yr end (b)**	4.35	3.35	2.85	2.85

* Calendar year except ABARES which is financial year starting FY 2023–24
a ABARES Agriculture Commodities Report September 2025
b Westpac Market Outlook October 2025
c yr end refers Q4 Westpac Commodities Update October 2025

Short-term prospects improve lifting outlook

- As expected, momentum in the agriculture industry (including fisheries and forestry) slowed to 0.3% q/q in Q2 2025, although livestock production remained strong, consistent with ongoing external demand for meat. Still, after nearly a year of exceptional growth, real gross valued added (GVA) was 15.8 higher than a year ago, with farm GDP up 16.9%. For FY2024-25 as a whole the farm sector grew 13%, the strongest annual growth in four years and significantly above the 1.3% recorded for the Australian economy as a whole.
- We have upgraded our real farm GDP growth projection for 2025 to 9.6% from 8% in the last quarterly report, as more favourable weather conditions lifted the outlook for crop production. Meanwhile, beef slaughter rates remain at elevated levels. Nonetheless, momentum is still expected to continue at a more moderate pace over the coming quarters compared to the start of the year, as producers shift focus to herd rebuilding, and the contribution from crops falls.
- In 2026, we expect real farm GVA to grow just 0.8% amid weaker production volumes. Indeed, ABARES projects total farm output to rise 0.7 % in FY2025–26. Across this crop volumes are set to rise 1.2% although within this wheat production is still projected to contract 1%. Meanwhile, livestock volumes are forecast to fall by 3.1%, with larger falls projected for beef and sheep production as farmers rebuild herds and slaughter rates normalise from elevated levels.
- The more moderate easing in farm GVA versus ABARES' projected fall in farm output reflects in part a larger drop in our projections for the use of real intermediate goods over 2025-26 as producers continue to adjust the use of inputs as part of their ongoing cost management and productivity measures. Meanwhile, based on our Agriculture Commodity Price forecast, prices are expected to rise by 7.2% this year as a whole, with a more moderate and uneven growth underpinning an average 0.7% increase in 2026 (page 5).
- The healthy outlook for the sector reflects ongoing resilience in external demand, despite the more challenging global backdrop. Domestically, household consumpti'on of food is steady, with lower interest rates, moderating inflation and steady wages growth helping to improve real incomes. While food spending is less interest-rate sensitive, a gradual recovery in household demand may help support local pricing across key supply chains particularly if recent strength in the hospitality and tourism sectors continues.
- For 2027, we expect farm GDP to rise by 2.3% reflecting a return to more typical seasonal and pricing conditions. However, there is a large degree of uncertainty around this as La Nina or El Nino signals could shift conditions significantly.
- The outlook for the agriculture sector is not without risks. On top of the external risk related to increased US trade protection and associated uncertainty, further 'safe guarding' measures could be applied to meat exports may soften external demand. Recent agreements by some Asian countries to buy more US agriculture goods could also dampen demand, at least at the margin.
- Domestically, seasonal variability in southern cropping regions also remains an issue, and input costs, though off their peaks, remain elevated compared with pre-pandemic levels. Labour market tightness in regional areas remains an ongoing constraint. Should agriculture commodity prices weaken more than expected, or external demand slow materially, the income picture for farmers could deteriorate more sharply.

Farm GDP, yr avg



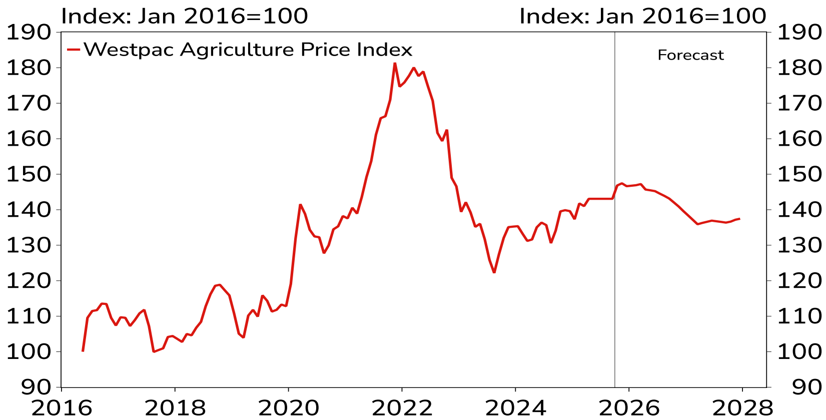
Source: , Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Westpac Agriculture Price Index

- The Westpac Agriculture Commodity Price Index fell a modest 0.4% in September. However, following solid gains in the previous two months, the index was still up a 5.7%qrt in Q3 and 12.8% higher than a year ago. Meat prices were the standout, both for the month and the quarter, amid a stellar year for external demand for beef and lamb, particularly by the US. In contrast, prices across grains, sugar, and dairy declined, driven by increased global supply following favourable weather and expectations of higher yields.
- We expect the index to ease modestly over the remainder of 2025 reflecting some pull back in lamb and beef prices following the exception growth in Q3. Notably, beef prices are set to ease as weather disruptions that delayed stock deliveries clear while lamb supply is also set to increase. Meanwhile, strong global supply for canola and dairy prices are also set to dampen prices.
- After rising an estimated 7.2% this year we expect the overall index to edge lower over 2026 ending the year 0.3% below Q4 2025 levels. Still, for the year as a whole the oveall index is forecast to be 0.7% higher than in 2025. We expect beef and lamb prices to remain elevated, supported by strong external demand and tight supply before easing in H2 as herd rebuilding demand normalises. That said, risks to beef prices are finely balanced. Strong exports to China and Korea have triggered safeguard tariffs. China is also reviewing additional measures, which could further raise costs and dampen demand. On the upside, restocker demand may offer support, and external demand could outperform expectations.
- Meanwhile, grain and dairy prices are also expected to trend lower for much of the year, reflecting healthy global supply. In contrast, sugar prices are forecast to recover from recent lows. Overall, following a 7.2% increase in the index this year, growth is set to ease to only 0.7% in 2026.

