Australian Government
Department of Agriculture, Fisheries and Forestry

ABARES

Agricultural Commodities Report

September quarter 2024

Research by the Australian Bureau of Agricultural and Resource Economics and Sciences

Volume 14, Issue 3
September 2024

Cataloguing data

This publication (and any material sourced from it) should be attributed as: ABARES 2024, *Agricultural Commodities Report: September quarter 2024*, ABARES, Canberra, DOI: https://doi.org/10.25814/ffgs-mx60. CC BY 4.0.

ISSN 1839-5627

Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)
GPO Box 858 Canberra ACT 2601
Telephone 1800 900 090
Web agriculture.gov.au/abares

Disclaimer

The Australian Government acting through the Department of Agriculture, Fisheries and Forestry, represented by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), has exercised due care and skill in preparing and compiling the information and data in this publication. This publication has been compiled from a wide range of publicly available information and other information obtained through consultations with experts and representatives from industry. Such information has not been independently verified.

The purpose of this publication is to provide a high-level overview of domestic commodities for information only, it is not intended to be relied on as a comprehensive representation of Australia's agricultural sector or used for commercial purposes. The Department of Agriculture, Fisheries and Forestry, ABARES and its employees do not accept responsibility for the accuracy or completeness of the contents and disclaim all liability, including liability for negligence and for any loss, damage, injury, expense or cost incurred by any person directly or indirectly as a result of accessing, using or relying on any of the contents of this publication to the maximum extent permitted by law.

Professional independence

The views and analysis presented in ABARES publications reflect ABARES professionally independent findings, based on scientific and economic concepts, principles, information and data. These views, analysis and findings may not reflect or be consistent with the views or positions of the Australian Government or of organisations or groups that have commissioned ABARES reports or analysis. Learn more about ABARES professional independence.

Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

About the Agricultural Commodities Report

The *Agricultural Commodities Report* contains ABARES forecasts for the value, volume and price of Australia's agricultural production and exports.

Underpinning the forecasts contained in the *Agricultural Commodities Report* are ABARES outlook for global commodity prices, demand and supply. Each edition of the report factors in how changes to this outlook affect Australian producers and the value of their produce. Important risks to the outlook are also considered and discussed in each report.

A 'medium term' (5 year) outlook is published each year in the March edition of the *Agricultural Commodities Report*. Each June, September and December edition contains a short-term outlook. In June, the forecast period is to the end of the next Australian financial year (July to June). In September and December, the forecast period is to the end of the current Australian financial year.

Contents

1 Overview

Fred Litchfield and Alistair Read

$86b
Value of production in 2024–25

Agricultural overview

Value forecast to increase by 4% from $82 billion in 2023–24.

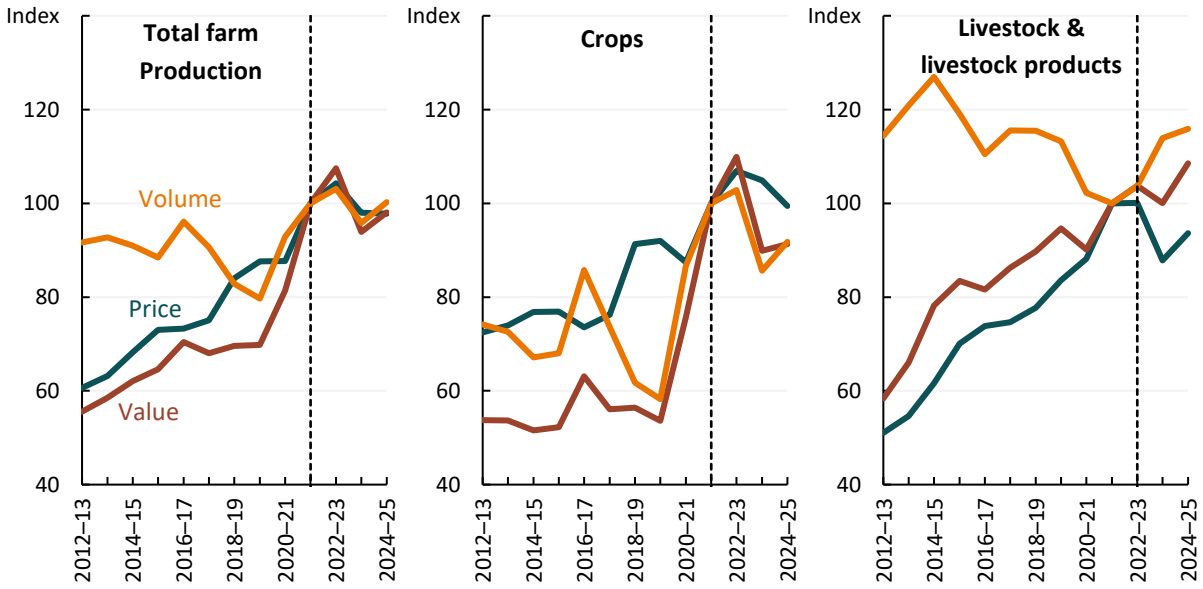
Key points

- Gross value of agricultural production forecast to rise by 4% to $86.2 billion in 2024–25.
- Livestock and livestock product production values to increase driven by strong global demand.
- Crop production values to rise despite lower global grain and oilseed prices.
- Agricultural exports to be $68.5 billion in 2024–25, with increased livestock values.
- Input pressures expected to ease in 2024–25 supporting a rebound in farm incomes in some regions.

Value of agricultural production to rebound

The **gross value of agricultural production** is forecast to rise by $3.7 billion to $86.2 billion in 2024–25 ($92.1 billion including fisheries and forestry production), the third highest result on record. The overall increase is driven by higher livestock and livestock product values ($2.9 billion higher) due to both higher prices and production (Figure 1.1). The gross value of crop production is also forecast to rise in 2024–25 ($760 million higher) as higher domestic production more than offsets falling prices.

Figure 1.1 Annual value, volume, and price of agricultural production



Note: Index 100 = 2021–22. Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Labour pressures for Australian agricultural businesses have eased over 2024 with a weak economy and increased overseas worker arrivals. The number of temporary migrants working in agriculture is now above pre-pandemic levels reflecting the return of seasonal backpackers and continued strength of the Pacific Australia Labour Mobility Scheme (PALM). Labour market tightness remains for some skilled occupations – exacerbated by housing shortages in regional areas – however job advertisements have continued to decline over 2024 (Figure 1.6).

The forecast for total farm production values in 2024–25 has been revised up by around $2.6 billion from the *June 2024 Agricultural Commodities Report*. Improved seasonal conditions have led to upward adjustments to crop production and livestock prices. Crop production values have been revised up by around $390 million reflecting an improvement in production volumes. Livestock and livestock products have been revised up by $2.2 billion due to an upwards adjustment to saleyard prices and production for beef and lamb. No revisions have been made to the value of fisheries and forestry production since the *June 2024 Agricultural Commodities Report*.

Higher prices driving up the value of livestock and livestock products

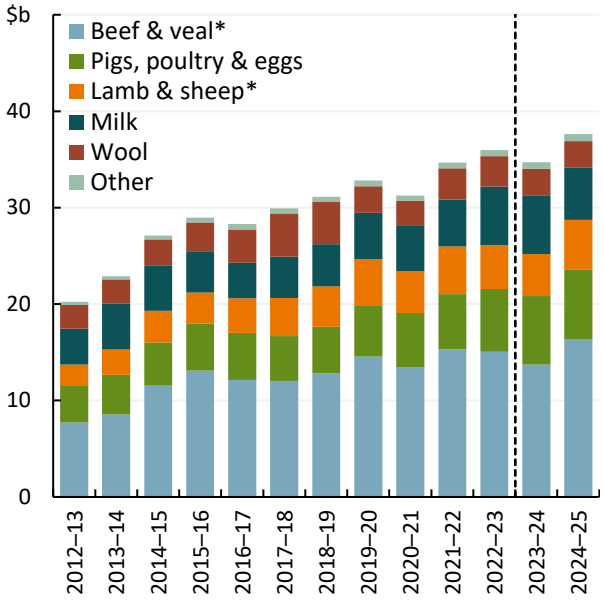
Livestock prices are expected to rise in 2024–25, reflecting strong global demand and constrained global supply. Elevated export prices for beef, lamb and mutton – combined with higher domestic processing capacity – is expected to increase competition between processors in saleyards, driving a strong recovery in livestock prices in 2024–25. Beef and lamb saleyard prices are forecast to rise by 29% and 24% respectively.

Livestock production volumes are expected to rise with increased turn-off, driven by strong global demand and price recovery from the lows in 2023–24. These factors are forecast to outweigh improved seasonal conditions and greater pasture availability, which incentivise some producers to rebuild herds and flocks. Beef and veal production volume is forecast to rise by 2% in 2024–25, and sheep meat production volumes are expected to rise by 3%.

The **gross value of production for livestock and livestock products** is forecast to increase by $2.9 billion (8%) to $37.6 billion in 2024–25 (Figure 1.2). This is driven by increases across most major commodity categories (Figure 1.3):

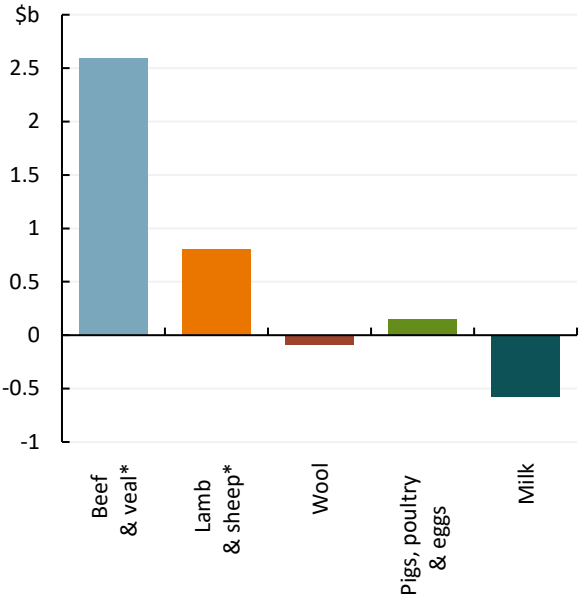
- **Beef, veal, and live cattle** production values rising by $2.6 billion to $16.3 billion.
- **Sheep meat and live sheep** production values rising by $810 million to $5.2 billion.
- **Pigs, poultry, and eggs** production values rising by $150 million to $7.2 billion reflecting higher production more than offsetting slightly lower prices.
- **Milk** production values are forecast to fall by $570 million to $5.5 billion, mainly reflecting lower farmgate milk prices.
- **Wool** production value is forecast to fall by $90 million to $2.7 billion driven by lower expected prices.

Figure 1.2 Gross value of annual livestock and livestock products production



Note: Data to the right of the dotted line indicate estimates and forecasts. *Includes live exports.
Source: ABARES; ABS

Figure 1.3 Annual change in production values, 2023–24 to 2024–25



Note: *Includes live exports.
Source: ABARES; ABS

Increased crop volumes to drive higher values despite lower prices

In 2024–25, Australian **winter crop production volumes** are forecast to rise by 17% (see *Australian Crop Report*) with increased rainfall driving higher area planted and yields on average (see *Seasonal Conditions*). Timely rainfall in New South Wales, Queensland and Western Australia is forecast to support wheat, barley, canola and pulse production volumes. However, with limited recent rainfall, soil moisture in large parts of South Australia and Victoria remains below average and is expected to lead to lower winter crop production, partially offsetting increases in other states.

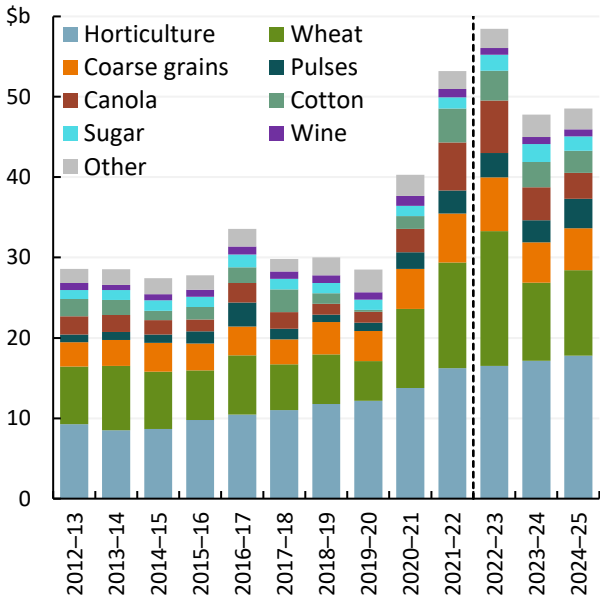
Domestic prices for most crops are expected to fall in 2024–25. Domestic crop prices are largely driven by global prices, which are expected to fall because of higher global grain and oilseed production.

The **gross value of crop production** is forecast to rise by $760 million (2%) in 2024–25 (Figure 1.4) but with significant variation by commodity (Figure 1.5):

- **Wheat** value is expected to increase by $950 million to reach $10.7 billion. Favourable seasonal conditions in New South Wales and Queensland, and an improvement in Western Australia are forecast to increase production volumes, more than offsetting a drop in prices.
- The value of **pulses** is forecast to rise by a $900 million to a record $3.6 billion. High international pulse prices are expected to have driven an increase in area planted, particularly for chickpeas and lentils, leading to increased production volume.
- **Horticulture** values are expected to increase by $620 million to a record $17.8 billion, reflecting higher production volumes due to improved growing conditions, high water availability and easing input pressures.

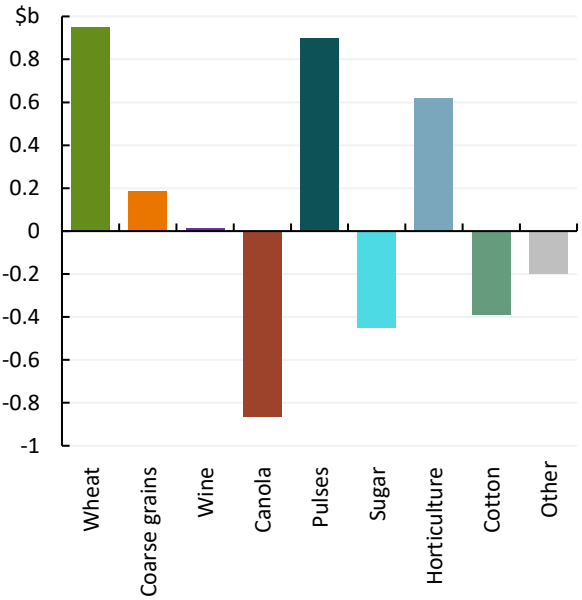
- **Canola** value is expected to fall by $860 million to $3.3 billion in 2024–25 due to lower production volumes and prices.
- **Sugar** value is expected to fall by $450 million to $1.8 billion due to lower prices.
- **Cotton** value is expected to fall by $390 million to $2.7 billion due to lower production volumes and prices.

Figure 1.4 Gross value of annual crop production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Figure 1.5 Expected change in crop values, 2023–24 to 2024–25



Source: ABARES; ABS

Value of exports to fall with less carry over stock available

Agricultural export values are forecast to fall by $3.1 billion to $68.5 billion in 2024–25 ($72.6 billion including fisheries and forestry exports). The forecast fall is mostly driven by reduced exportable supplies of grain and oilseeds following significant stock drawdowns in 2023–24. Despite the fall, agricultural export values are still expected to be the third highest on record.

The forecast value of agricultural exports for 2024–25 is broadly consistent with the *June 2024 Agricultural Commodities Report* with upward revisions to beef and sheep meat export values offsetting downward revisions to cotton and sugar exports.

Livestock and livestock product export values are expected to rise by $1.2 billion to $30.6 billion in 2024–25. Higher export values reflect both higher export volumes – due to increased domestic production – as well as higher global prices because of strong global demand (Figure 1.6). Australian red meat exports increased significantly in 2023–24 and are expected to reach a new record in 2024–25, driven by:

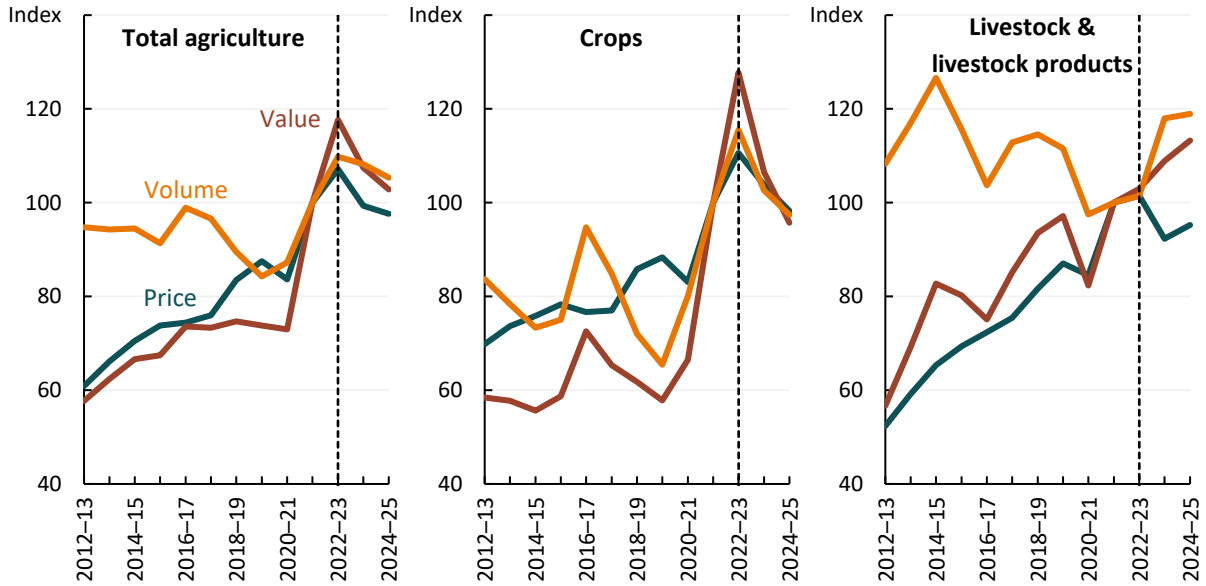
- Record high value of beef and veal exports to the United States (see *Beef and Veal*).
- Record high value of sheep meat exports to the Middle East (see *Sheep Meat*).
- Record high volume of lamb exports to the United States (see *Sheep Meat*).