Agricultural Commodity Price Index



Source: RBA, Macrobond, Westpac Economics

Westpac Agriculture Commodity price forecasts*

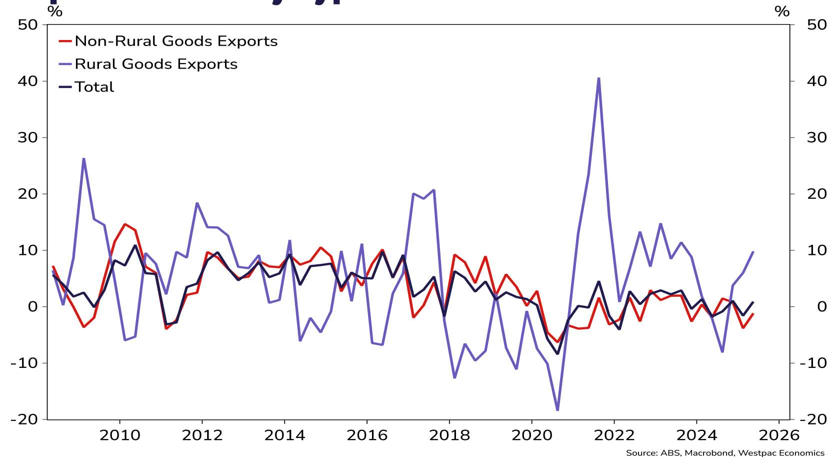
		Latest	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Australian Standard White FOB Port Adelaide	A$/t	308	315	322	307	306	307	304	311	316	319	318
Canola – FOB Kwinana	A$/t	799	782	757	744	739	723	722	740	750	752	746
Cotton – Cotlook A Index	USc/lb	65.3	67.2	70.3	70.3	70.0	69.3	69.0	70.6	72.0	72.8	72.4
Sugar – ICE, futures contract	USc/lb	15.6	15.3	15.7	16.7	17.7	18.0	17.3	17.6	18.0	18.3	18.2
Beef – Eastern Young Cattle Indicator	A$/kg cwt	8.39	8.33	8.29	8.37	8.23	7.89	7.53	7.33	7.26	7.28	7.24
Lamb – National Trade Lamb Indicator	Ac/kg cwt	1103	1130	1140	1120	1080	1060	1020	1000	970	960	960
Dairy – Whole milk powder	US$/t	3706	3720	3750	3820	3900	3970	4020	4050	4080	4110	4080
Dairy – Skim milk powder+	US$/t	2613	2620	2590	2590	2630	2680	2710	2730	2750	2770	2750
Dairy – Cheddar cheese	US$/t	4794	4770	4640	4620	4690	4780	4850	4900	4940	4970	4970

*24th October 2025 Bloomberg. Westpac Commodities Update October 2025, published 21st October 2025

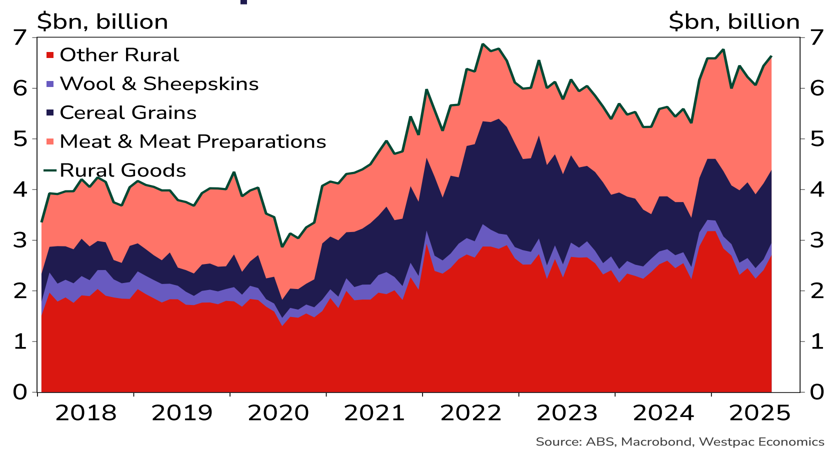
Exports: Supply constraints ahead

- Total goods export receipts fell 1.1% q/q in Q2 driven by a fall in non-rural exports. Adjusting for prices, volumes painted a more positive picture. Total goods export volumes rose 2.2% in the quarter on the back of recovery in coal and other minerals production following adverse weather events earlier in the year. Meanwhile, rural exports continued to perform strongly rising 1.7% in the quarter and were up 17.4% on the a year amid strong demand for beef and a surge in wheat exports.
- Strong demand for farm export continued into Q3. Notably, beef exports hit a monthly record high in July and, while easing slightly since, are still 18.3% higher than a year ago in August marking the second highest monthly export volume on record as US demand remained very strong. The US is accounting for 30% of Australian exports amid low US domestic supply and an appetite for Australia's lean trimmed beef. Wheat exports also saw a resurgence on the back of stronger Chinese demand, albeit from very low levels. In contrast sheep meat and live exports fell sharply as lower slaughter rates tightened domestic supply.
- External demand for Australian exports remains resilient despite the challenging backdrop of US extreme trade protectionism. Beef and sheep exports in particular continue to benefit from limited substitutes in the US market. At the same time, the 10% tariff imposed on Australian exports to the US has left Australia with a tariff advantage over NZ, Brazil and the EU. Beef producers also seized the opportunity in China where tensions have seen US beef exports to China plunge. That said, strong beef exports to China, and indeed South Korea, triggered 'safe-guard' tariffs in both countries with China currently investigating if further measures are needed to protect domestic producers.
- Overall, we expect Australian agriculture exports to moderate over the coming year as domestic supply tightens. Livestock turn off rates have peaked and a herd/flock rebuilding in beef and sheep is expected. Meanwhile, despite an improved outlook, domestic supply of wheat and canola are both expected to decline.
- Additional headwinds for exports also stems from commitments made by some Asian countries, such as Indonesia, to increase purchases of US agriculture goods in a bid to avoid higher US tariffs. This could see some softening in demand, although the recent trial of canola shipments to the China is encouraging.