Crop export values are expected to fall by $4.3 billion to $37.9 billion in 2024–25 driven by both lower export volumes and declining global prices across major crop commodities (Figure 1.6). Crop export volumes are expected to fall in 2024–25 despite higher domestic production; high carryover grain and oilseed stocks following three consecutive record seasons from 2020–21 to 2022–23 have been drawn down reducing exportable supply in 2024–25. Since the *June 2024 Agricultural Commodities Report*, the impact of lower world demand for some of Australia's major grain exports is expected to offset the impact of improved production on the outlook for crop export volumes in 2024–25.

The majority of global crop prices are expected to fall in 2024–25, following annual declines in 2023–24, as global crop supply continues to increase. In particular**, global grain and oilseed supply** is expected to increase with improved production conditions in the United States and South America driving higher world corn and soybean production.

In contrast, a forecast increase in **export prices for pulses, fruit, nuts and wine** in 2024–25, combined with increased market access in important trade destinations, are supporting crop export values.

Figure 1.6 Annual value, volume, and price of agricultural exports



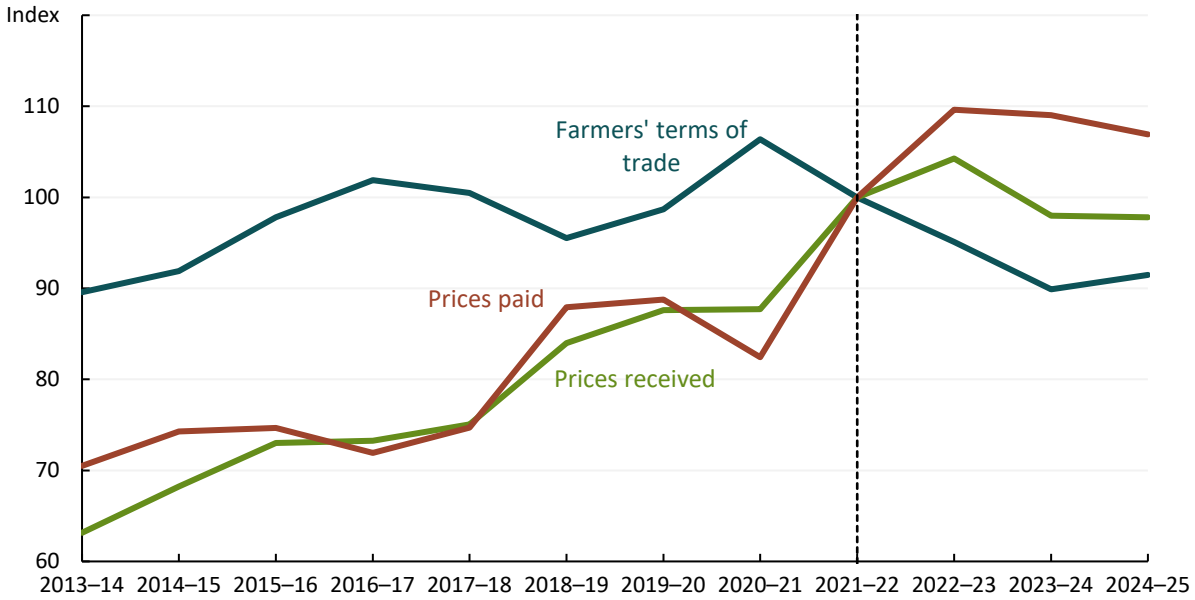
Note: Index 100 = 2021–22. Data to the right of dotted line indicate forecasts.
Source: ABARES; ABS

Farmers' terms of trade to increase with lower input prices

Farmers' terms of trade (FTOT) is forecast to increase by 2% in 2024–25, the first increase since 2020–21 (Figure 1.7). FTOT compares the average prices paid by Australian agricultural businesses for inputs to the farmgate prices they receive for production. The forecast rise in the FTOT reflects easing **prices paid** in 2024–25 for many major inputs. By contrast, **prices received** by farmers are expected to remain relatively stable in 2024–25 with lower crop prices offset by higher livestock prices. Most farm input prices are expected to continue falling in 2024–25 from the highs of 2022–23 but remain relatively elevated. Easing prices paid are driven by a decline in the cost of both materials and services. Global energy prices are expected to fall in 2024–25 (see *Economic Overview*) supporting lower fuel, fertiliser and chemical prices for Australian farm businesses. Increased labour

availability is also expected to ease input pressures for farm businesses, but other contracting and marketing costs are expected to increase in line with higher production.

Figure 1.7 Annual Australian farmers terms of trade



Note: Index 100 = 2021–22. Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Average cash income (net of costs) for broadacre farms is forecast to increase by 64% to $192,000 per farm in 2024–25. Profitability for both broadacre cropping and livestock farms is forecast to improve in 2024–25 but remain below long-term averages in real terms (see *Farm Performance Forecast*). Increased profitability reflects higher livestock prices, lower input costs and increased crop production due to an improvement in seasonal conditions.

Although profitability is forecast to increase on average, farm performance by region is expected to be mixed due to differences in seasonal conditions. Favourable climate conditions across Northern Australia, southern Queensland and much of New South Wales are expected to drive strong crop production, and average to above-average farm business profits. However, farm business profits in southern Victoria, South Australia and southern Western Australia are expected to remain below average, reflecting less favourable seasonal conditions.

Box 1.1 New Australian agriculture data incorporated in this release

On 14 June 2024, the ABS released 2022–23 agricultural statistics using new data sources and methods as part of the agricultural statistics modernisation program. This included statistics on Broadacre Crops, Horticulture and Livestock. In the *September 2024 Agricultural Commodities Report*, ABARES has incorporated some of this new data in generating production and price forecasts for the agricultural sector. For example, new estimates of the number of cattle in Australia have been incorporated into *Beef and Veal*.

Some specific indicators and commodities relevant for the Agricultural Commodities Report were not included in the new agricultural statistics from the ABS, this includes data on gross value of production. Commodity data is expected to expand over coming years as new statistical methods continue to be developed. Meanwhile, ABARES will continue publishing estimates for these series. ABARES' Definitions and forecasting methodology provide more information on data sources used to inform the Agricultural Commodities Report.

2 Economic Overview

Fred Litchfield

Key points

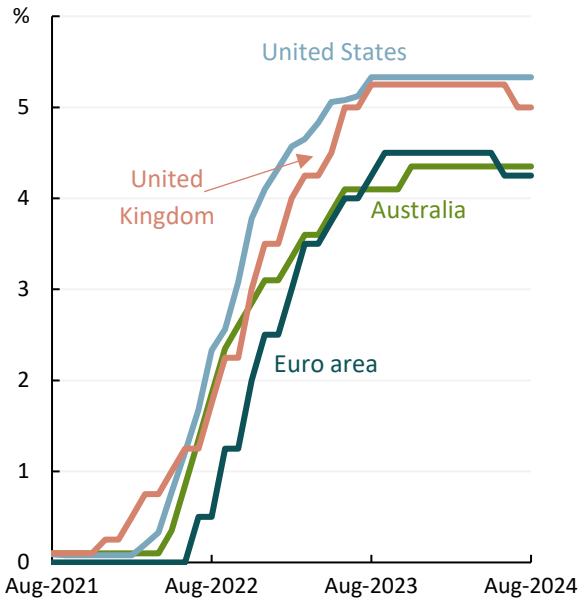
- Global economic prospects to improve in 2025 as interest rates ease.
- Chinese household consumption to remain weak in 2025 as fiscal support targets industrial production.
- Australian consumer spending to increase with growth in household disposable income.
- Australian dollar assumed to average US67 cents over 2024–25.
- Input pressures expected to ease for Australian agricultural businesses.

Global economic growth to increase in 2025

Global economic growth is expected to increase in 2025 as lower interest rates support household disposable incomes and encourage spending. **World Gross Domestic Product** (GDP) growth is expected to be 3.1% in 2024 and 3.3% in 2025, a 0.1 percentage point revision down for 2024 and up for 2025 since the *June 2024 Agricultural Commodities Report*. The downgrade in 2024 reflects weaker growth in the United States with consumption under pressure from rising unemployment. In 2025, consumption and economic growth are expected to increase across most major economies, such as Japan, the European Union and southeast Asia, supported by lower inflation.

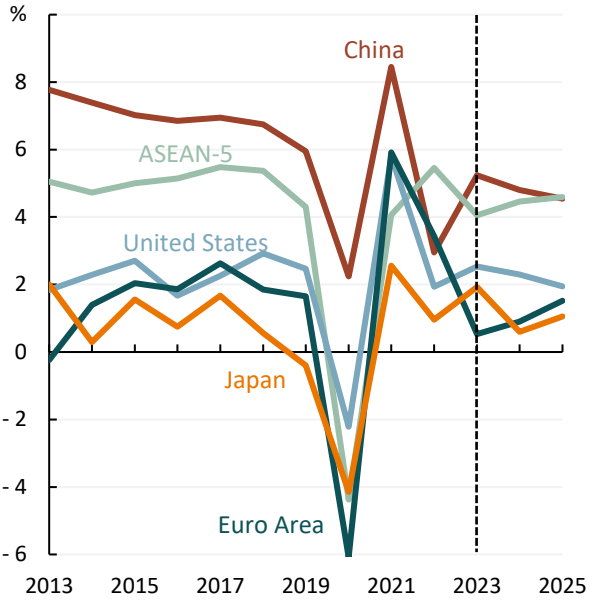
Interest rates across many major economies are expected to decline over the remainder of 2024 and into 2025, supporting private investment by reducing finance costs for households and businesses. Some central banks such as the European Central Bank and Bank of England have recently lowered interest rates following a period of significant monetary policy tightening from early-2022 to mid-2023 (Figure 2.1). Markets expect the US Federal Reserve to significantly lower interest rates over the remainder of 2024 and into 2025, with inflation continuing to fall and **unemployment** trending higher. This is likely to reduce the strength of the US dollar and in turn import prices for many economies, encouraging other central banks to lower interest rates and stimulate economic growth.

Figure 2.1 Central bank key interest rates, selected economies



Note: The Euro area interest rate is the ECB's fixed rate on main refinancing operations.
Source: Bank of England; European Central Bank; RBA; US Federal Reserve

Figure 2.2 Real GDP growth, selected economies



Note: Data to the right of the dotted line is an ABARES assumption. GDP growth weighted using IMF 2023 purchasing power parity valuation of country GDP. ASEAN-5 includes Indonesia, Malaysia, Philippines, Thailand, and Singapore.
Source: ABARES; IMF

Risks to the global economic outlook for 2025 are relatively balanced:

- Considerable uncertainty concerning **ongoing conflicts** in the Middle East and Ukraine remains. The potential for protracted and escalating conflict represents a downside risk to the global outlook – including for energy and goods supply chains. However, global trade flows have remained relatively resilient to date, mitigating downside risks.
- Uncertainty exists around the future of US government policy in light of the upcoming **2024 US Presidential Election**, the results of which have the potential to have wide ranging impacts for inflation, geopolitics, future trade policy and exchange rates.

Household consumption in China expected to remain weak

China's GDP growth is expected to slow further in 2025 (Figure 2.2), driven by weak housing demand, a shrinking population and subdued household consumption. Chinese government policy in the post-pandemic period has focused on manufacturing and managing corporate and local government debt rather than stimulating household spending. Sustained falls in house prices have reduced household wealth and undermined consumer confidence. However, demand for Australia's agricultural exports has remained strong in part supported by the removal of trade restrictions for some commodities such as wine, barley and beef.

Disposable income growth to support Australian consumers

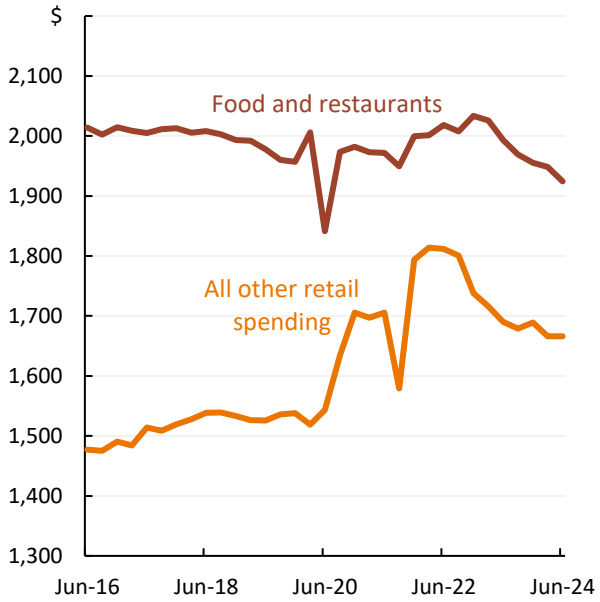
Australian economic growth is expected to increase modestly in 2024–25 due to improved disposable income levels and household spending. GDP growth is expected to be 1.9% in 2024–25, above the 1.4% growth estimated for 2023–24, but well below the 10-year pre-pandemic average annual growth of 2.6%.

Household spending is expected to benefit from wages growth outpacing inflation in 2024–25 and income tax cuts (Figure 2.3). The declining volume of food consumption per capita over 2023–24 (Figure 2.4) reflected high inflation and interest rates (Figure 2.1) weighing on household budgets. Inflation averaged 4.2% over 2023–24 but is expected to ease to 3.0% over 2024–25 with lower housing and energy prices. The improved outlook for aggregate consumption in 2024–25 is expected to be partially offset by some households looking to replenish savings, as well as the impact of increased unemployment. Unemployment and underutilisation in the labour market have increased in 2024 as demand for workers has moderated and strong population growth has boosted labour supply.

Figure 2.3 Quarterly Australian inflation and wage growth

Note: Data to the right of dotted line indicate ABARES assumptions based on RBA forecasts.
Source: ABARES; ABS; RBA

Figure 2.4 Quarterly Australian retail trade per capita, chain volume



Note: Food and restaurants includes cafes and takeaway food services.
Source: ABARES; ABS

The Australian dollar to appreciate marginally over 2024–25

The **Australian dollar** is expected to average US67 cents in 2024–25, slightly higher compared to the US66 cents in 2023–24, but 5% below the previous 5-year average. The Australian dollar has been weighed down since early-2022 due to relatively weak risk sentiment in financial markets and a strong US economy encouraging investors to buy US dollar denominated assets. However, Australia's exchange rate on a trade-weighted basis has been more stable over this period (Figure 2.5) due to relatively strong export prices and a weak Chinese Renminbi and Japanese Yen.

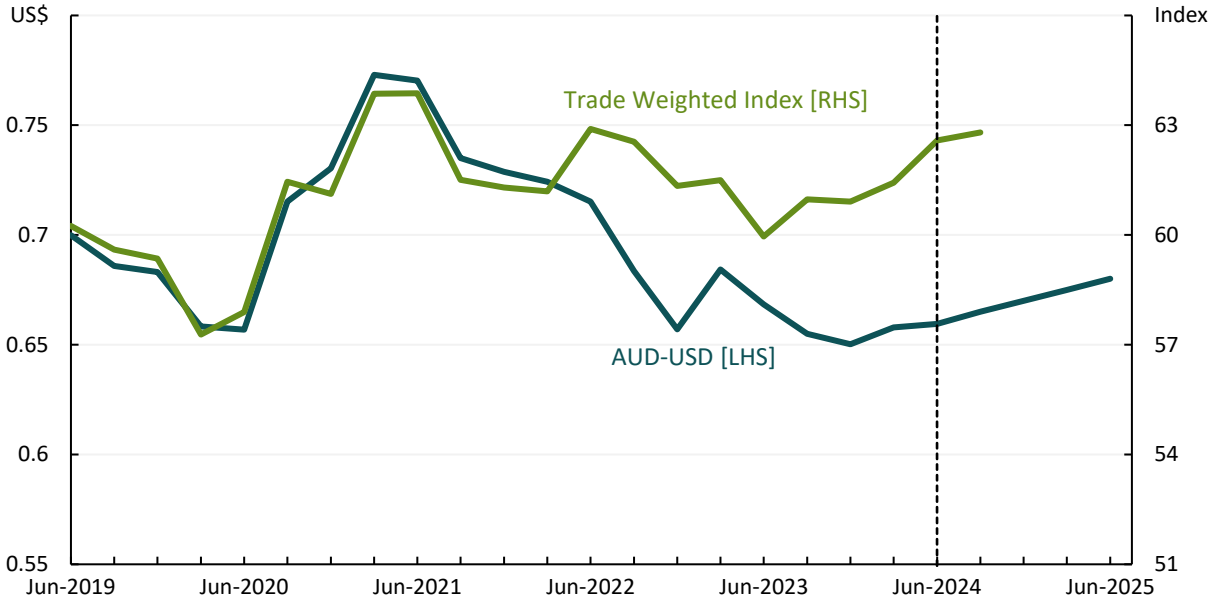
Over the remainder of 2024–25, counteracting economic forces are keeping expectations for the Australian dollar relatively balanced:

- Market pricing and central bank commentary suggests interest rates will decline in the United States earlier than in Australia, improving the relative yield of Australian dollar denominated assets, such as government bonds. This typically increases demand for Australian dollars and leads to an appreciation against the US dollar.

- The outlook for Australia's terms of trade and its effect on the Australian dollar in 2024–25 is expected to be relatively unfavourable with subdued Chinese demand leading to lower prices for major commodity exports such as iron ore.

A low Australian dollar compared to major currencies over a sustained period supports the competitiveness in international markets of Australia's agricultural exports contracted in Australian dollars. For most agricultural exports, which are contracted in US dollars, a weak Australian dollar supports the Australian dollar value of these contracts.

Figure 2.5 Quarterly average Australian dollar exchange rates



Note: TWI Index 1970 = 100. Data to the right of dotted line indicate ABARES assumption.
Source: ABARES; RBA

Input pressure to ease for Australian agricultural businesses

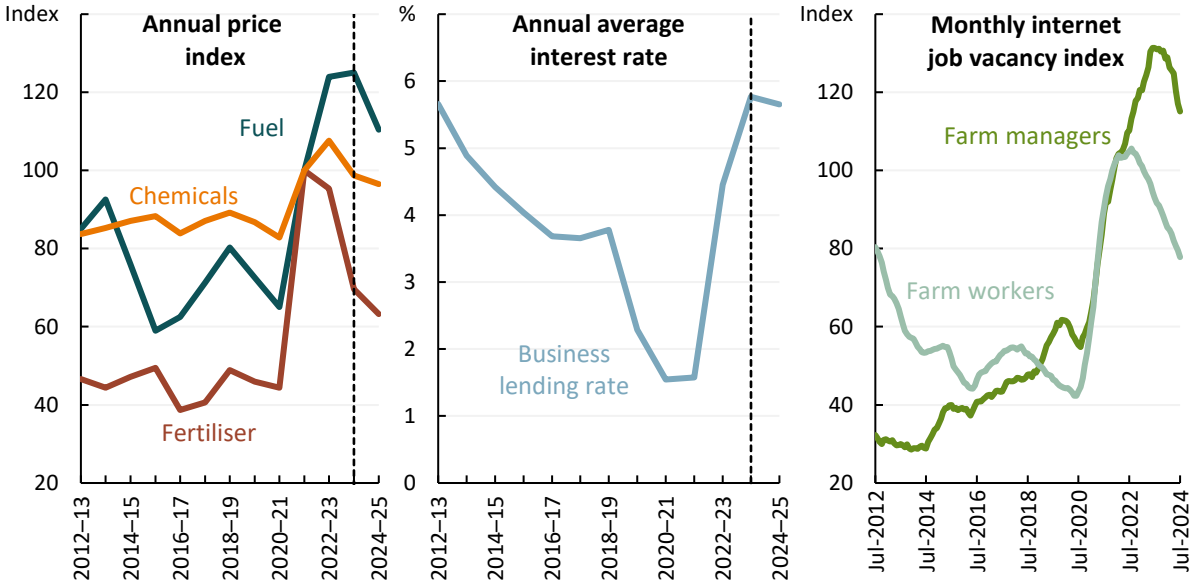
Most input costs are expected to decline for agricultural businesses in 2024–25 but remain elevated compared to pre-pandemic levels (Figure 2.6).

Global **energy prices** are expected to fall in 2024–25 reflecting weaker demand from the United States and China. However, any further escalation of global geopolitical conflicts has the potential to significantly disrupt oil and natural gas (a critical input to **fertiliser**) supplies and increase imported input prices for Australian agricultural businesses.

Finance costs have increased significantly for businesses in Australia since 2021–22. Debt is an important source of funding for ongoing working capital and new investments for many Australian agricultural businesses. Higher interest rates (Figure 2.6) have increased the level of income required to service debt, with interest payments increasing from an estimated 3% of farm expenditure in 2021–22 to 12% in 2023–24.

Labour pressures for Australian agricultural businesses have eased over 2024 with a weak economy and increased overseas worker arrivals. The number of temporary migrants working in agriculture is now above pre-pandemic levels reflecting the return of seasonal backpackers and continued strength of the Pacific Australia Labour Mobility Scheme (PALM). Labour market tightness remains for some skilled occupations – exacerbated by housing shortages in regional areas – however job advertisements have continued to decline over 2024 (Figure 2.6).

Figure 2.6 Selected agricultural input indicators, Australia

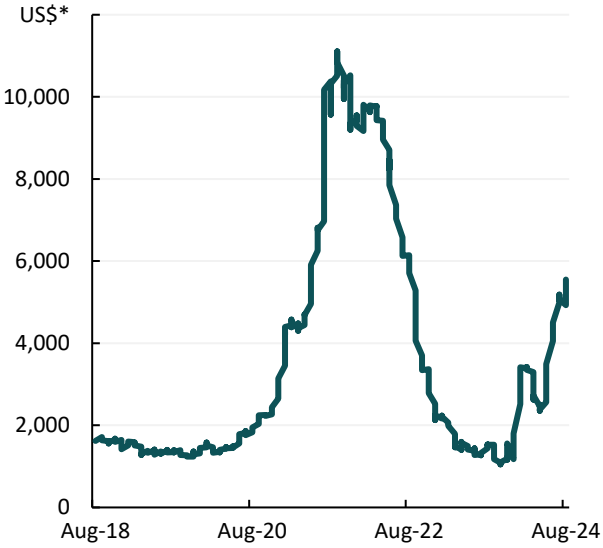


Note: Index 100 = 2021–22. Data to the right of dotted line indicate estimates and forecasts. Variable lending rate to large business published by the RBA. 12-month rolling average of job vacancies, includes forestry and garden workers.
Source: ABARES; ABS; Jobs and Skills Australia; RBA

Global freight prices have increased in 2024 due to an unexpectedly strong northern hemisphere peak season and continued attacks on container ships in the Red Sea; this has led to container ships taking longer transit times to avoid the region (Figure 2.7). Container freight prices are expected to decline over the remainder of 2024–25 with lower global demand and greater shipping capacity.

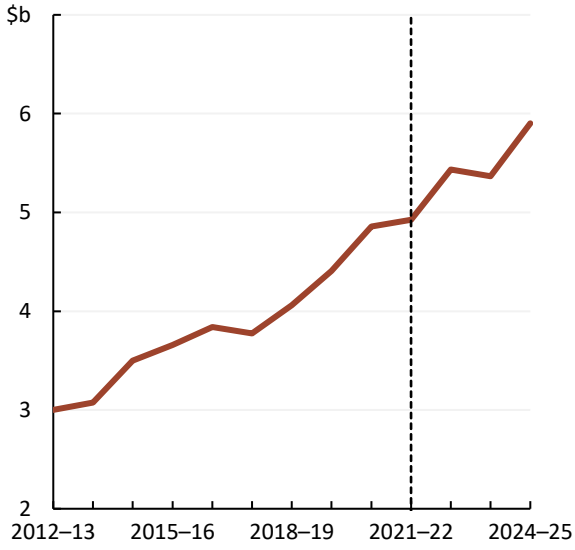
In Australia, **handling and marketing** costs for agricultural businesses are estimated to increase to account for 10% of aggregate farm expenditure in 2024–25 (Figure 2.8). This reflects an increasing volume of agricultural production and elevated road transport and labour costs.

Figure 2.7 Weekly average global container freight price indicator



Note: *Price per 40-foot container.
Source: Freightos

Figure 2.8 Aggregate annual handling and marketing cost, Australian farm businesses



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

3 Seasonal Conditions

Kavina Dayal and Matthew Miller

Seasonal conditions

Favourable climate conditions across much of the country to boost Australian 2024–25 crop and livestock production.

Key points

- Average to above average winter rainfall has boosted soil moisture levels across much of Queensland, New South Wales and Western Australia, providing an improved outlook for 2024–25 winter crop yield potentials.
- In contrast, winter-to-date rainfall totals in southern New South Wales, Victoria and across the southern South Australia have only been sufficient to support a delayed establishment and below average yield expectations for 2024–25 winter crops, with minimal improvements in stored soil moisture levels.
- Favourable global production outcomes are anticipated from wetter than normal conditions observed across most northern hemisphere grain and oilseed producing regions.

Climate and agronomy

The volume of global grain and oilseed production in 2024–25 is estimated to be 1% higher than 2023–24 levels. This largely reflects improved seasonal conditions boosting rice, coarse grain, wheat and oilseed production:

- Higher projected **wheat** production is expected for Canada, Argentina, Australia and the United States and should more than offset reduced expected production for the Russian Federation, the European Union, and Ukraine.
- Total global **coarse grain** production is projected to be higher compared to the previous season, despite an expected decline in **corn** production.
- Higher projected **rice** production in 2024–25 is driven by improved seasonal conditions in all major rice exporting nations.
- Global **soybean** production is expected to be higher driven by improved seasonal conditions in South America and the United States.

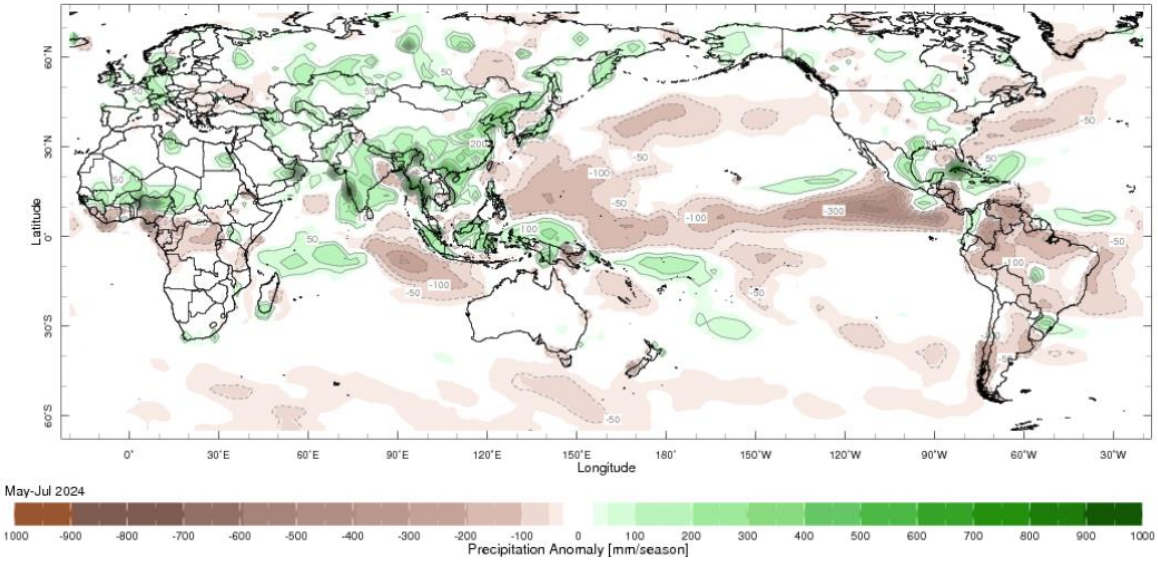
Australian crop production in 2024–25 is expected to be higher than that forecast in the *June 2024 Agricultural Commodities Report*, despite some variability across growing regions. Favourable climatic conditions during winter have boosted production outcomes in New South Wales, Queensland and Western Australia. This increased production is expected to more than offset below average forecast production in South Australia and Victoria.

Global climate

Wetter than normal conditions observed across most northern hemisphere grain and oilseed producing regions

Higher production is anticipated across most global grain and oilseed producing regions due to favourable climatic conditions, with average to above average rainfall from May to July 2024. However, much of Brazil and Argentina, and isolated areas in Canada, eastern Europe, northern United States, Ukraine and the west of the Russian Federation recorded below average rainfall (Figure 3.1). In Australia, average rainfall has delivered a favourable outlook for 2024–25 winter crop production, despite some soil moisture deficits in parts of South Australia and Victoria.

Figure 3.1 Seasonal precipitation anomaly for May to July 2024



Note: This map shows 3-month seasonal precipitation anomalies based upon precipitation estimates from the CAMS_OPI dataset. The period used for computing the climatology is 1991–2020. Green areas on the map indicate where precipitation was above the long-term normal for the season, and brown areas indicate where precipitation was below normal.
Source: Columbia University; IRI

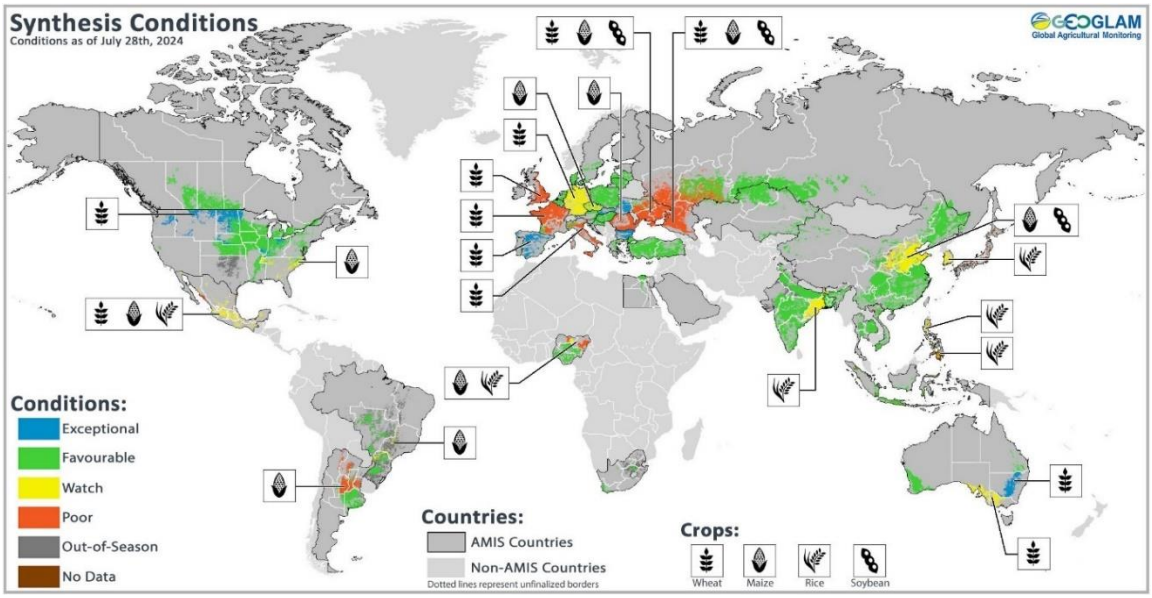
Global crop production conditions generally favourable despite some variability

At the end of July 2024, crop production conditions remained generally favourable for rice and soybeans, but more varied for wheat and corn (Figure 3.2).

In the **northern hemisphere**, the winter **wheat** harvest is progressing under generally variable climatic conditions, with areas of concern in parts of eastern Europe, the Russian Federation, and Ukraine, following adverse weather conditions in recent months. Production conditions for **rice** are generally positive, despite delays in transplanting in India. **Soybeans** continue to develop under generally favourable production conditions, with the exception of parts of the Russian Federation and Ukraine with some production concerns due to hot and dry conditions.

In the **southern hemisphere**, **wheat** crops are developing under generally favourable conditions in Australia. In Argentina **winter wheat** conditions are generally favourable despites some dryness during June and July, due to high soil moisture levels leading into planting. Meanwhile the harvest of **corn** is progressing under mixed conditions across South America.

Figure 3.2 Global agricultural conditions status as at July 28, 2024



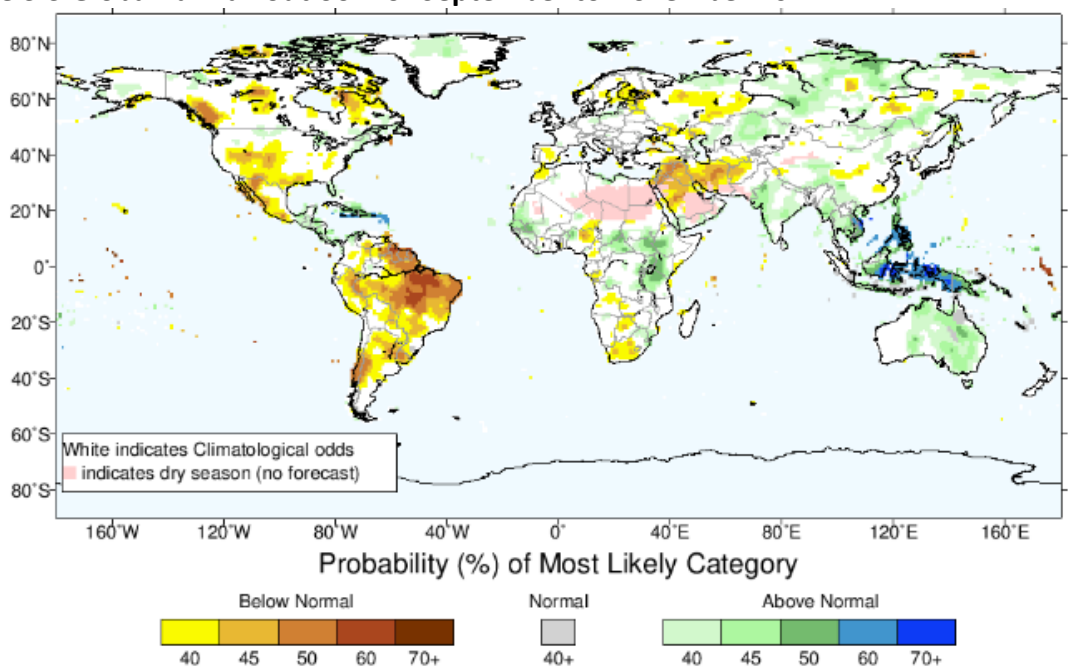
Source: GEOGLAM Crop Monitor Pasture and rangeland conditions

Global climate outlook

High probability of above average rainfall in Asia and Australasia

Between September and November 2024 (Figure 3.3), there is an elevated probability of above average rainfall in Central America and Caribbean regions, South Asia, the Maritime Continent regions, parts of China and much of Australia. The outlook indicates elevated probabilities of below average precipitation over much of South America, central and southern parts of the United States, Mexico and western Canada.