Export volumes by type



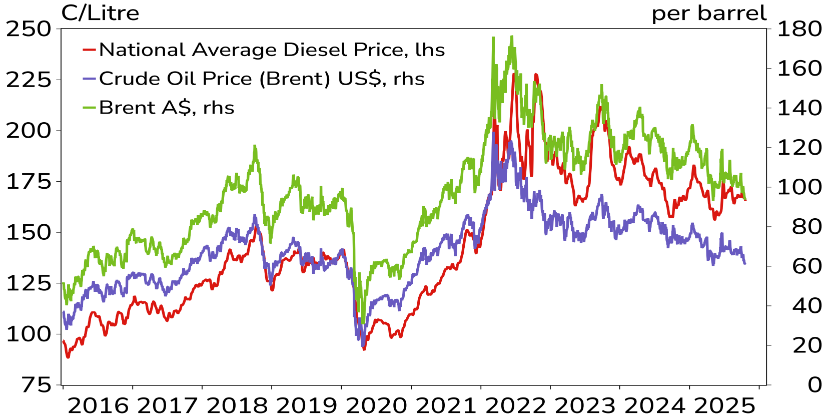
Rural Goods Exports



Non-labour costs: Some softening ahead

- **Energy prices:** Brent crude oil recently dropped to under US$65, marking the beginning of a broader price reset in response to rising supply. OPEC+ production rose 630kbpd in September and is projected to rise 2mbpd over the next six months. Russia's crude exports also surged to a 28-month high, adding to the oversupply. Meanwhile, Chinese demand, previously a key support, is softening. As such, the IEA forecasts global supply to rise 3mbpd in 2025, outpacing demand by 700kbpd, and we expect Brent to fall below US$60 by year-end. That said, refinery runs are hitting a seasonal low, exacerbated by Ukrainian attacks on Russian refineries cutting processing by 500kbpd. These disruptions and broader geopolitical risks may keep product markets tight, but the structural surplus points to further downside.
- **Diesel:** Prices rose 2.3% in Q3 as geopolitical risks due to Middle East tensions and Ukraine's attacks on Russian energy infrastructure continued to weigh on wholesale prices. Still, prices did fall from 170¢/l at the start of the quarter, stabilising at around 168c/litre. Prices are expected to ease to 166¢/l in H1 2026 as global oil prices moderate and the A$ strengthens slightly.
- **Fertiliser:** The World Bank fertiliser index rose 13.5% in Q3, leaving it 28% higher than a year earlier. Prices in the quarter were supported by elevated energy costs and several policy shocks, notably EU sanctions on Russian fertilisers and China's quota management limits on urea and phosphates.
- Still, September saw a partial reversal, with the index falling 4.4% in the month - though the decline was not uniform across components. Urea eased due to underwhelming India and Brazilian demand and improved supply. Meanwhile, ammonia was comparatively firmer on supply disruptions. Looking ahead, risks are skewed to the upside. Prices could find support from EU sanctions and China's quota limits, particularly if demand re-accelerates.
- **Feedstock:** Hay prices have dropped since July's record highs although they remain elevated. With grain prices under pressure from strong global supply some growers are baling wheat and barley instead. This should bring new hay to the market. Still, limited carry-over, below average rainfall and soil moisture levels have constrained new season growth, particularly in southern regions where irrigation costs remain elevated. As such, with demand still strong, prices are unlikely to fall back sharply.
- **Global freight rates:** The BDI rose 34% in Q3 bringing levels back above 2000 supported by solid grain trade. The imposition of port fees on respective China and US built or owned ships has also disrupted routing and creating some short-term upward pressure. Further out, the BDI is expected to ease given the significant increase in newbuild ship deliveries. The ceasefire in Gaza, if maintained, could also see an increase in traffic along the Red Sea routes and global prices start to decline.

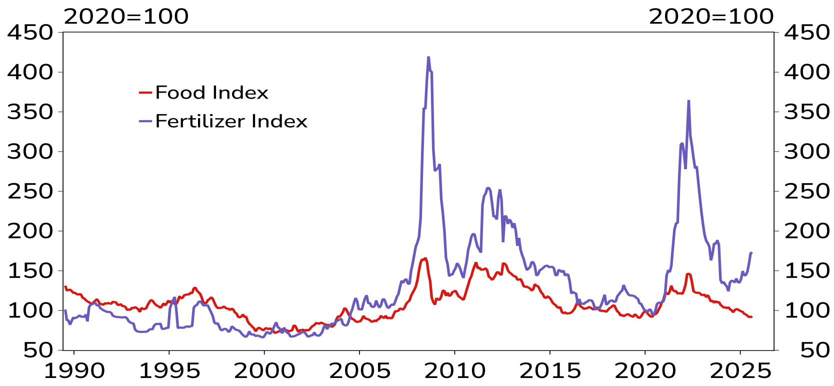
Oil and Diesel Prices



Source: CME Group, AIP, Macrobond, Westpac Economics

World Bank Food & Fertiliser Prices

Adusted for US inflation



Source: World Bank, BLS, Macrobond, Westpac Economics

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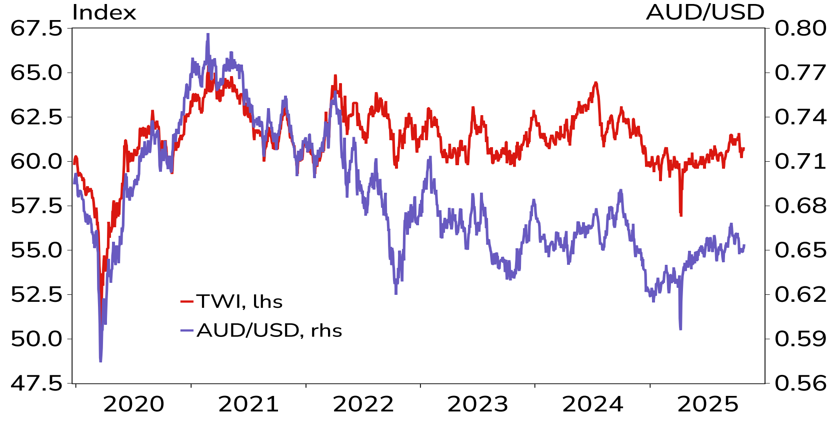
Labour, interest rates and exchange rates

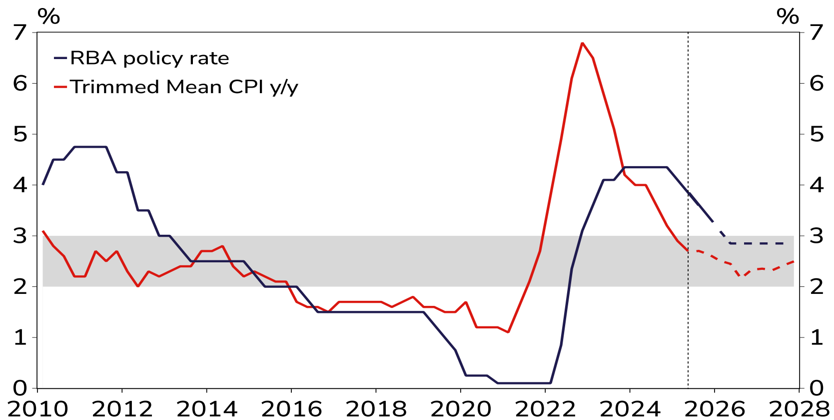
- **Labour:** Employment growth in the agriculture sector has weakened in recent quarters. In September employment was 5.7k lower than a year ago. However, while total head count may have fallen, total hours worked continues to grow strongly, up 3.5% on the year, well above the economy-wide average of 1.6%. Moreover, vacancies for agriculture-related occupations remain around twice as high as pre-pandemic levels, indicating persistent labour shortages.
- Growth in compensation of employees in agriculture held steady at around 5.7% y/y in Q2 – still well above the industry long run average of 3.7% but below the economy wide average of 6.6%. Labour costs, however, represent a relatively smaller share of the sector's cost base, highlighting the greater impact of non-labour costs on margins.
- **Interest rates:** As expected, the RBA held the cash rate steady at 3.6% in September. Policy rates have been reduced by 75bp since February but are still considered to be slightly restrictive. We expect the RBA to cut rates further over the coming quarters with the underlying CPI moderating to below 2.5% and the labour market continuing to soften. However, the timing of the next rate cut is uncertain. While the September labour survey supported further easing, the RBA decision will be dependent on the Q3 CPI outcome, which is expected to be solid. Our current base case is for a 25bp reduction in November with a cautious 25bp cadence each quarter to a terminal rate of 2.85% by mid-2026. However, the path will remain conditional on both inflation and the evolving labour market picture.
- **Exchange rate:** After touching an 11-month higher of US$0.67 in mid-September, the AUD has come under renewed pressure as US-China tensions flared again, with the US threatening a 100% tariff on Chinese goods and China announcing export controls on rare earth minerals. Renewed stress in US regional banks and the prolonged US shutdown has also kept market cautious. However, there are signs from the US suggesting a willingness to ease tensions with China as well as a more cautious RBA should provide some near-term support.
- We expect the AUD to resume a gradual appreciation over 2026, partly reflecting a further unwinding of the USD overvaluation and a narrowing in growth differentials. We forecast AUD/USD at 0.67 by end-2025 and 0.71 in Q4 2026. However, given the potential for geopolitical shocks and evolving interest rate differentials the path is likely to be bumpy.