Figure 3.3 Global rainfall outlook for September to November 2024



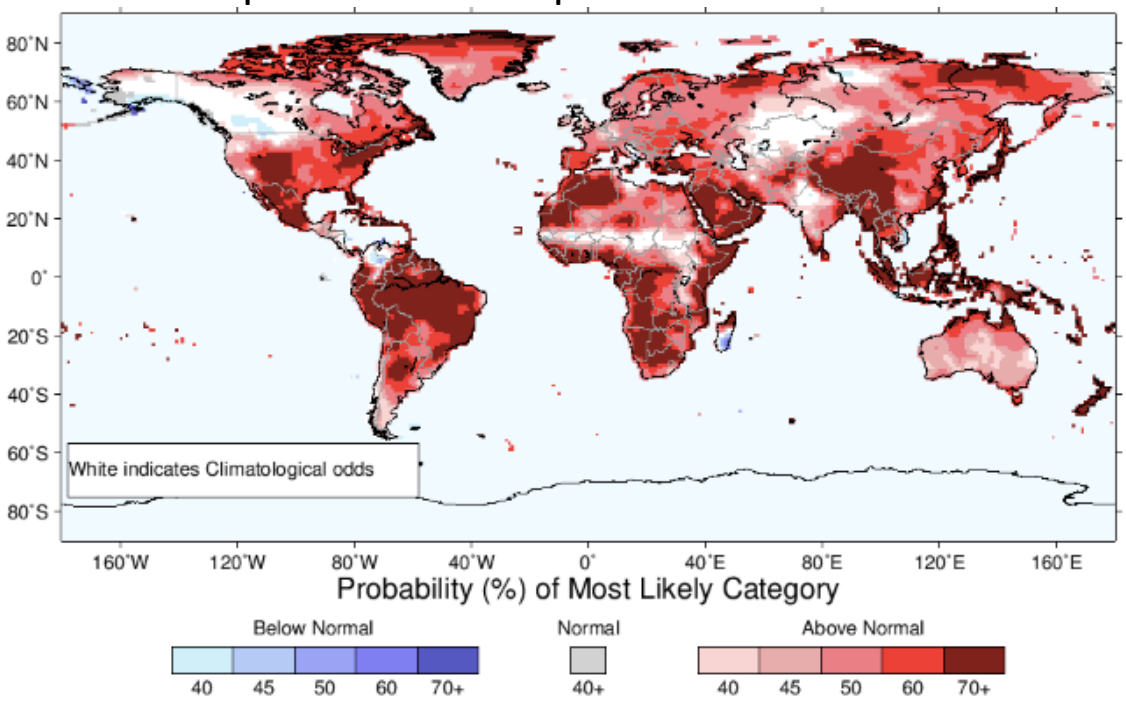
Note: Issued in August 2024

Source: Columbia University; IRI

High probability of above average temperature for most land areas

The global temperature outlook for September to November 2024 indicates above average temperatures for most crop and oilseed producing regions (Figure 3.4). The main exception to this outlook is central areas in the Russian Federation and parts of northern India where below average to average temperatures are more likely. In areas where above average rainfall is anticipated, such as Australia and Asia (Figure 3.3), the warmer than average conditions may cause the crops to mature early. In contrast, excessive warmth may inhibit crop development in areas where below average rainfall is expected, such as in southern areas of the United States and in South America.

Figure 3.4 Global temperature outlook for September to November 2024

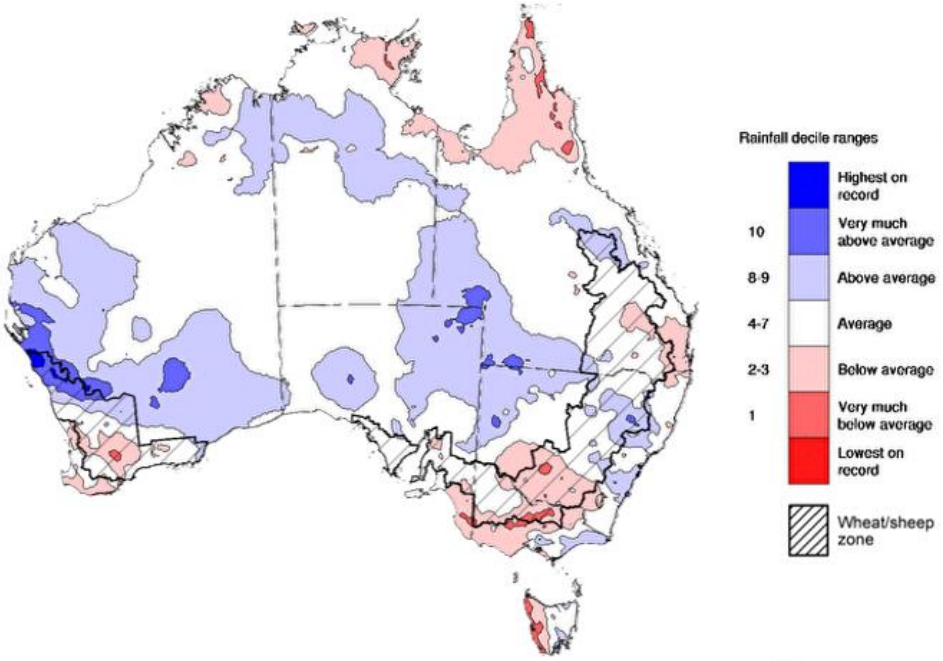


Note: Issued in August 2024
Source: Columbia University; IRI

Australian climate, water availability and production conditions

Winter rainfall is critical for crop growth and development. Cropping areas in northern and eastern Western Australia, northern and central New South Wales and northern Queensland have received average to above average rainfall in June and July, with average to below average rainfall elsewhere (Figure 3.5). However, cropping regions with below average to average rainfall recorded rainfall totals of between 25 and 100 millimetres during this period, which are likely to have supported the growth and the establishment of winter crops. Final production outcomes in these growing regions will be highly dependent on climatic conditions recorded during the remainder of the growing season.

Figure 3.5 June to July 2024 rainfall deciles



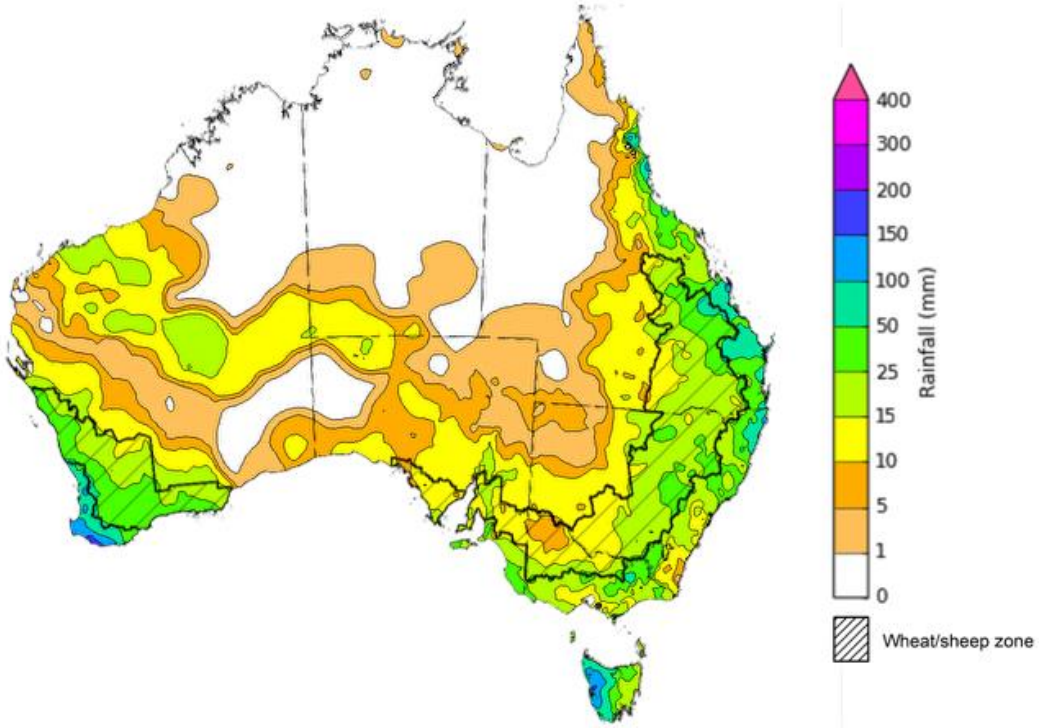
Source: Bureau of Meteorology; ABARES

Sufficient rainfall in most western and eastern cropping regions in August 2024

Access to sufficient levels of plant available water is widely assumed to be the factor most limiting the growth rates of crops and pastures in rainfed environments. Analysis of accumulated rainfall totals between 1 August and 26 August 2024, would indicate that sufficient levels of plant available water have been realised across large areas of western and eastern Australia (Figure 3.6).

Accumulated August-to-date rainfall totals have been above the August median (1981 to 2018) across most cropping regions in northern and central New South Wales, Queensland and Western Australia. This is expected to have boosted soil moisture profiles in these areas and support above average pasture and crop yield potentials. In contrast, in South Australia, Victoria and southern New South Wales cropping areas, where it has been dry in the preceding months, the rainfall totals in August 2024 has been mainly up to 15 millimetres, with southern margins receiving up to 25 millimetres. These accumulated August-to-date rainfall totals are around half of the August median (1981 to 2018) in these areas. Given the generally dry conditions observed throughout the growing season so far, these areas in South Australia, Victoria and southern New South Wales will require timely rainfall in the spring to avoid further reduction in crop and pasture yields as the season progresses.

Figure 3.6 Rainfall totals from 1 August to 26 August 2024



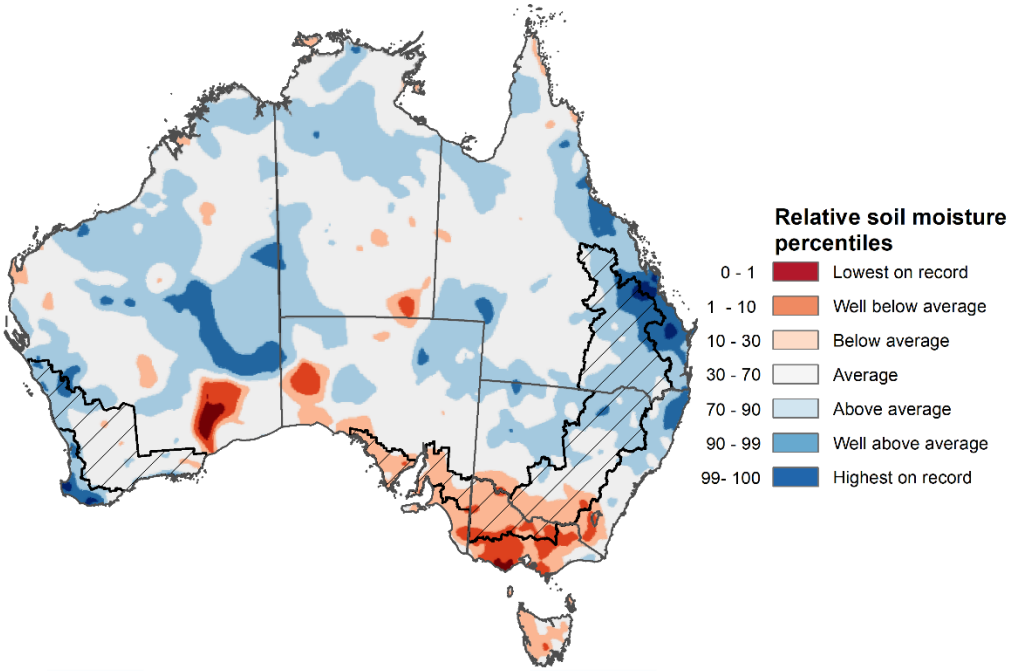
Note: Issued 26/08/2024
Source: Bureau of Meteorology

Average to above average levels of root zone soil moisture across Australia

Root zone soil moisture plays a pivotal role in sustaining the growth of winter crops and pasture during their critical development stages during spring. Crop development and pasture growth in areas of above average soil moisture are typically less reliant on timely and frequent in-season rainfall events than in areas with below average levels of soil moisture. For much of Australia, the **root zone soil moisture** as at 20 August 2024 was average to very much above average (Figure 3.7). In contrast, areas of extremely low soil moisture levels were evident across parts of south-eastern and scattered areas central Australia.

Across cropping regions, **root zone soil moisture** levels are generally average to above average in Western Australia, Queensland, and central to northern New South Wales. However, regions experiencing extremely low to below average soil moisture—such as South Australia, Victoria, and southern New South Wales—will need adequate and timely rainfall throughout the remainder of winter and spring to sustain current forecast levels of crop production.

Figure 3.7 Root Zone soil moisture as at 20 August 2024



Source: Bureau of Meteorology (Australian Water Resources Assessment Landscape model)

Above average pasture production in central and parts of eastern Australia

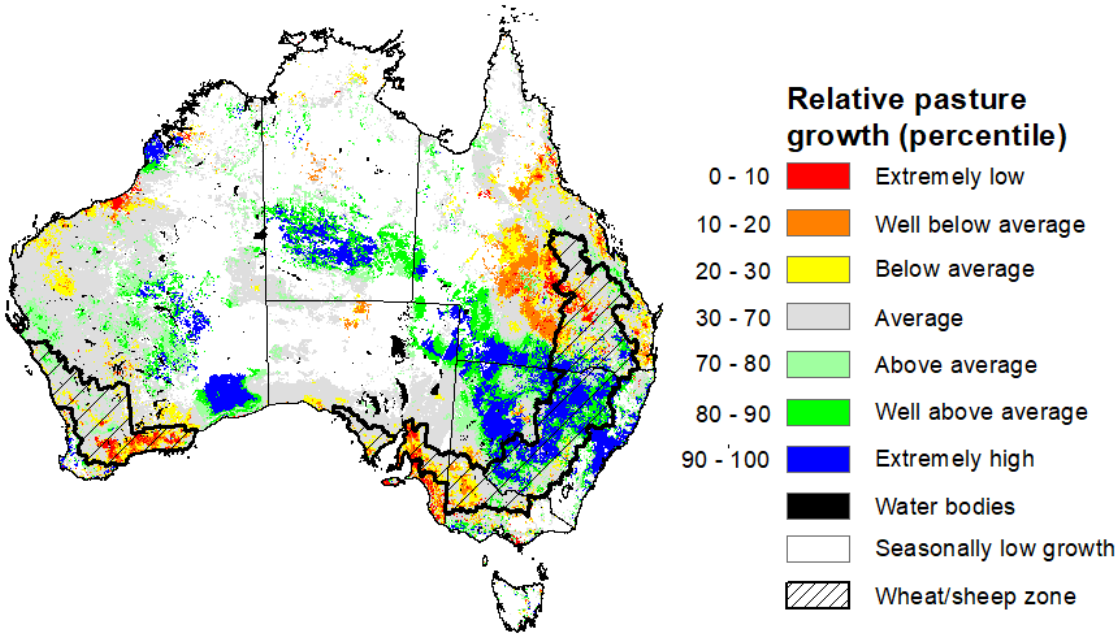
During the northern Australia dry season (May to September), pasture growth typically declines significantly due to the reduction in water availability, with livestock relying on pasture grown throughout the previous wet season.

For southeast Australia, during winter, pasture growth typically increases reflecting higher rainfall totals, and reduced temperatures and evapotranspiration rates at this time of year. Pasture availability during this period influences the growth, branding and marking rates of lambs and calves, livestock turnoff and the production of meat, milk, and wool.

For the 3 months to July 2024, average to extremely high pasture production (relative to the 1957 to 2016 average) was recorded across large parts of eastern and central Australia, extending into central Western Australia (Figure 3.8). Despite being firmly within the typical dry season, northern Australia also recorded generally average to above average pasture growth for this time of the year. Average to extremely high pasture production across many grazing regions will likely enable farmers to continue to maintain current stock numbers and provide opportunities to build standing dry matter availability.

In contrast, below average to extremely low pasture growth rates were recorded across parts of southern South Australia, southern Western Australia, western Victoria and central Queensland. In Tasmania, pasture growth was seasonally low, typical for this time of year. Graziers in regions where below average pasture growth was recorded will be more reliant on supplemental feed to maintain current stocking rates and production.

Figure 3.8 Relative pasture growth for 3-months ending July 2024 (1 May to 31 July 2024)



Notes: AussieGRASS pasture growth estimates are relative to the long-term record and shown in percentiles. Percentiles rank data on a scale of 0 to 100. This analysis ranks pasture growth for the selected period against average pasture growth for the long-term record (1957 to 2016). Pasture growth is modelled at 5km^2 grid cells.
Source: Department of Environment, Science and Innovation

Irrigated crops

Reservoir storage levels have declined slightly in the Murray-Darling Basin. On 22 August 2024, the accessible capacity of water held in Murray–Darling Basin storages were around 24,937 GL, or around 82% of total capacity. This is a 10% decline in the stored water volume since last year but remains historically high. The traded volume of water for the 2024–25 season is around 1,759 GL to date. The median price for water allocation to date for the 2024–25 is $110/ML, compared to $58/ML in 2023–24, but below the 5-year average median price of $161ML.

High water storage volumes, high irrigation allocations, substantial levels of carryover water, historically low allocation prices and improved planting conditions likely to drive strong irrigated crops and horticulture production in 2024–25. Despite a decline in water storage volumes compared to this time last season, irrigation allocations and carryover water levels are expected to remain high for irrigated crops in 2024–25.

Australian climate outlook

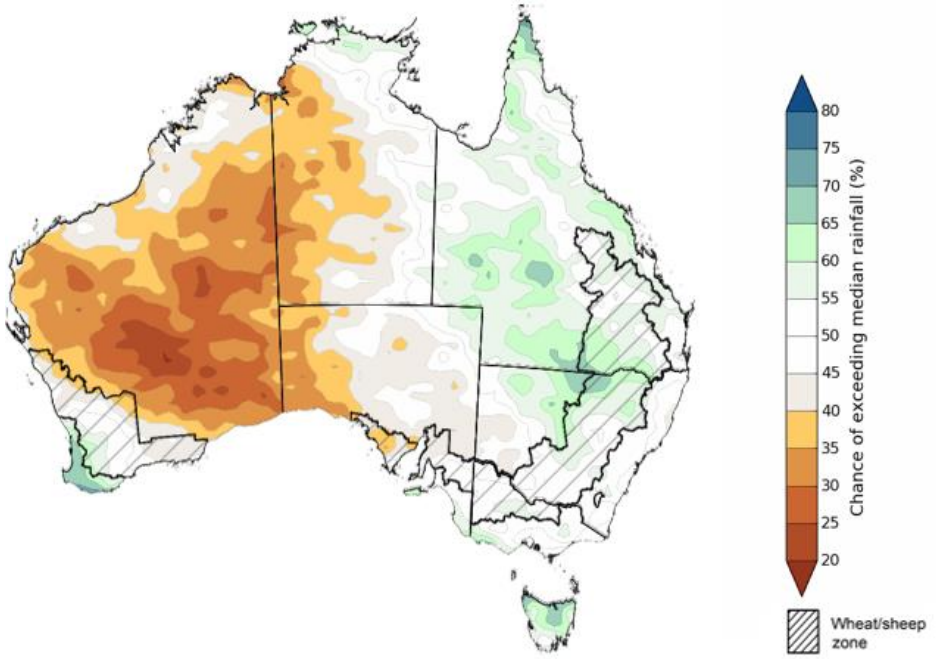
Average conditions forecast for spring 2024 in the east while drier than average conditions expected in the west

Rainfall during spring is crucial for the grain-filling and yield-determining stage of winter crops. The rainfall outlook for September to November 2024 indicates that above median rainfall is more likely across eastern and southern areas of the country. In contrast, much of Western Australia, and western areas in the Northern Territory and South Australia are expected to receive below median rainfall, with the probability below 40% of exceeding median rain in these areas. Remaining areas have equal chance of receiving above or below median rainfall (Figure 3.9).

Across cropping regions, the probability of receiving median rainfall is between 45% and 70% in Queensland, New South Wales and Western Australia. There is an equal chance of either above or

below median rainfall in eastern South Australia and Victorian cropping regions. If realised, this rainfall would support ABARES forecasts of above average winter crop yields in New South Wales, Western Australia and Queensland, and help support current yield expectations in Victoria and South Australia.

Figure 3.9 Chance of exceeding the median rainfall in September to November 2024



Note: Issued 22/08/2024
Source: Bureau of Meteorology

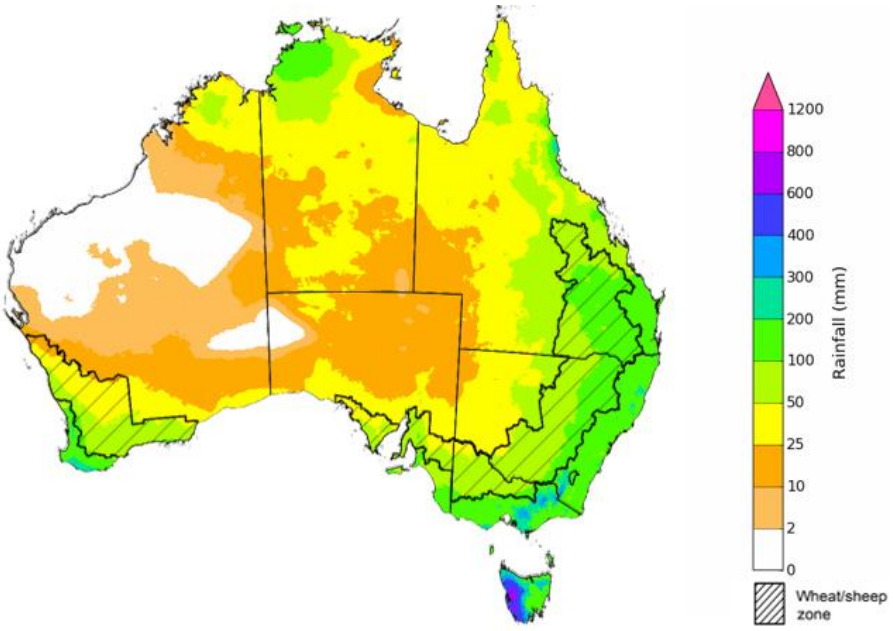
The outlook for September through to November 2024 suggested that there is a 75% chance of recording rainfall totals of between 25 and 200 millimetres across eastern, southern and northern parts of the country. Heavier falls of up to 400 millimetres are likely for the alpine regions of Victoria and New South Wales, while parts of western Tasmania may receive falls in excess of 600 millimetres (Figure 3.10). Much of the remainder of the country is expected to receive little to no rainfall, typical of this time of the year.

In cropping regions, there is at least a 75% chance of receiving between 50 and 200 millimetres of rainfall across much of Queensland and New South Wales, and between 25 and 100 millimetres in Victoria, South Australia and Western Australia.

These expected rainfall totals are likely to be sufficient to support the flowering and grain filling stages of winter crop development, boost soil moisture profiles, assist in maintaining current winter crop yield expectations in most regions and provide a favourable start to the summer cropping season. However, a potential downside production risk exists in parts of South Australia and Victoria, exhibiting low soil moisture levels leading into spring.

There is also at least an 80% chance of maximum and minimum temperatures exceeding the respective medians during spring. Warmer than normal temperatures can help speed up plant growth and benefit the yield prospects of late planted and dry sown winter crops provided there is sufficient underlying sub-soil moisture to support this growth.

Figure 3.10 Rainfall totals that have a 75% chance of occurring in September to November 2024

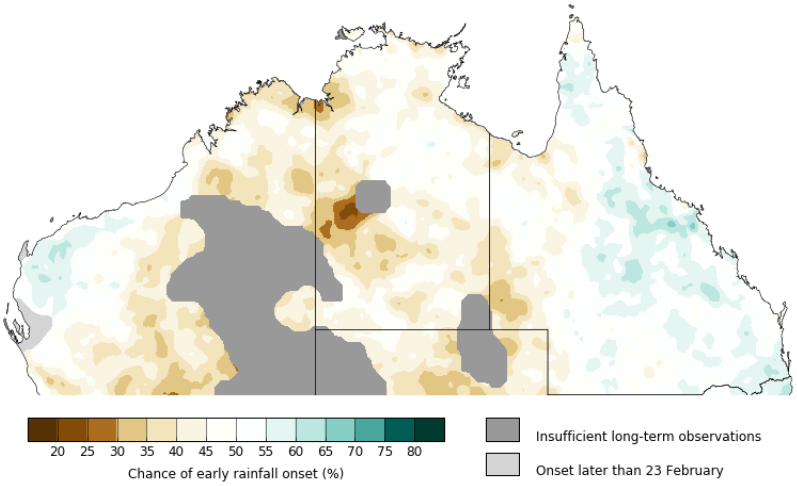


Note: Issued 22/08/2024
Source: Bureau of Meteorology

Later than usual rainfall onset likely in the west and central regions, earlier in parts of the east

The northern rainfall onset outlook indicates the timing of the first significant rains after the dry season. The onset occurs when the total rainfall after 1 September reaches 50 millimetres, the approximate amount of rainfall required to stimulate plant growth. The northern rainfall onset for the 2024–25 season is likely to be later than usual for most of the western and central parts of northern Australia, but earlier for parts of the east (Figure 3.11). Much of Western Australia, the Northern Territory, and western Queensland have a 60–70% chance of a later than usual northern rainfall onset. The Pilbara coast in Western Australia, and parts of eastern Queensland have a 60–70% chance of an earlier than usual northern rainfall onset. Elsewhere, the northern rainfall onset is likely to be closer to the normal onset date.

Figure 3.11 Chance of early Northern Rainfall Onset



Note: Issued 15/08/2024
Source: Bureau of Meteorology

4 Wheat

Emily Dahl

a US no. 2 hard red winter, fob Gulf.

Wheat

World wheat prices to ease reflecting high global supply and subdued demand.

Key points

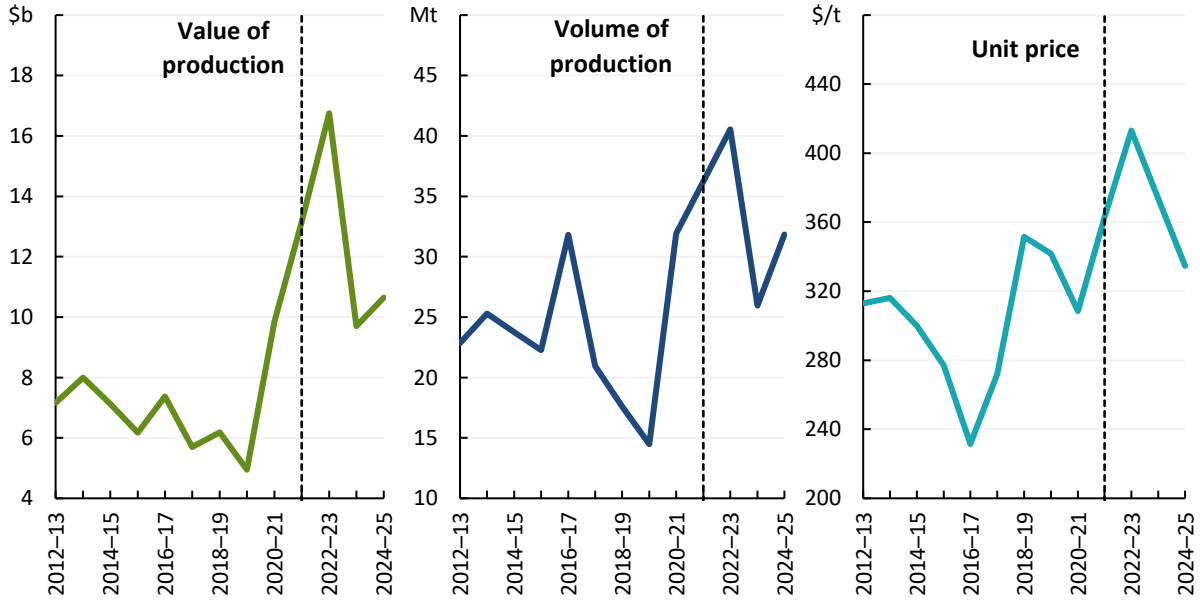
- Gross value of Australian wheat production to increase to $10.7 billion in 2024–25, driven by higher production.
- Value and volume of wheat exports to fall with falling prices and exportable supplies.
- World wheat prices continue easing, reflecting high global supply and subdued demand.

Value of wheat production to rise in 2024–25

The **gross value of Australian wheat production** is forecast to increase by 10% to $10.7 billion in 2024–25. The forecast increase in value is driven by higher Australian wheat production despite easing prices (Figure 4.1).

Australian wheat production is forecast to increase to 31.8 million tonnes in 2024–25. This reflects improved seasonal conditions across key cropping regions in New South Wales, Queensland and Western Australia during the 2024–25 winter cropping season. By contrast, production prospects are less favourable in South Australia and Victoria.

Figure 4.1 Annual gross value, volume and unit price of Australian wheat production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

However, lower **wheat prices** are expected to partially offset the increase in production. Australian wheat prices are forecast to ease in line with falling international prices – reflecting improving global supplies and subdued demand.

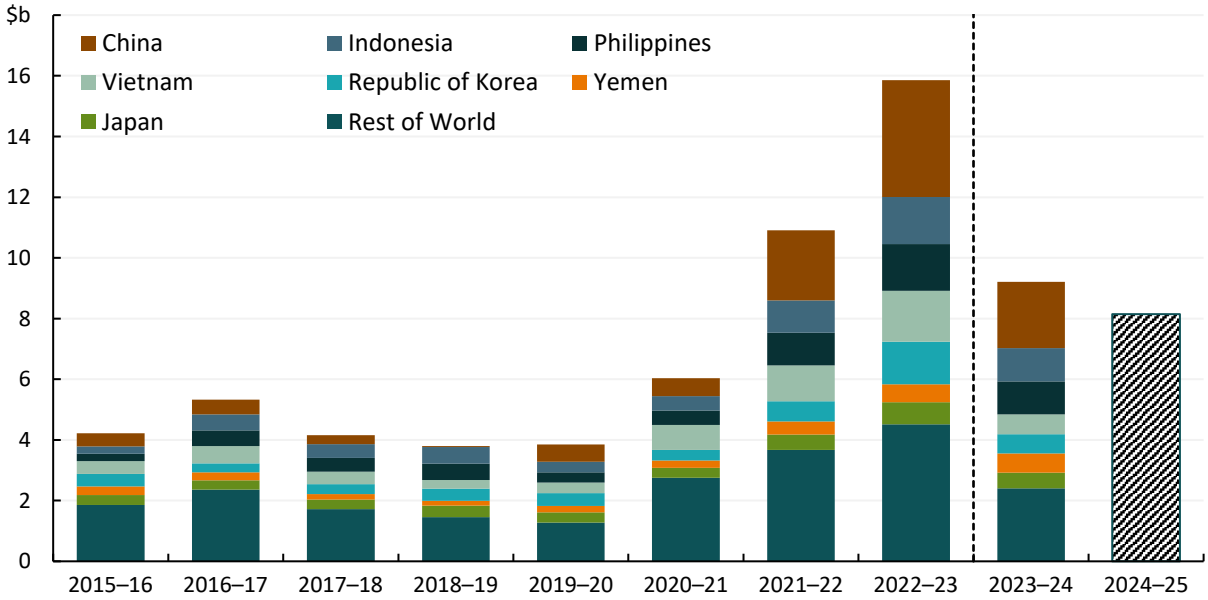
The forecast for the gross value of Australian wheat production in 2024–25 is around $590 million higher than in the *June 2024 Agricultural Commodities Report*. An upwards revision to wheat production volumes is more than offsetting a downwards revision to prices.

Falling export values reflect lower prices and volumes

The **value of Australian wheat exports** is forecast to fall by 18% to $8.1 billion in 2024–25. Lower export values reflect easing international prices and falling export volumes. In 2024–25, the exportable supply of Australian wheat is expected to fall from previous highs as high carryover stocks from consecutive record seasons have been drawn down. Lower export values also reflect subdued import demand in key Asian markets for Australian wheat, which is less competitively priced relative to other major export competitors.

Despite the fall, the forecast export value is expected to be the fourth highest on record. Major Asian markets remain the largest export destinations for Australian wheat, by value and volume. In 2023–24, Australia's top three wheat export destinations – China, Indonesia and the Philippines – accounted for 51% of total wheat export values (Figure 4.2). China remained Australia's largest wheat export destination by value for the third consecutive financial year (July to June).

Figure 4.2 Annual Australian wheat export values by destination



Notes: Data to the right of the dotted line indicate estimates and forecasts. Reported in financial years, 1 July to 30 June.
Source: ABARES; ABS

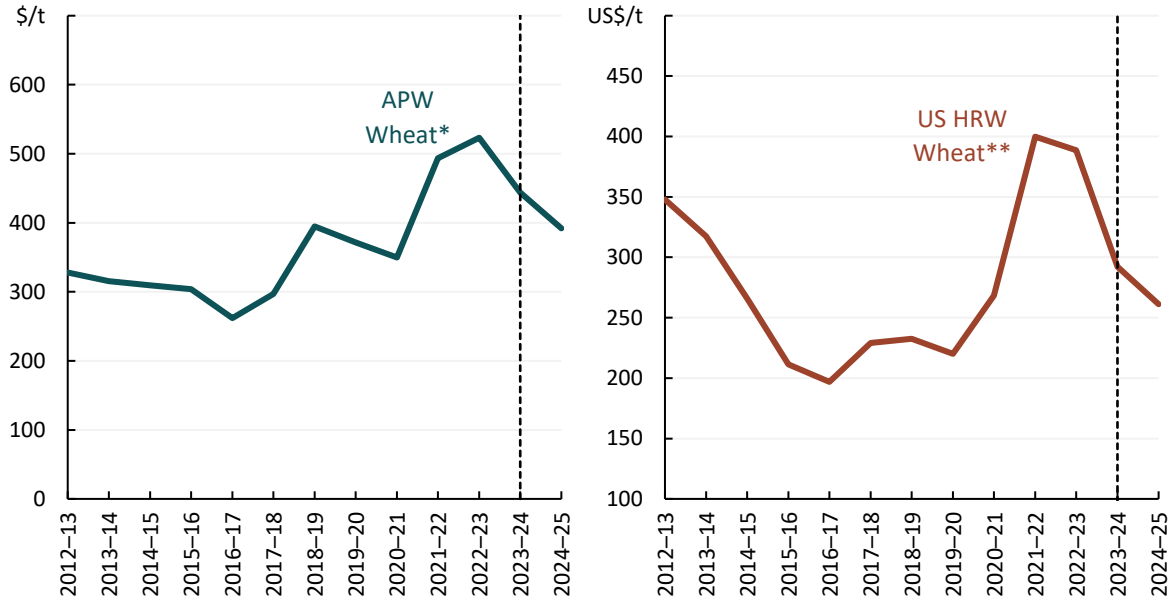
Australian prices to fall in line with lower world prices

Australian wheat prices are forecast to continue moderating in 2024–25, reflecting easing world prices and subdued global demand. Lower international prices reflect easing supply uncertainty across major wheat producing countries as the northern hemisphere harvest progresses. Price volatility in global wheat markets is expected to be mostly subdued in 2024–25, driven by:

- Ample Russian Federation wheat stocks and high export volumes following two consecutive years of high production, and another large wheat harvest forecast for 2024–25 (despite production downgrades due to drier conditions in western regions and frost events).
- Reduced uncertainty surrounding grain exports from Ukraine following improvements in export capacity via deep sea ports in the Black Sea.
- Improvements in production conditions in some major wheat exporting and producing countries, such as Canada and the United States, which is more than offsetting production downgrades in other major exporting countries.
- Rising world grain supplies, particularly for corn (see *Coarse Grains*).
- Lower expected import demand for wheat in major importing countries in 2024–25.

As a result, the Australian wheat export price (Australian Premium White) is forecast to fall by 12% in 2024–25, averaging $392 per tonne. The world indicator price (US no.2 Hard Red Winter wheat) is forecast to fall by 11% to US$261 per tonne (Figure 4.3).

Figure 4.3 Annual Australian and US wheat export prices



Notes: Data to the right of the dotted line indicate forecasts. *Australian premium white wheat, fob Port Adelaide, South Australia. ** US no. 2 hard red winter wheat, fob Gulf.
Source: ABARES; International Grains Council

Above average Australian production forecast for 2024–25

Australian wheat production is forecast to increase by 23% to 31.8 million tonnes in 2024–25. This is 20% above the 10-year average to 2023–24 and, if realised, will be the fourth highest wheat harvest on record. While production is forecast to increase overall, varying seasonal conditions across Australia are driving different state-level outlooks (see *Australian Crop Report*):

- Wheat production is forecast to rise to near-record levels in New South Wales and Queensland. Wheat crops have excellent yield potential heading into spring following a strong start to the winter cropping season and above average rainfall in most cropping regions.
- Improved seasonal conditions in Western Australia have boosted production prospects, with wheat production now expected to be above average. Despite a dry start to the winter cropping

season, wheat crops have developed well following timely winter rainfall, particularly across northern and western cropping regions.

- By contrast, production prospects are lower in South Australia and Victoria. Planting and establishment conditions were unfavourably dry across major cropping regions in South Australia and parts of western Victoria. Dry conditions throughout the season have led to moisture stress with wheat yields in these regions forecast to be below average.

Australian wheat export volumes are forecast to remain elevated at 20.9 million tonnes in 2024–25. Better-than-expected production in Western Australia (Australia's largest exporting state) will likely support above average volumes of Australian wheat exports in 2024–25. Exports are expected to be 10% above the 10-year average to 2023–24 of 19 million tonnes, however, down 7% from 2023–24. While production is forecast to increase, the share of production exported is expected to fall leading to higher expected domestic stocks.