Australian dollar – spot USD rate and TWI



Source: , Macrobond, Westpac Economics

Monetary policy and inflation

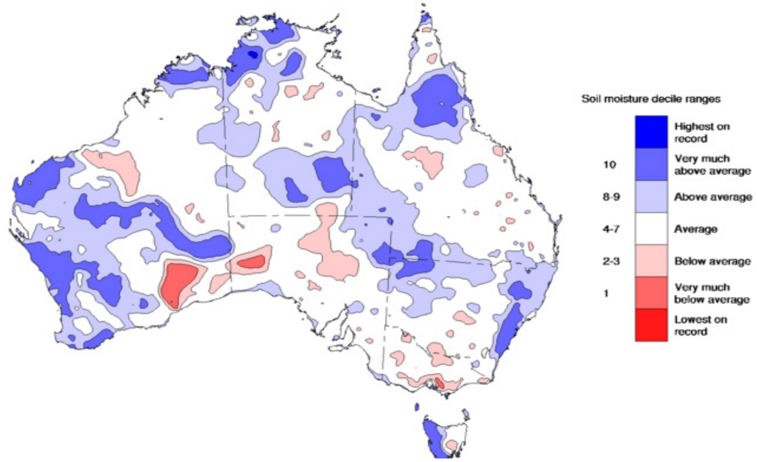


Source: ABS, RBA, Macrobond, Westpac Economics

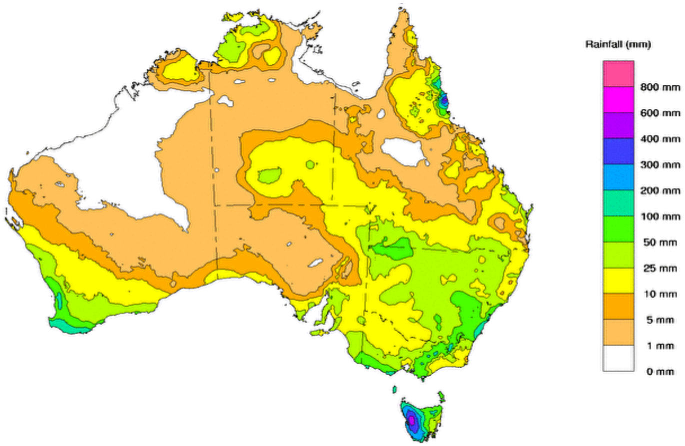
Climate

- September saw uneven rainfall across the country. Above-average rainfall was recorded across most states. However, VIC and SA September reported levels amongst the lowest since 1900. Moreover, despite rainfall in recent months it has not been sufficient to restore deeper soil moisture in many areas.
- The rainfall outlook for November 2025 to January 2026 indicates an increased probability of above-median rainfall across most states and cropping regions. That said, it remains somewhat mixed in WA.
- If this materialises, it will help build soil moisture in eastern regions ahead of the summer cropping season and support late-spring and summer pasture growth across eastern and northern Australia.
- As of 9th October, the Murray-Darling Basin (MDB) stood at around 70% of total capacity, up from 60% at the start of July. Still is remains around 11% ppt lower than a year ago with below average levels recorded for several southern catchments. Reflecting tighter water availability, the median price for water allocation in Q3 rose to $260/ML, compared to $138/ML last year, and well above the 5-year average of $79/ML.

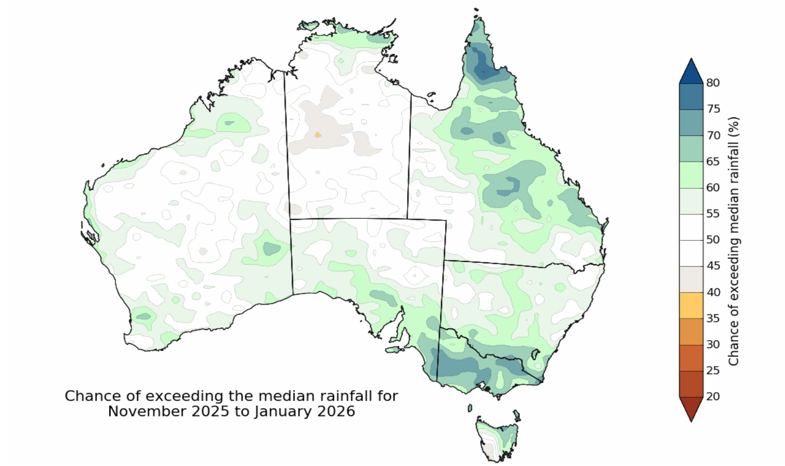
Soil moisture September 2025



September 2025 rainfall



BOM forecast November – January 2025



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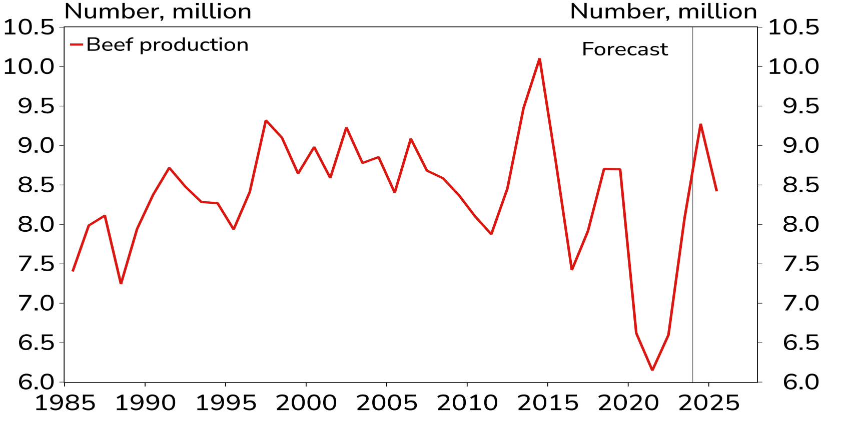
Beef: Prices to edge lower after record high