World wheat production to rise

World wheat production is forecast to increase by 1% to 799 million tonnes in 2024–25. The increase reflects mixed production conditions in major exporting countries:

- Wheat production in **Canada** is forecast to increase by 8% to 34.4 million tonnes in 2024–25. This is despite recent hot and dry conditions reducing yield potential in western Canada.
- In the **Black Sea region**, production in **Kazakhstan** is forecast to increase to above average levels. **Russian Federation** wheat production is forecast to fall but remain historically high in 2024–25 at 82.4 million tonnes. This fall reflects drier conditions and frost events in western regions that led to some production downgrades of winter wheat, as well as dry and cold conditions that affected the development of spring wheat. Despite dry conditions reducing production prospects in **Ukraine**, grain quality is reportedly better than in 2023–24 with a higher share of wheat making milling grade. Wheat production in the Black Sea region is still forecast to remain above average and high export volumes are expected to continue in 2024–25, supported by high supplies and discounted prices.
- Wheat production in the **United States** is forecast to increase by 9% to 53.9 million tonnes in 2024–25, reflecting mostly favourable conditions. Wheat yields and quality were reportedly better than expected across key hard red winter wheat producing states, with an increase in the production of hard, high-protein milling wheat. This is represented by an estimated 29% increase in US hard red winter wheat production in 2024–25.
- Wheat production in the **European Union** is forecast to fall because of production downgrades in France and Germany due to wet weather. This has more than offset a rebound in production in Spain, following drought-affected production in 2023–24.
- Wheat production and exports in **Argentina** are expected to recover further in 2024–25. Sowing progressed under generally favourable conditions. However, recent dry conditions and cold temperatures are expected to negatively affect crop development.

Increased production in Argentina, Australia, Canada, Kazakhstan and the United States is expected to more than offset falls in the European Union, the Russian Federation and Ukraine. The world supply of hard, high-protein milling wheat is expected to improve in 2024–25. Despite an increase in world wheat production, global stocks are forecast to fall resulting in a slightly lower stocks-to-use

ratio. While this suggests tighter world supply, global wheat prices are expected to decrease in 2024–25 due to high supply from major producers and lower expected world demand.

Lower feed use reduces world wheat consumption

World wheat consumption is forecast to fall slightly to 800 million tonnes in 2024–25, with a fall in feed use expected to more than offset an increase in food use:

- World feed use is forecast to fall by 5% to 149 million tonnes in 2024–25. Feed wheat demand is expected to be constrained due to increased use of more affordable alternative feed grains, particularly corn.
- By contrast, food use is forecast to increase slightly in 2024–25, driven by consumption growth in low- and middle-income countries across Asia and Africa.

Reflecting the overall fall in consumption, global import demand is expected to be subdued in 2024–25. Global wheat trade is forecast to fall by 5% to 206 million tonnes, driven by:

- Lower expected purchases by **China** and **Indonesia**, the two largest importing countries in Asia.
- Import restrictions in **Pakistan** and the **Republic of Türkiye**.

Opportunities and challenges

Australia to face stronger competition in key Asian markets

Weaker import demand from Australia's traditional export markets – including China and south-east Asia – is expected to weigh on Australian wheat exports in 2024–25. Australia is likely to face higher competition in these markets given Australian wheat prices are now less competitive relative to wheat from other exporting countries – reflecting the northern hemisphere harvest beginning to be available to the world market and large volumes of low-priced wheat out of the Black Sea region. This is despite Australia’s geographical proximity to key Asian markets which would typically provide a freight advantage compared to other export competitors.

Wheat import demand in south-east Asian countries is more sensitive to price compared to other markets due to a high number of low-income consumers. However, Asian demand for milling wheat is expected to remain strong in 2024–25. While exports will largely depend on the quality profile of this year’s wheat crop, Australian exporters should be well-positioned to supply high quality wheat to high income economies – including specialised wheat to noodle markets in Japan and the Republic of Korea.

5 Coarse Grains

Angela Cao

b France feed barley, fob Rouen.

Barley

World barley prices to ease reflecting improved coarse grains supply.

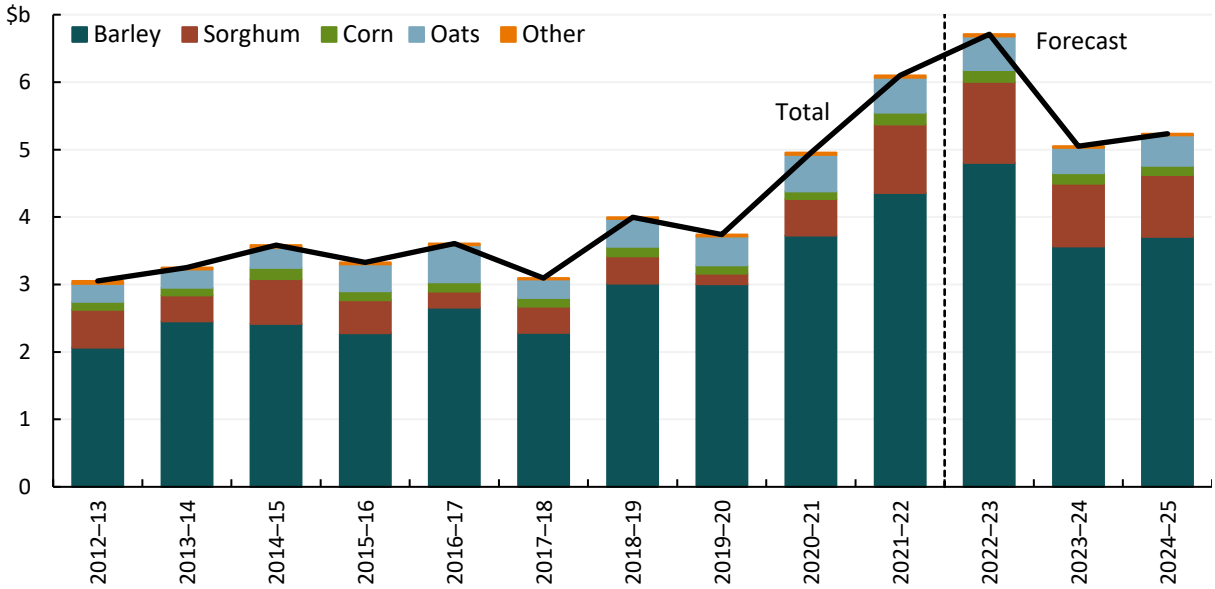
Key points

- Gross value of barley production to increase 4% to $3.7 billion in 2024–25 driven by increased volumes.
- Gross value of sorghum production forecast to fall 2% to $912 million as a result of lower prices.
- Australian coarse grain production to remain above the long-term average supported by favourable seasonal conditions.
- Increased global supply of coarse grains has led to falling international and domestic prices.
- Coarse grain export volume and value to fall in 2024–25 but remain above long-term averages.

Gross value of production to increase

In 2024–25, the **gross value of barley production** is forecast to increase by 4% to $3.7 billion, while the **gross value of sorghum production** is forecast to fall by 2% to $912 million (Figure 5.1). Despite the mixed outlook, production values of coarse grains are forecast to be the third highest on record. The increases reflect elevated levels of domestic production, which are forecast to more than offset the fall in coarse grain prices.

Figure 5.1 Annual value of coarse grain production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

The gross value of barley production forecast for 2024–25 is $153 million higher than expected in the *June 2024 Agricultural Commodities Report*. This largely reflects a slight upward revision to barley production volumes, owing to better-than-expected rainfall during July in Western Australia and an increase of planted area in New South Wales. The gross value of sorghum production is broadly in line with the *June 2024 Agricultural Commodities Report*, with a downward revision of $13 million due to lower prices.

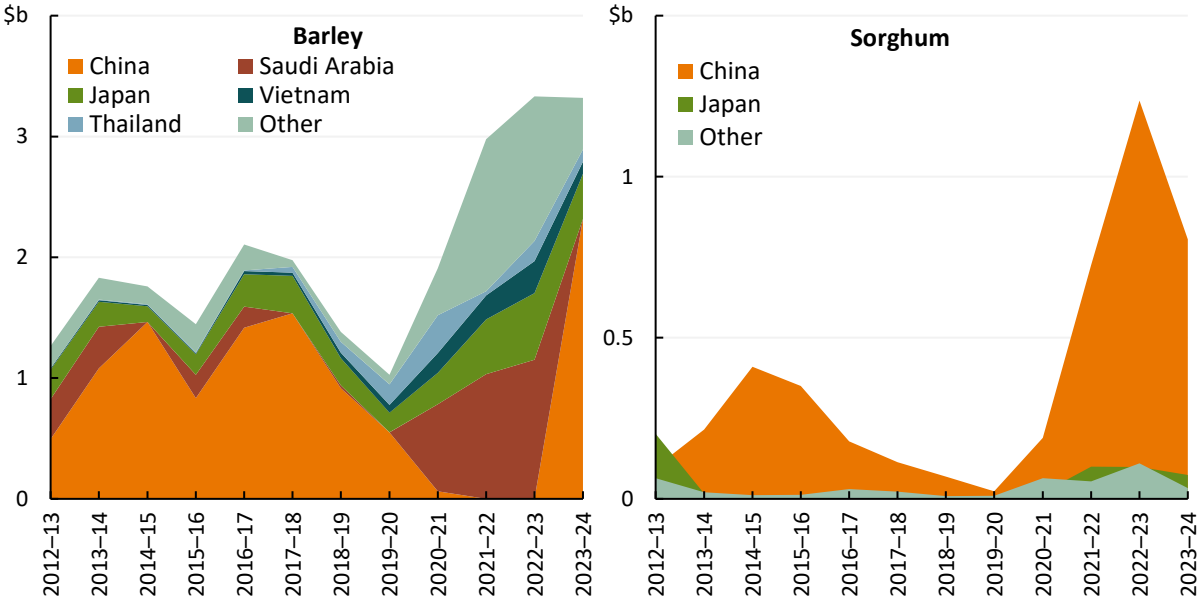
Value of barley and sorghum exports to fall

The **value of barley exports** is forecast to decrease by 19% to $2.7 billion in 2024–25, reflecting lower expected export volumes and to a lesser extent a fall in export prices (Figure 5.2). Falling prices for Australian barley are attributed to declining international prices driven by increased global supply, particularly from the European Union. Since the removal of China's tariff on barley in August 2023, Australian barley export volumes to China have returned to near 2016–17 levels, shifting away from the Middle East and parts of Asia. Demand for Australian malting barley from China, along with export destinations established prior to August 2023 such as Mexico, is expected to support export prices in 2024–25.

China is the world's largest beer producer and relies on imported malting barley for brewing. Demand for Australian malting barley surged between May and June 2024, following the tariff removal of Australian barley in August 2023. This increase in exports coincided with major events such as the Qingdao International Beer Festival, Euro 2024, Copa America, and the Paris Olympics. Continued strength in demand for Australian malting barley exports to China in 2024–25 is expected to be constrained by weak economic conditions and competition from other alcoholic beverages such as spirits (see *Economic Overview* and *Wine*).

The **value of sorghum exports** is forecast to fall by 11% to $816 million in 2024–25, reflecting lower export volumes and falling export prices (Figure 5.2). The lower export volume reflects the impact of rains in April, causing a downgrade in the 2023–24 sorghum crop quality, diverting it to the lower value domestic market as pork and poultry feed. Despite this, export volumes are expected to be 61% above the 10-year average to 2023–24. China continues to remain the largest export destination for Australian sorghum, accounting for 89% of total export volumes in 2023–24. Falling prices for Australian sorghum reflects increased global supply of sorghum and other coarse grains.

Figure 5.2 Australian barley and sorghum export values by major export destination



Source: ABS

Prices decrease across all coarse grains

Australian barley prices are forecast to fall slightly in 2024–25 driven by increased global production. An increase in global coarse grain supply, primarily driven by corn, is expected to place downward pressure on the prices of all coarse grains, including barley. Australia's coarse grains sector is largely export focused and causes domestic prices to closely mirror global prices. Prices are expected to remain subdued from softening demand from major global importers, as production is expected to outpace global consumption. The increase in global coarse grains supply in 2024–25 is expected to drive:

- The world indicator price for corn (fob Gulf, US) to decrease by 8% to an average of US$188 per tonne (Figure 5.3).
- The world indicator price for barley (fob Rouen, France) to decrease by 8% to an average of US$205 per tonne (Figure 5.3).
- The world indicator price for sorghum (fob Gulf, US) to decrease by 6% to an average of US$241 per tonne (Figure 5.3).
- The Australian feed barley price (Geelong feed) to fall by 6% to an average of $299 per tonne (Figure 5.4).
- The Australian malting barley price (Geelong malting) to fall by 6% to an average of $322 per tonne (Figure 5.4).
- The Australian sorghum price (Brisbane sorghum) to fall by 10% to an average of $382 per tonne (Figure 5.4).

A decline in global prices is expected to place downward pressure on domestic prices. Domestic prices are expected to be approximately 7% below the 10-year average to 2023–24 in real terms.

Figure 5.3 Average annual global coarse grain export prices

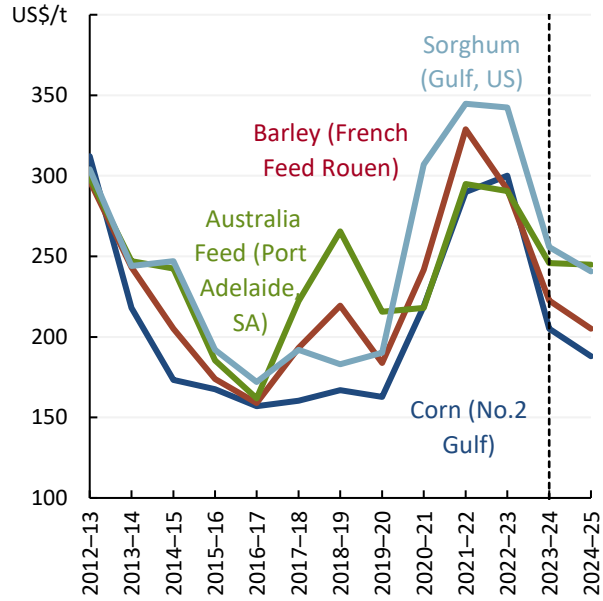
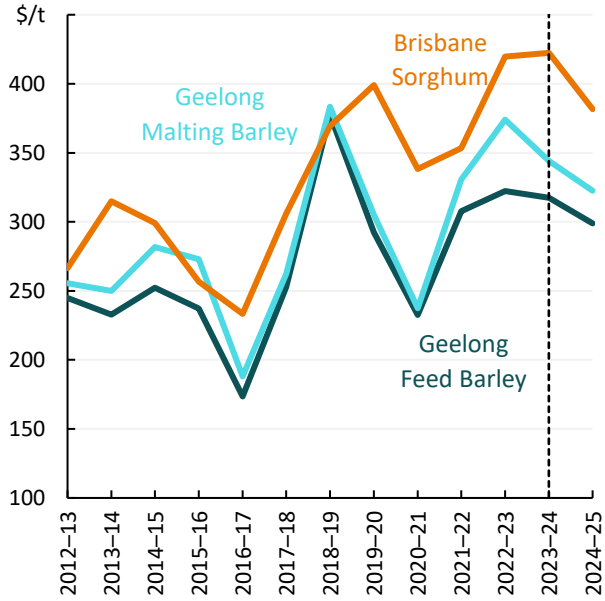


Figure 5.4 Average annual Australian domestic export prices



Note: Data to the right of the dotted line indicate forecasts.
Source: ABARES; IGC; Jumbuk AG

Australian barley export prices are expected to fall alongside easing international export prices in 2024–25 but is expected to trade at a premium over international prices. Before 2023, Australian barley traded at a discount due to tariffs imposed by China. The lifting of these tariffs has since helped recover demand and prices, supporting domestic export values.

Australian production to increase but export volume to decrease

Australian barley production is forecast to increase by 13% to 12.2 million tonnes in 2024–25, approximately 7% above the 10-year average (Figure 5.5). The forecast increase in production is driven by improved seasonal conditions in Western Australia, a key barley producing state, and strong production in New South Wales and Queensland (see *Seasonal Conditions*). The overall size of the 2024–25 barley crop has been tempered somewhat by dry conditions in South Australia and Victoria, however, better-than-expected July rainfall in some regions has supported crop establishment and growth.

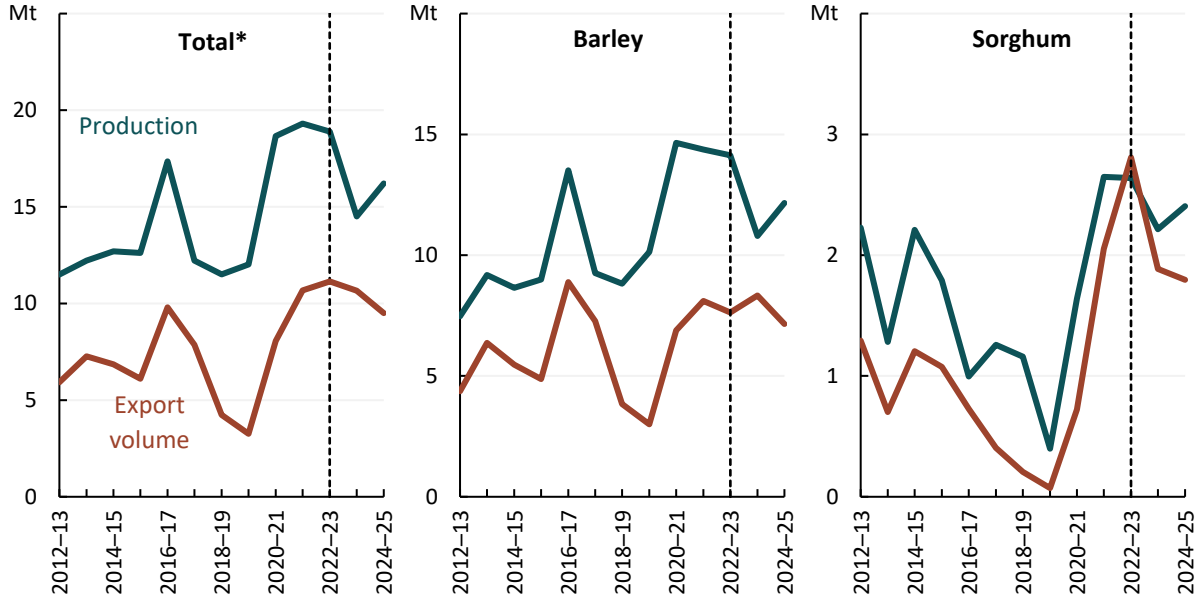
Area planted to barley is expected to increase by 6% to 4.4 million hectares in 2024–25. Overall, the expectation of improved growing conditions and strong demand are forecast to boost the area planted to barley. This increase reflects a favourable start to the season in Queensland and New South Wales, along with barley's resilience to drier conditions compared to other crops. Additionally, the longer planting window for barley has allowed for some late plantings in drier areas, leading to higher barley acreage and a reduction in area planted to crops like canola.