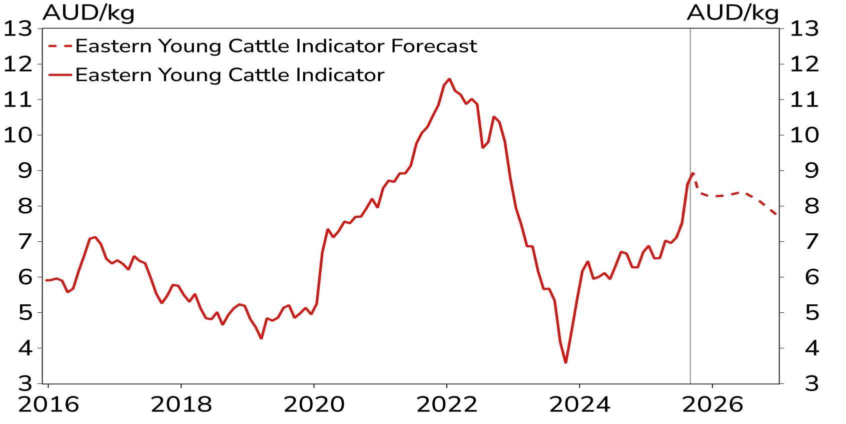
- It has been an exceptional year for the external demand for Australian beef. Export volumes hit a new monthly record high in July and, while easing slightly since, they still 18.3% higher than a year ago in August – marking the second highest monthly export volume on record. US demand remains very strong, accounting for 30% of Australian exports amid low US domestic supply and appetite for Australia's lean trimming beef. Australia's tariff advantage over NZ, EU and Brazil, with the latter facing a 50% rate, is also likely to support Australian exports. Outside the US, demand has also been robust across Japan, South Korea and China, with little evidence that higher export prices are weighing on demand. In China's case, lower US imports, due to ongoing trade tensions and higher tariff on US beef exports, are also likely to be supporting demand.
- Strong offshore demand has kept slaughter rates elevated. ABARES expects beef cattle herd to remain relatively steady at 27.9mn, down 0.2% on the year but 3% above average. Even so, beef production is expected to fall around 9% in 2025-26 given lower turn off rates, particularly in southern Australia, and an improvement in restocker demand following better rainfall. High cattle availability in QLD will help, not fully offset, the southern rebuild.
- Against this backdrop, the National Eastern Young Cattle Indicator rose an exceptional 18.8% in Q3 and stood more than 27% higher than a year ago. Indeed, in September prices reached a record high A$9.01 before easing later in the month as weather related delays in the delivery of some stock to market eased.
- Looking ahead, solid external demand and constrained domestic supply should keep prices supported around current levels into early 2026. Prices are expected to drift lower over the second half of 2026 as restocking demand peaks with prices to end-2026 at A$7.89 per kg and A$7.28 per kg by end-2027.
- Risks are finely balanced. High exports to China and South Korea have triggered 'safeguard' tariffs. China's 'safeguard' tariff trigger was met in July with imports exceeding the trigger volume of 208.3 mn tonnes. This resulted in a 12% tariff on additional Australian beef exports to China with a futher investigation into China's beef imports, due in late November, possibly resulting in additional safeguard measures to protect domestic producers. In addition, higher prices in these markets could see demand soften in these markets.

Beef production



Source: ABARES, Macrobond, Westpac Economics

Australian Cattle Prices

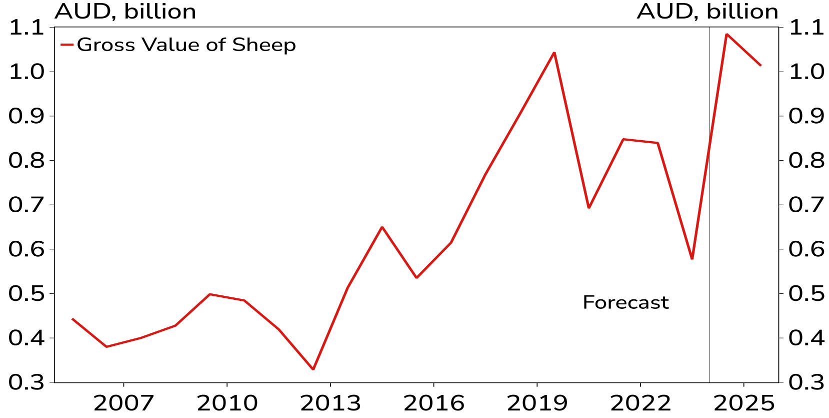


Source: , Macrobond, Westpac Economics

Sheep: Surging prices amid tight supply

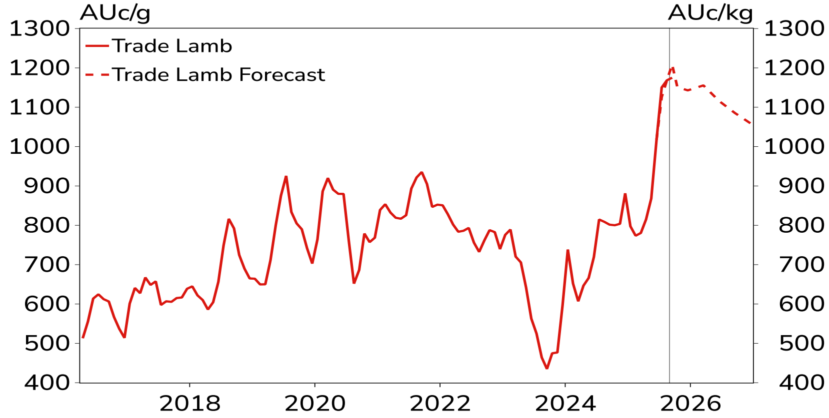
- Lamb prices held at very high levels for most of Q3, with the National Trade Indicator surging nearly 30% in the quarter to be 44% higher than a year ago. In part, prices were supported by new season lambs arriving 6 to 8 weeks later than usual due to mixed seasonal conditions. This may reflect growers decision to increase weight but a smaller national flock would also be weighing on supply. Indeed, Meat & Livestock Australia reported that flock numbers were down 6.2% as of June 2025 as several years of below average seasonal conditions across key areas had previously driven elevated lamb and mutton turn off rates.
- Tight supply is also weighing on exports. Indeed, despite strong prices the value of sheep meat exports fell 22% year-on-year in September, with lamb down 15% and mutton down 31%. The US remained the largest lamb market with exports up 8%, while mutton exports to China fell 72%, even as lamb exports to China rose 14%, suggesting some product switching.
- Looking ahead, production volumes are expected to fall further with ABARES expecting lamb turn off rates to fall 8% in 2025-26, with a sharper 27% fall in ewe turnoff rates as producers rebuild flocks. Notably, there has been some improvement in seasonal conditions that should encourage flock rebuilding. In particular, NSW has had a strong season with favourable conditions in key regions like New England, Dubbo, and Mudgee. That said, western VIC and TAS still face below-average soil moisture, creating a fodder gap that's influencing stocking decisions. Overall, ABARES projects sheep production to fall by 11.7% in 2025-26.
- Given lower production, the value of lamb and sheep exports are also set to ease albeit only modestly. Lower volumes will be partly offset by strong export prices as external demand remains very strong across the US, China and MENA. Moreover, production from New Zealand, the second-largest exporter, is set to fall as a small flock and inventory rebuilding helping to further tighten global supply.
- Overall, we expect prices to remain elevated in the short term as supply remains tight before drifting lower by end year as new seasonal supply comes on board. Still, we expect prices in December 2025 to be nearly 28% higher than the previous year. In 2026, prices are projected to normalise but remain above well above the five year average as strong external demand remains solid.