Grain sorghum production is forecast to increase by 9% to 2.4 million tonnes in 2024–25, 42% above the 10–year average to 2023–24 (Figure 5.5). The generally neutral rainfall outlook for spring coupled with above average levels of stored soil moisture in northern New South Wales and southern Queensland are expected to increase sorghum area planted. Area planted is forecast to increase by 5% to 622 million hectares in 2024–25 and remains 17% above the 10-year-average to 2023–24.

However, area planted to sorghum will also depend on the timing of winter crop harvests and sufficient soil moisture during germination and early growth.

Australian coarse grain export volumes are expected to fall by 11% to 9.5 million tonnes in 2024–25 because of high global supply and softened demand. Australian barley export volumes are expected to fall by 14% to 7.2 million tonnes, and sorghum export volumes are expected to fall by 5% to 1.8 million tonnes (Figure 5.5). Overall, coarse grain exports are expected to decline due to low carry-over stocks from the previous year, which will reduce the exportable supply as high stock levels from previous years are depleted.

Figure 5.5 Annual coarse grains production and export volume



Note: Data to the right of the dotted line indicate estimates and forecasts. *Total coarse grains includes barley, sorghum, corn, oats and triticale.
Source: ABARES; ABS

Higher barley production boosts global coarse grain supply

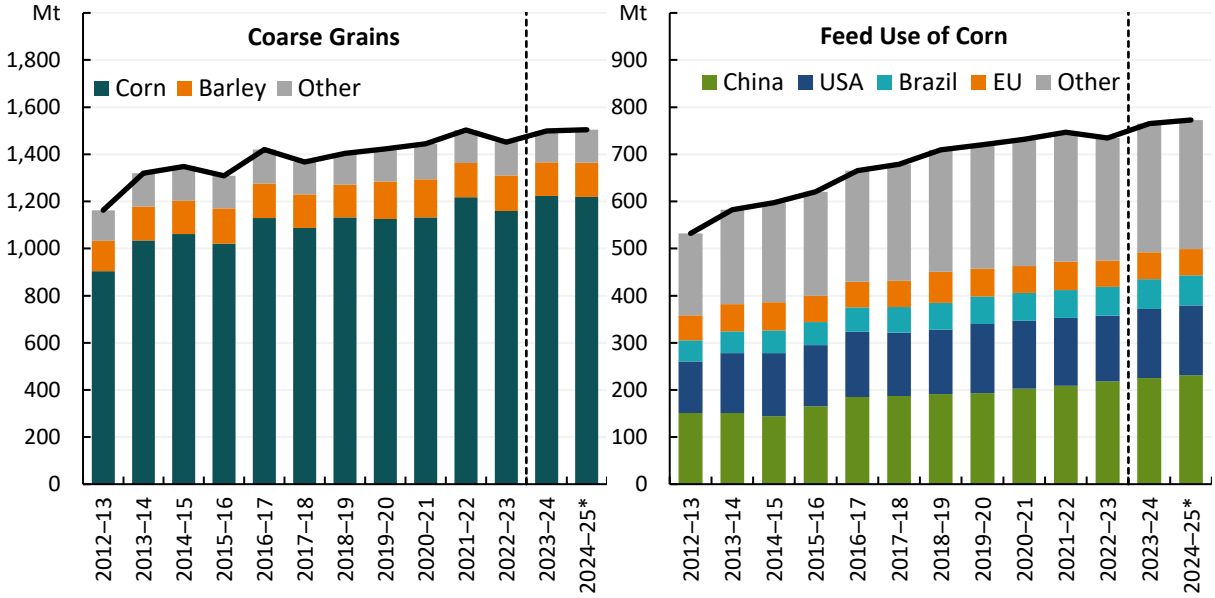
World coarse grain production is projected to reach a record 1.5 billion tonnes in 2024–25, surpassing the previous record level set in 2021–22 (Figure 5.6). Increased barley production in the European Union and Australia, and sorghum production in the United States, is expected to offset the decrease in barley production in the Russian Federation and corn production in the United States.

World barley production is expected to increase by 2% to 145 million tonnes in 2024–25. This is driven by increased expected yield in the European Union and Australia, which offset decreases in the Russian Federation, Canada, Ukraine and Argentina:

- Barley production in the **European Union** is expected to rebound by 8% in 2024–25, reaching 51.9 million tonnes despite mixed climate conditions. Production in Spain, Nordic countries, and Bulgaria is anticipated to reach record levels. Steady barley production is expected in Poland, Lithuania, Estonia, and Latvia. By contrast, Germany and France are expected to see decreases in barley production due to saturated soil and wet conditions.

- Barley production in the **Russian Federation** is expected to decrease by 11% to 18.3 million tonnes due to extreme heat. Decreased production is expected to cause lower exportable supply.
- Barley production in **Canada** is expected to decrease by 3% to 8.6 million tonnes, due to reduced planted area following dry conditions.
- Barley production in **Ukraine** is expected to decrease by 17% to 5.3 million tonnes, due to less area planted because of unfavourable weather conditions and lower expected profit margins resulting from high freight costs.

Figure 5.6 Global production of coarse grains and feed use of corn



Note: Data to the right of the dotted line indicate estimates and forecasts. *2024–25 forecast is USDA forecast in marketing years for each country. Australian production is USDA data and may not align exactly with ABARES historical and forecast series.
Source: USDA

World corn production is expected to remain steady at 1.2 billion tonnes in 2024–25, with increased output in China and Brazil offsetting reduced production in the United States, the world's largest corn producer. If realised, this would be the second-highest global corn production on record:

- **Corn production in the United States** is expected to decrease by 1% to 384 million tonnes but will remain at record high levels. Higher yield is expected to partially offset the decreased area planted. Closing stocks are projected to increase further in 2024–25, reflecting high domestic supply and low world prices.
- **Corn production in China** is expected to increase by 1% to 292 million tonnes owing to increased area harvested.
- **Corn production in the European Union** is forecast to decrease by 1.6% to 60.5 million tonnes reflecting decreased yields more than offsetting increased area planted.
- **Corn production in South America** is expected to rise; the volume of corn production in Brazil is expected to increase by 4% to 127 million tonnes from increased planted area and yields, while production in Argentina is expected to increase by 2% to 51 million tonnes owing to an increase in planted area.

Global coarse grains demand driven by feed use

Global consumption of coarse grains is expected to rise by 1.2%, reaching 1.5 billion tonnes in total consumption across food, seed, industrial, and feed use. Corn consumption is expected to increase to 1.2 billion tonnes. If achieved, this would represent the highest recorded levels of coarse grain and corn consumption. As two-thirds of this global consumption is used in feed, the high level of demand is reflected in increased global feed use:

- **China** continues to be the largest consumer of coarse grains, significantly influencing global feed demand in 2024–25 (Figure 5.6). The anticipated increase in feed for chickens, cattle and aquaculture is likely to offset the decreased demand in pig feed, with corn expected to make up a larger share of the feed mix as corn prices remain low. Strong competition for coarse grain exports to China, particularly from Brazil, is expected to ease as China focuses on reducing its stockpile. With Brazil's corn becoming increasingly competitive, China's demand for other coarse grain imports may decline, impacting global trade dynamics.
- **Corn consumption in the United States** is expected to remain stable in 2024–25. The high level of domestic supply is expected to support consumption, in particular grain feed.

Global consumption of barley is expected to increase by 5% to 150 million tonnes, reflecting increased grain feed consumption and stable food, seed and industrial consumption. Lower barley prices are expected to support consumption and lead to a drawdown of barley stocks.

Industrial consumption of coarse grains is expected to increase by 1% to 567 million tonnes. Low global prices, particularly for corn, are likely to boost ethanol production. However, demand for corn in ethanol production may face competition from high sugar and other grain production, influenced by blending mandates in some countries. While overall biofuel demand is expected to rise, it may be limited by lower oil prices in 2024–25 (see *Economic Overview* and *Oilseeds*).

Opportunities and challenges

Submission for sprouted sorghum to enter export market

The GTA (Grain Trade Australia) 2024–25 trading standard, implemented on 1 August 2024, introduces several updates. These include enhancements to the visual recognition standards, adjustments to bin grade rules, new milling grades, updated definitions, and revised tolerance levels for gumnuts. However, the industry is currently advocating for the establishment of a specific feed grade to better reflect the value of sprouted sorghum in livestock feed for the export market, as current standards do not recognise this value. Recognising a sorghum feed grade would aid grower competition by better reflecting the value of sprouted sorghum, benefiting both producers and the feed industry. These adjustments also aim to harmonise standards with international counterparts.

GRDC investment for barley

The Grains Research and Development Corporation (GRDC) will invest up to $245 million per annum from 2024–25 to 2027–28 in grains as part of the 2024–25 Research, Development and Extension plan. Key priorities include research and development to reduce head loss in barley, which involves minimising the loss of grains from heads before or during harvest. Planned investments in barley screening processes and the development of phenotyping tools aim to reduce post-maturity head yield loss and enhance crop selection. These advancements are expected to improve yield stability and quality, increasing the competitiveness of Australian barley in the global market.

6 Oilseeds

Hamish Morton

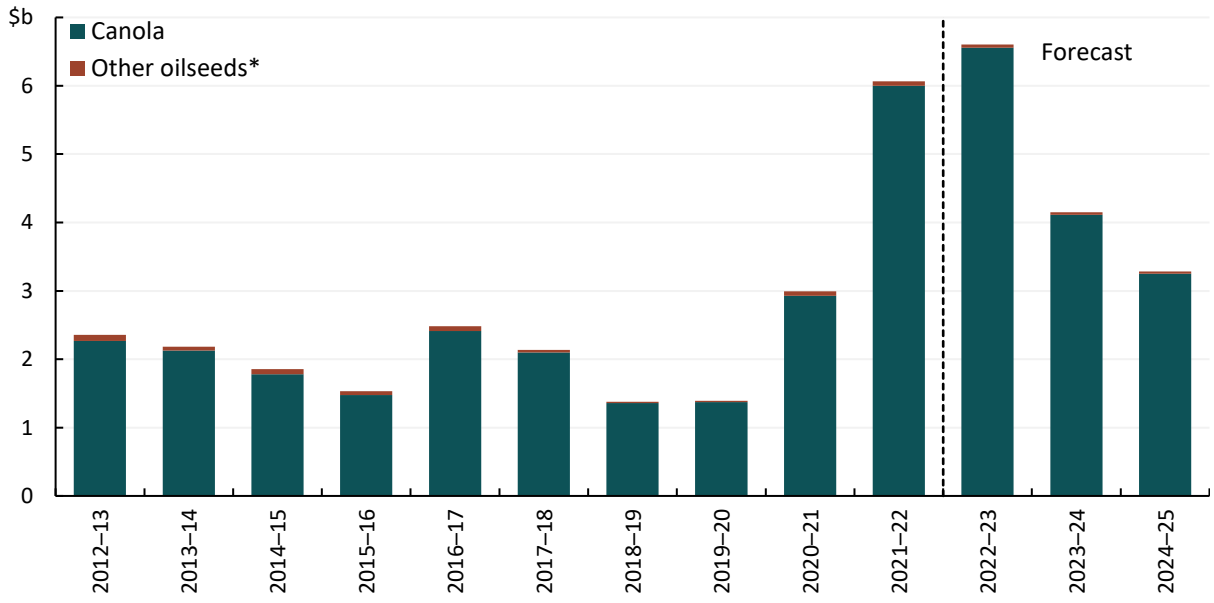
Key points

- Gross value of oilseed production to fall to $3.3 billion in 2024–25.
- Australian canola prices are forecast to fall due to large South American and US soybean harvest.
- Australian production volumes to fall in 2024–25 due to lower area planted.
- Global biofuel policies have been impacting oilseed pricing dynamics.

Value of oilseed production to fall in 2024–25

The **gross value of oilseed production** is forecast to fall by 21% to $3.3 billion in 2024–25 – the fourth highest on record (Figure 6.1). Lower canola prices coupled with lower levels of production are expected to decrease production values in 2024–25. Drier conditions in Western Australia and South Australia around planting have reduced area planted to canola. Despite this, canola production in 2024–25 is expected to remain 22% above the 10-year average to 2023–24.

Figure 6.1 Gross value of annual oilseed production



Note: Data to the right of the dotted line indicates estimates and forecasts. *Other oilseeds includes soybeans, sunflower seeds, safflower, linseed and peanuts.

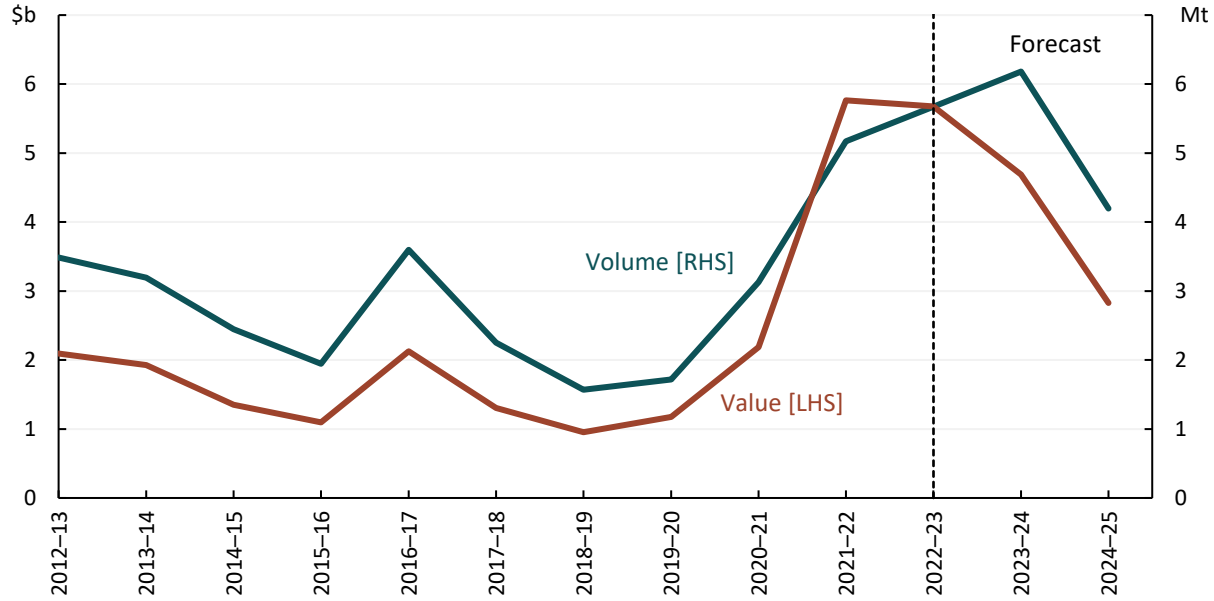
Source: ABARES; ABS

The gross value of oilseed production forecast for 2024–25 is $390 lower than the *June 2024 Agricultural Commodities Report*. A slight upwards revision in canola production due to an upwards revision in area planted and higher yields has been offset by weaker price forecasts.

Value of exports to fall in 2024–25

The value of Australian oilseed exports is forecast to fall by 40% to $2.8 billion in 2024–25, reflecting lower global prices alongside falling Australian canola production and export volumes. Canola export values are expected to be 6% below the 10-year average to 2023–24 in real terms (Figure 6.2). The volume of Australian canola exports reached a peak in 2023–24 as carryover stocks from three consecutive years of record production added to exportable supply. Lower expected canola production volumes in Western Australia and South Australia are expected to drive lower canola production and exports in 2024–25.

Figure 6.2 Value and volume of annual canola exports



Note: Data to the right of the dotted line indicates estimates and forecasts.
Source: ABARES; ABS

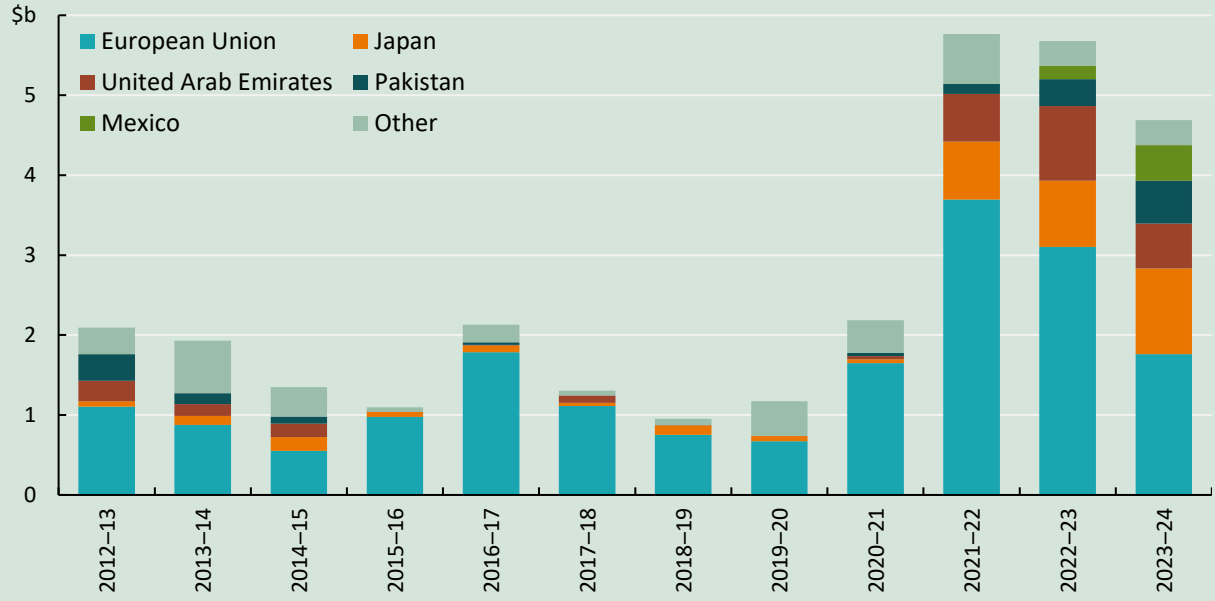
Australian canola export destinations have become increasingly diversified since 2021–22 (see Box 6.1). Diversification of Australian export destinations have allowed exporters to receive higher prices from those markets willing to pay a premium, such as in Japan. However, less favourable seasonal conditions are expected to reduce Australia's exportable canola supply and the oil content of canola in 2024–25. A falling oil content could reduce the price premium received for Australian canola in key export markets.