Gross value of sheep production



Source: ABARES, Macrobond, Westpac Economics

Australian Trade Lamb

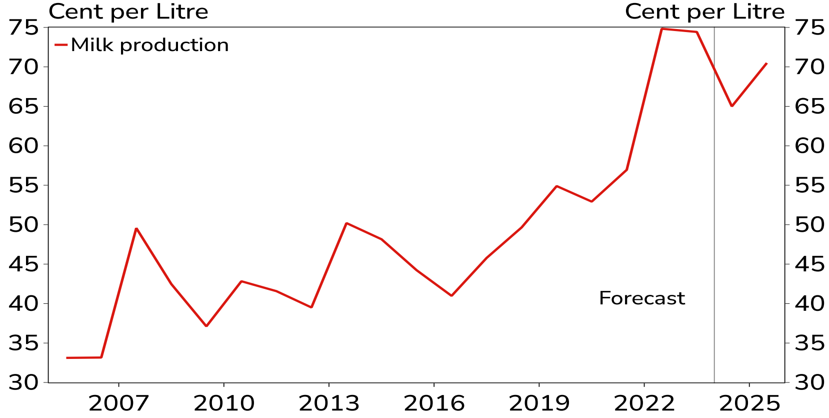


Source: , Macrobond, Westpac Economics

Dairy: Challenging domestic market

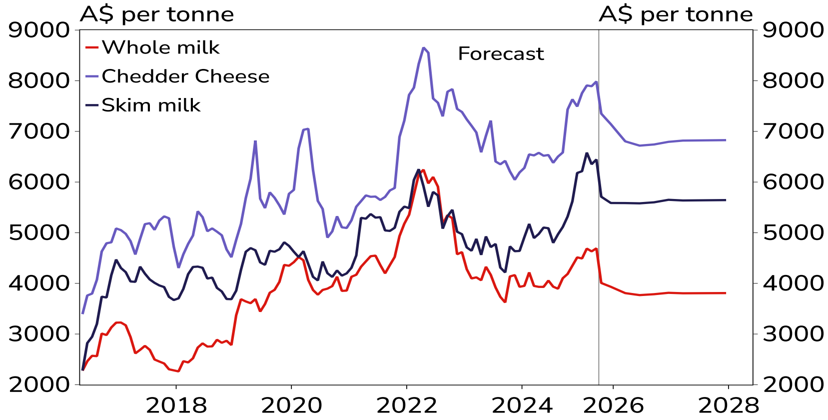
- Australian milk production improved in August but nationally output remained 3% below year-ago levels, with a year-to-date shortfall of 20.4 million litres compared to 2024–25. Notably, output in VIC, the largest milk-producing state, was running 4.3% lower over the first two months of the 2025–26 season as unfavourable weather and herd reductions amid high feed costs weighed heavily on production.
- Looking ahead, ABARES forecasts a 1.6% contraction in milk production in 2025–26 marking a second consecutive annual decline. Production is expected to remain under pressure from reduced herd numbers and high feed costs, despite improved pasture growth. Dairy product output is expected to fall 1%, though trends will be mixed. Butter production is forecast to remain flat, while other categories are set to decline, particularly wholesale milk, which is projected to fall 5.3%.
- Lower domestic output has lifted the Australian Commodity Milk Value (CMV) to an average of A$9.20/kgMS, up around 10% from 2024–25, though still below Fonterra's 2025–26 mid-point equivalent of approximately A$9.50/kgMS (adjusted for exchange rates and crude protein).
- The CMV compares favourably to Southern Australia's average minimum farmgate prices, ranging from A$8.90 to A$9.20/kgMS for the 2025–26 season. While some prices above this range have been reported, upside will likely be capped below 2022–23 levels given the projected decline in global prices.
- Indeed, the Global Dairy Trade Index fell 4.8% in Q3 and has extended losses into October. Still, it remains nearly 12% higher than a year ago, following three consecutive quarterly gains. The recent price decline reflects a turnaround in global milk production, which rose 2.4% year-on-year in August, across the top five exporting regions. Much of this was driven by a lift in US output, supported by the largest dairy herd in nearly 30 years and improved yields. This also contributed to a sharp rise in US cheese production.
- Dairy export prices in US$ terms are expected to remain broadly stable at current levels over the remainder of 2025. However, given the outlook for a modest appreciation in the A$ this will see prices in A$ pull back. Over 2026, all prices are expected to firm as discounting normalises, with product group prices ending the year higher than in 2025. Wholesale milk prices are projected to lead the recovery, rising around 7.7% year-on-year in December 2026.

Milk production



Source: ABARES, Macrobond, Westpac Economics

Dairy prices

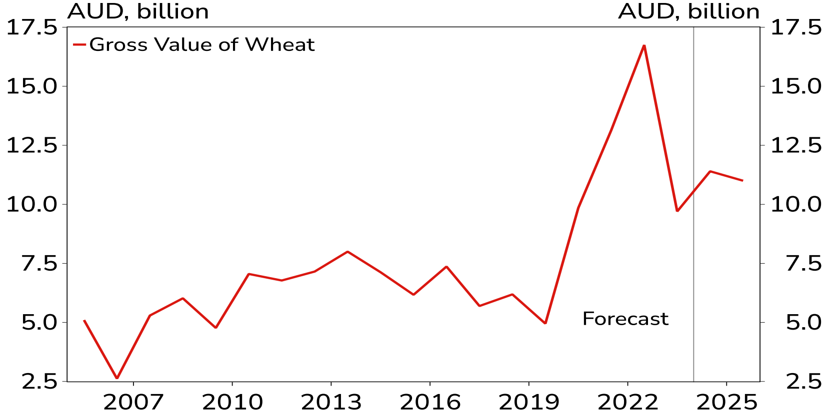


Source: , Macrobond, Westpac Economics

Wheat: Rainfall improves supply outlook

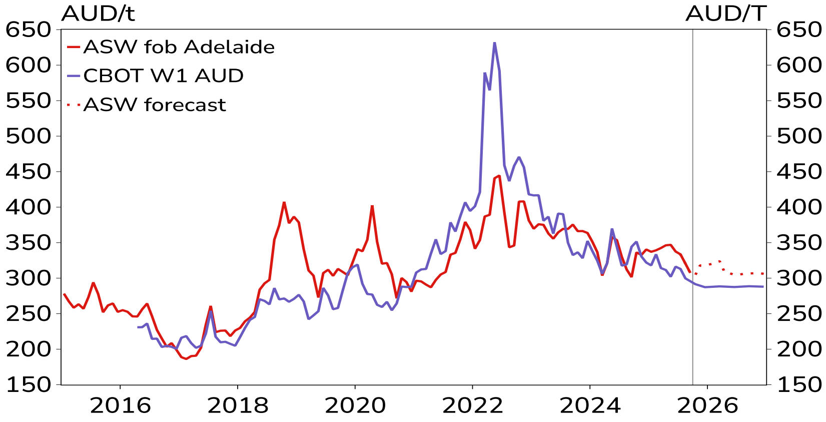
- Despite a dry and uneven start to the cropping season, rainfall across SA and VIC was, on balance, sufficient to improve the production outlook. ABARES still expects output to fall in 2025-26 following last year's bumper crop. However, the expected fall has moderated to 1%, down from a previously projected fall of 10%. This would bring production to 33.8 mn tonnes, which would still be more than 22% above the 10-year average (27.6 mn tonnes).
- Regional performance remains mixed. QLD and northern NSW continue to outperform, with well-established crops and high soil moisture levels supporting yield prospects. Indeed, even though QLD's wheat output is expected to decline, it will remain around 50% above the decade average. A strong rebound is projected in SA following last year's drought, and late winter rains have improved prospects in VIC. However, southern NSW's yield potential hinges on October rainfall, which to date has been below average across most areas.
- Domestic feed demand remains firm, driven by record cattle-on-feed numbers given sub-par pasture conditions in parts of Australia, though improved rainfall could ease demand. Meanwhile, external demand has strengthened over 2025. Wheat and durum export volumes were 64.4% higher than a year ago, driven by a sharp increase in shipments to China, albeit from a low base, following drought-related disruptions to Chinese domestic production. Trade tensions between China and the US, coupled with Australia's tariff advantage, have likely further supported Chinese demand for Australian wheat. However, future demand remains uncertain, given China's undisclosed inventory levels.
- Additional risks stem from recent trade agreements between the US and key Asian importers. Indonesia, accounting for 15% of exports, has committed to doubling its imports of US wheat to one million tonnes annually from 2026 to 2030. While Australian exports to Indonesia are unlikely to fall by the full one million tonnes, this could see exports fall below the average of 4.2 mn tonnes. Vietnam has also removed all tariffs on US wheat and other agricultural products as part of its agreement to reduce proposed US tariffs.
- Global wheat supply is expected to rise by 1.3% in 2025–26, with higher yields in the EU and Russia contributing to the improved outlook. This ample supply is expected to cap a modest firming in prices in the short term and the AWS is not expected to return to early 2025 levels. We expect prices to drift lower in 2026 with ASW projected to average between A$307 and A$322 per tonne.

Gross value of wheat production



Source: ABARES, Macrobond, Westpac Economics

Australian Wheat Prices



Source: Bloomberg, Macrobond, Westpac Economics

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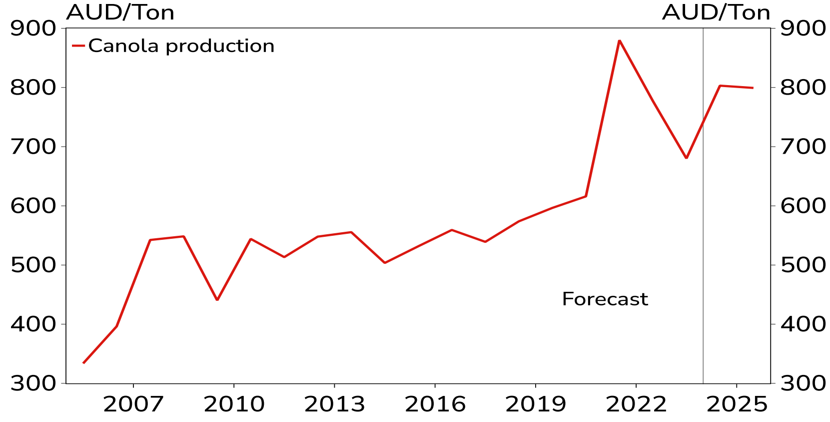
Canola: Door to China reopening

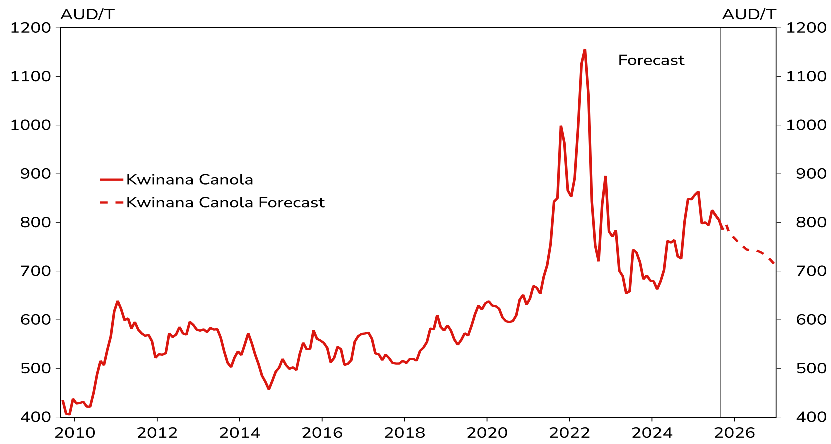
- Australia's 2025-26 canola outlook has improved modestly following a stronger than expected season. ABARES now forecasts national production to rise 1% to 6.4 mn tonnes. This compares to a projected 15% fall in the June report.
- The upgrade primarily reflects stronger output from WA, the largest state producer with 52% of national output. Indeed, WA is the only state were production is expected to rise over the coming season as well timed winter rains and warmer growing conditions in July and August supported crop establishment and yields. Elsewhere, output is still set to fall amid lower areas of plantation. Across the eastern states, the pivot away from canola was more pronounced due to low soil moisture levels.
- Still, the overall improved outlook for Australian productions comes as global supply has also beaten expectation. Global canola production is expected to increase by 5% in 2025-26, led by a recovery in EU production, more than offsetting declines in Ukraine. Canada has also reported a large harvest. At the same time, Chinese demand has weakened. Consequently, the Kwinara Canola index has dropped from around $855 in late June to below $800 at the start of October.
- Ample global supply and reduced EU imports are expected to weigh on domestic canola prices over the remainder of 2025 and into 2026, with prices projected to fall to $715 by year-end. However, a potential risk is the resumption of exports to China. Canada's trade dispute with China remains unresolved, with China imposing a 78.5% tariff on Canadian seed imports effectively chocking exports to the world's largest buyer of canola.
- Meanwhile, there are encouraging signs that trade between Australia and China is set to resume after China suspended imports of Australian canola exports in 2020. A five-trial shipment is underway, with reports that China has purchased 500kt of Australian canola for November-January delivery. If successful, this could offset weaker EU demand and lend support to domestic prices. That said, extremely low carry-in stocks will limit how much Australian producers can capitalise on this opportunity.

Canola production



Source: ABARES, Macrobond, Westpac Economics

Australian Canola Prices

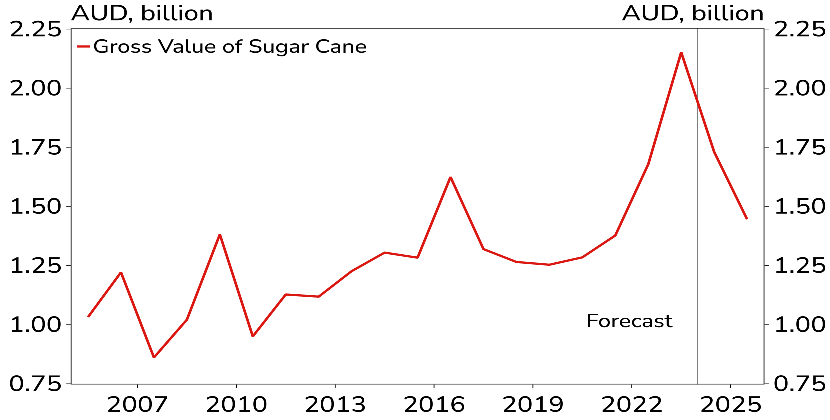


Source: Bloomberg, Macrobond, Westpac Economics

Sugar: Recovery in prices from lows

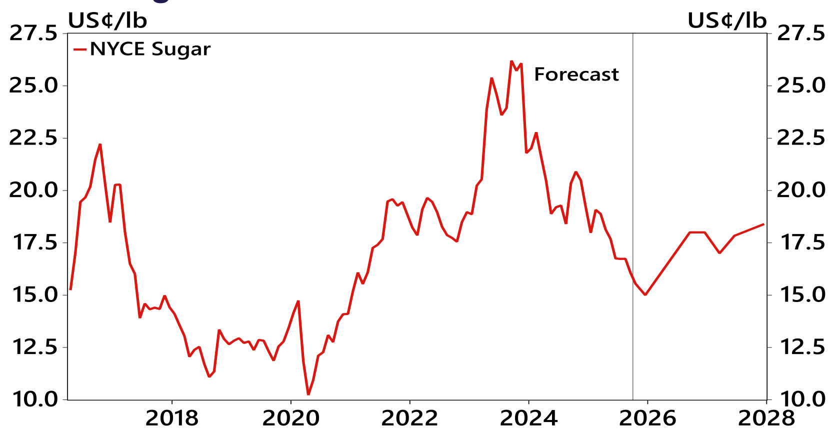
- Global sugar prices were mixed in September. Raw sugar futures weakened early in the month but found support later amid concerns over declining cane yields in Brazil and strong Chinese import demand, which was up 7.0% year-on-year in August. However, the recovery in prices proved temporary as expectations of larger crops in India and Thailand, along with soft demand from Indonesia, saw prices come under pressure again and as of mid-October prices are down around 24% from the 2025 high of 20.33 USc/lb.
- Brazil's centre-south region production remains strong, rising 15.7% on year although reduced cane quality and low recovery rates have raised concerns about future yields. Combined with a recovery in Thai and European beet crops, and strong output from Argentina, this has added to global supply. This is offsetting the absence of exports from the Philippines and lower UK production.
- The outlook for global demand is mixed. While Chinese import demand continues to signal resilient demand, Indonesia plans to cut 2026 imports to a seven-year low due to domestic oversupply. Meanwhile, Pakistan has capped imports at 300,000 tonnes.
- The result is a projected surplus of around 7–9 million tonnes, keeping inventories well above the five-year average. Overall, global sugar output in 2025/26 is forecast between 187 and 188 million tonnes, one of the largest crops on record.
- For Australia, national raw sugar production is projected near 3.8 million tonnes, a marginal decline from last season due to localized flood damage and delayed cane replanting. Export volumes are expected to lift slightly toward 3.1 million tonnes, as previously deferred shipments are completed. Despite lower yields, the industry remains competitive within the Asia-Pacific market, with export earnings constrained more by price than volume.
- While in the near term sugar prices are likely to remain under pressures from strong supply we expect sugar futures to gradually recover with firmer Chinese demand, providing some support. However, with global production at record levels, the pace of recovery in prices is likely to remain capped with raw sugar prices returning to US18¢/lb in the second half of 2026. A partial easing in India's export restrictions due to its ethanol blending policy would further cap any recovery in prices.

Gross value of sugar production



Source: ABARES, Macrobond, Westpac Economics

Global Sugar Price



Source: , Macrobond, Westpac Economics

Activity forecasts

	2025				2026				Calendar years			
%qtr / %yr end	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
Household consumption	0.4	0.9	0.7	0.5	0.7	0.7	0.7	0.7	0.9	2.5	2.6	2.8
Dwelling investment	2.1	0.4	1.4	1.2	1.3	1.6	1.7	1.7	3.5	5.1	6.5	5.5
Business investment *	0.3	–0.4	0.9	0.9	0.8	0.9	1.2	1.2	0.4	1.6	4.1	4.7
Private demand *	0.5	0.6	0.8	0.6	0.8	0.8	0.9	0.9	1.0	2.6	3.4	3.4
Public demand *	–0.3	0.2	0.7	0.7	0.8	0.7	0.5	0.6	5.4	1.3	2.6	2.5
Domestic demand	0.3	0.5	0.8	0.7	0.8	0.8	0.8	0.8	2.3	2.2	3.2	3.2
Stock contribution	0.3	–0.1	–0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.0
GNE	0.5	0.4	0.7	0.6	0.8	0.8	0.8	0.8	2.4	2.3	3.3	3.2
Exports	–0.7	1.7	0.1	0.3	0.4	0.4	0.4	0.5	1.4	1.5	1.7	2.5
Imports	0.1	1.4	0.5	0.5	1.3	1.3	1.3	1.3	6.2	2.5	5.3	4.9
Net exports contribution	–0.2	0.1	–0.1	0.0	–0.2	–0.2	–0.2	–0.2	–1.0	–0.2	–0.8	–0.5
Real GDP %qtr / %yr avg	**0.3**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**1.0**	**1.8**	**2.4**	**2.5**
%yr end	**1.4**	**1.8**	**2.1**	**2.1**	**2.4**	**2.4**	**2.4**	**2.4**	**1.3**	**2.1**	**2.4**	**2.6**
Nominal GDP %qtr / %yr avg	1.4	1.3	1.2	1.0	0.9	1.0	1.0	1.1	3.8	4.8	4.1	4.4
%yr end	3.7	4.7	5.6	5.0	4.4	4.0	3.9	4.0	3.6	5.0	4.0	4.6
Real household disp. income	1.5	0.0	0.5	0.5	0.9	0.6	1.8	–0.5	2.2	2.5	2.8	2.5

Other macroeconomic variables

	2025				2026				Calendar years			
% change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
Employment %qtr **	0.3	0.6	0.2	0.2	0.3	0.2	0.4	0.4	–	–	–	–
%yr end **	2.2	2.2	1.6	1.3	1.3	1	1.2	1.3	2.2	1.3	1.3	1.8
Unemployment rate % **	4.1	4.2	4.3	4.4	4.4	4.5	4.5	4.5	4	4.4	4.5	4.3
Wages (WPI) (sa) %qtr	0.9	0.8	0.7	0.7	0.8	0.8	0.6	0.8	–	–	–	–
%yr end	3.4	3.4	3.3	3.2	3	3	2.9	3	3.2	3.2	3	3.1
Headline CPI %qtr	0.9	0.7	1.1	0.2	0.7	0.8	0.6	0.5	–	–	–	–
%yr end	2.4	2.1	3	3	2.8	2.9	2.4	2.6	2.4	3	2.6	2.5
Trimmed Mean CPI %qtr	0.7	0.6	0.8	0.5	0.6	0.5	0.6	0.6	–	–	–	–
%yr end	2.9	2.7	2.7	2.6	2.5	2.4	2.2	2.3	3.2	2.6	2.3	2.5
Current account $bn, qtr	–14.1	–13.7	–10.0	–8.2	–9.6	–10.9	–11.5	–12.0	–	–	–	–
% of GDP	–2.0	–1.9	–1.4	–1.1	–1.3	–1.5	–1.5	–1.6	–2.3	–1.1	–1.6	–1.8
Terms of trade %yr avg	–4.1	–3.8	–2.4	–0.9	0.3	1.2	0.5	–0.1	–4.8	–0.9	–0.1	0.2
Population %yr end	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.7	1.4	1.4	1.3

Westpac Market Outlook October 2025
Calendar year changes are annual through-the-year percentage changes unless otherwise specified.
* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. ** Quarter-averages.

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