Box 6.1 Diversification of Australian canola export destinations

Historically, the European Union has accounted for 75–85% of Australian canola exports, where it is used for food and as an input into biodiesel production (Figure 6.3). However, exports of canola to other markets have been growing rapidly since 2021–22, reducing the European Union's share of Australia's total canola exports to 37% in 2023–24:

- In 2021–22 and 2022–23, Canada experienced drought conditions, which led to Japanese crushers purchasing less Canadian canola due to lower availability and reduced oil content. In contrast, Australia experienced favourable seasonal conditions over this period and produced canola with a high oil content. This allowed for Australian exports to overtake Canadian exports to Japan. This resulted in 23% of Australian canola exports being sent to Japan in 2023–24, up from 2% in 2020–21.
- The United Arab Emirates (UAE) has emerged as an important export destination for Australian canola. A number of large food oil crushing facilities operate in Dubai, where Australian canola is transformed into oil before being re-exported to other markets or consumed locally. The UAE accounted for 12% of Australian canola exports in 2023–24 up from 2% in 2020–21.
- Australian canola exports to Pakistan have increased significantly since 2021–22. On 24 November 2023 amendments were made to biosafety guidelines allowing imports of Genetically Modified (GM) canola and soybeans to resume in Pakistan for food, feed and processing. As a result, Australian canola exports to Pakistan have increased 324% between 2021–22 and 2023–24 to account for 12% of Australian canola exports.
- Mexican oilseed crushers have shown a growing preference for canola oil due to higher oleic content, leading to increased Australian exports in recent years. Mexico is a net importer of oilseeds and oilseed products and is experiencing increased meal demand from a growing livestock sector. However, Mexican crushers are sensitive to price and are likely to prioritise importing soybeans and Canadian canola in 2024–25.

Figure 6.3 Annual value of Australian canola exports by destination



Source: ABS

Oilseed prices falling with large global soybean crop

The Australian canola (Melbourne delivered) price is forecast to average $570 per tonne in 2024–25, falling 14% from 2023–24 (Figure 6.4). Likewise, the Kwinana canola export price is forecast to average US$440 per tonne in 2024–25, falling 12% from 2023–24. The forecast drop in Australian

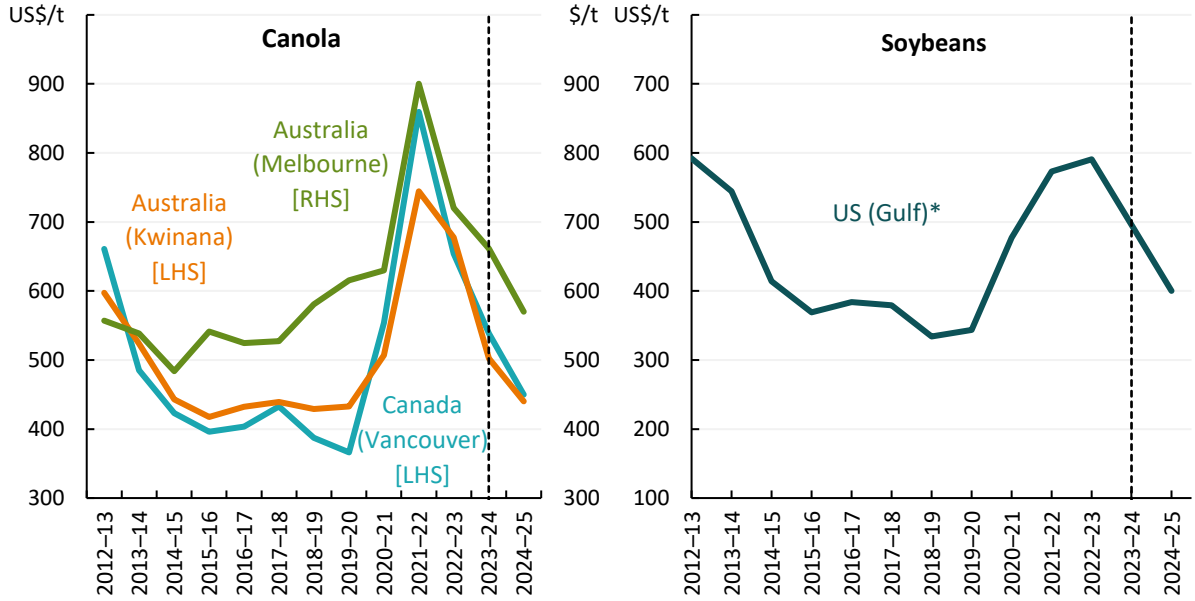
prices follows the Vancouver price (ABARES' world indicator price) which is forecast to fall by 16% to US$450 in 2024–25.

Increased global soybean production is expected to subdue canola prices as buyers have the option to use soybeans instead of canola for food, feed and biofuel uses. Soybean production in Australia accounted for only 0.3% of the total value of oilseed production in 2023–24. However, trends in global soybean production have a significant impact on the value of Australian canola production due to the substitutability of their end uses and the impact of soybean production on canola prices.

Canola prices are expected to be further subdued in the first half of 2024–25 due to the implementation of the European Union Deforestation Regulation (EUDR) on 30 December 2024 (see *European Union Deforestation Regulation (EUDR)*). Large volumes of palm oil are expected to be exported to the European Union from Indonesia and Malaysia in the lead up to the EUDR, reducing demand for Australian canola.

There may be some increased demand for Australian canola from the European Union following the implementation of the EUDR, leading to higher prices in the second half of 2024–25. Demand for Australian canola could also increase if dry conditions in Saskatchewan and Alberta throughout July and August have significantly impacted Canadian canola oil content. However, any potential upside to price is likely to be tempered by expectations of low oil prices reducing the competitiveness of biodiesel and therefore reducing demand for canola (see *Economic Overview*).

Figure 6.4 Average annual export prices for canola and soybeans



Note: Data to the right of the dotted line indicates estimates and forecasts. *US (Gulf) is the fob price for soybean exports in the Gulf of Mexico, it is considered a world indicator price for soybean exports.
Source: ABARES; International Grains Council

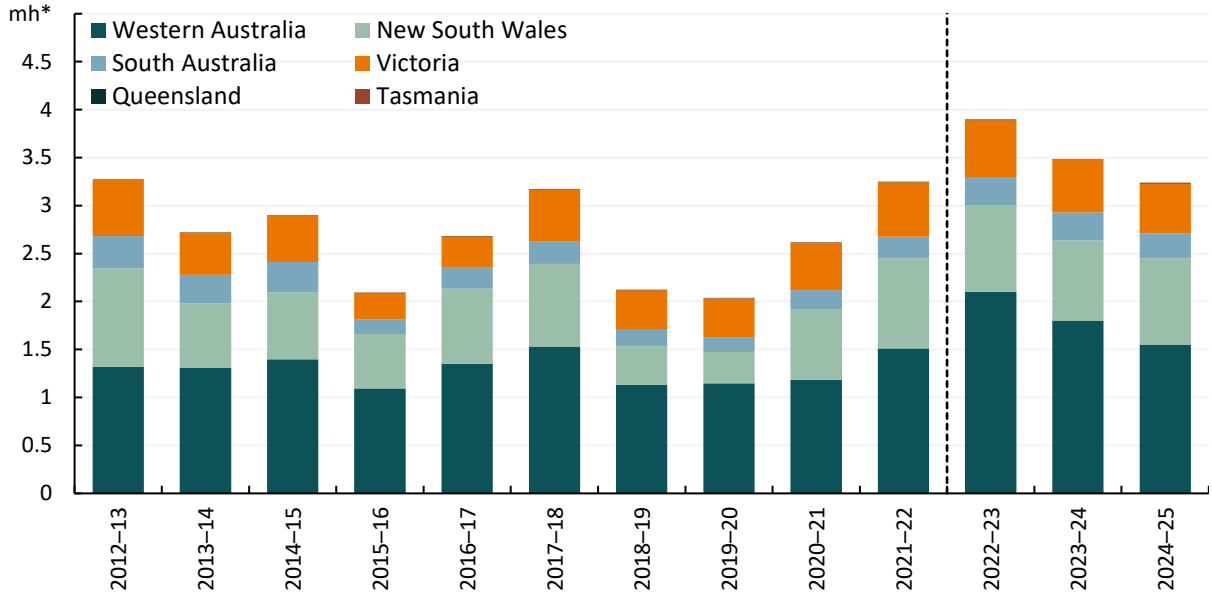
Price falls for Australian canola reflect a normalisation of prices following peaks in recent years of US$900 per tonne. Prices rose through 2021–22 and 2022–23 on the back of droughts in the northern hemisphere, increasing demand for Australian canola and market volatility due to the Russian Federation invasion of Ukraine.

Australian production falls after consecutive record years

Australian canola production is expected to fall by 8% to 5.5 million tonnes in 2024–25. This is 34% lower than the record harvest in 2022–23 but 22% higher than the 10-year average to 2023–24.

Area planted to canola is forecast to have fallen nationally by 7% to 3.2 million hectares in 2024–25. Increases in area planted in New South Wales have been offset by reductions in area planted across other major canola growing regions (Figure 6.5). Lower prices and less favourable seasonal conditions around the time of planting in Western Australia and South Australia (see *Australian Crop Report*). drove the reduction in area planted, with many growers opting for less resource intensive crops.

Figure 6.5 Australian area planted to canola

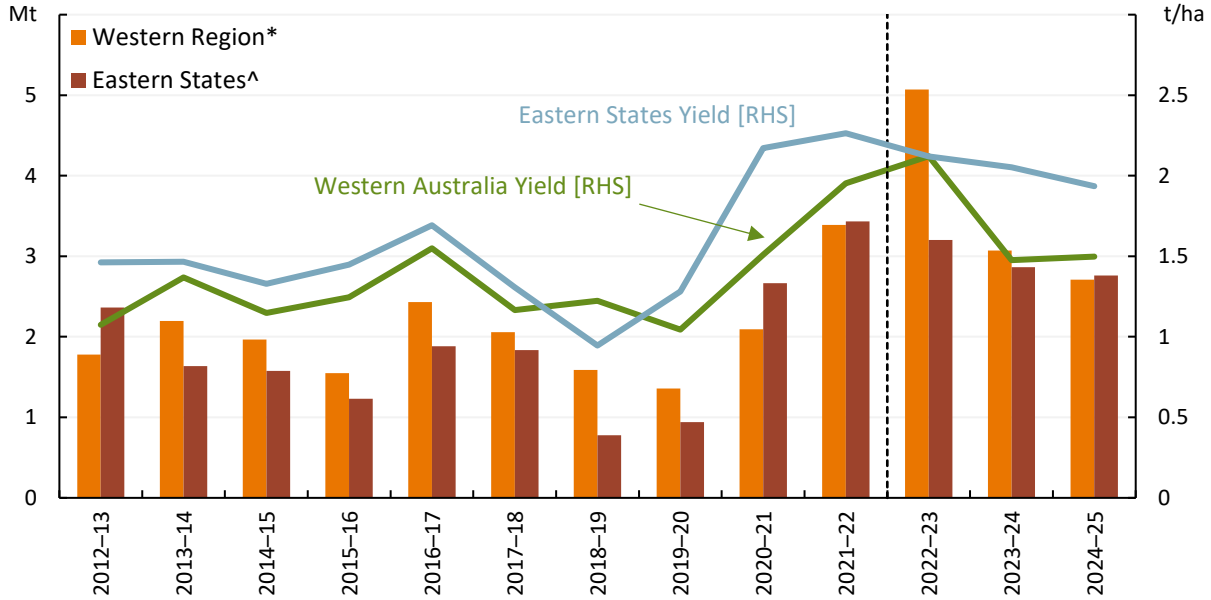


Note: Data to the right of the dotted line indicates estimates and forecasts. *million hectares.
Source: ABARES; ABS

Rainfall across cropping areas in Western Australia, as well as central and northern New South Wales have been average to above average in June and July (see *Seasonal Conditions*). High soil moisture levels in addition to a favourable seasonal outlook are expected to continue throughout spring supporting canola yields across Australia.

However, the drier start to the season has limited the yield potential of Western Region canola (Western Australia and South Australia) relative to the Eastern States (Figure 6.6). Current forecasts indicate there is an equal chance of above or below median rainfall in South Australia and Victoria. If average conditions are realised ABARES' forecasts for crop yields are likely to be realised (Figure 6.6).

Figure 6.6 West vs east canola production and yield

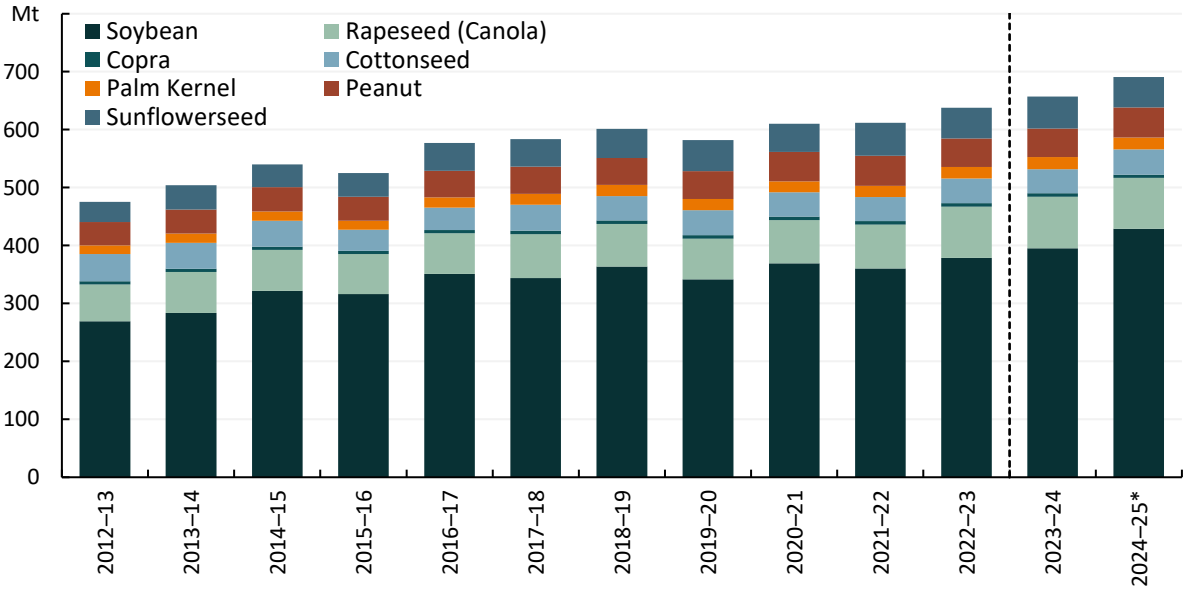


Note: Data to the right of the dotted line indicates estimates and forecasts. *Western Region includes Western Australia and South Australia. ^Eastern States includes Australia excluding Western Australia and South Australia.
Source: ABARES; ABS

Global oilseed supply expected to rise

Global oilseed production is forecast to rise by 5% to 691 million tonnes in 2024–25 (Figure 6.7). This rise is primarily driven by rising soybean production in Brazil and the United States. Global canola production is expected to fall marginally, however, will remain 17% higher than the 10-year average.

Figure 6.7 Global oilseed production by commodity



Note: Data to the right of the dotted line indicates estimates and forecasts. *2024–25 forecast is USDA forecast in marketing years for each country.
Source: USDA

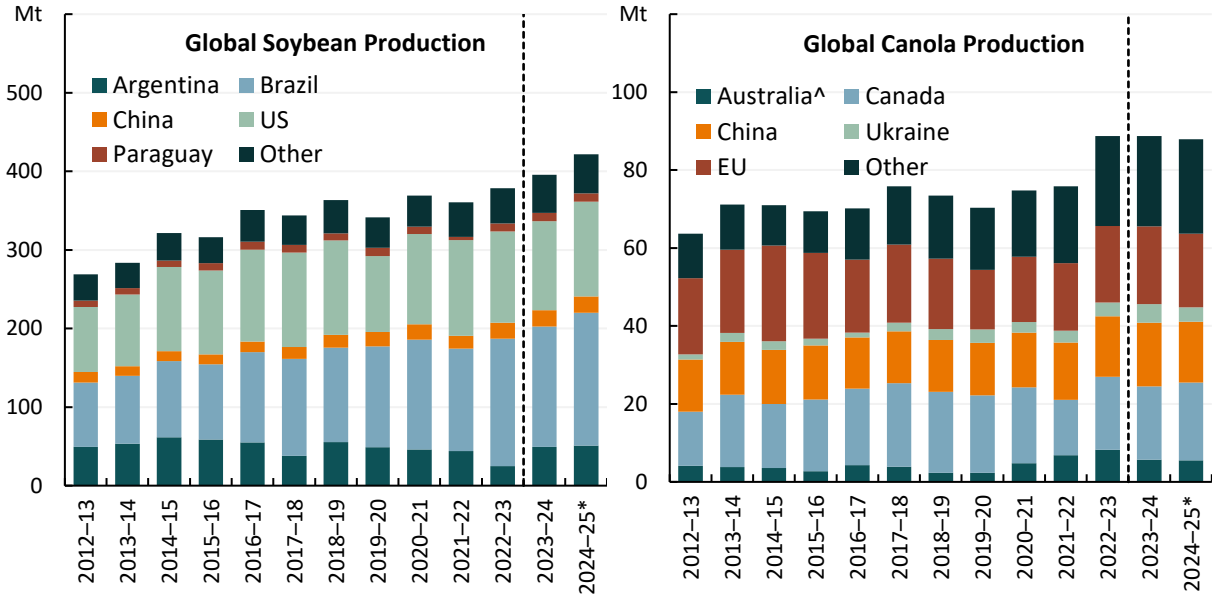
Global soybean production is expected to increase by 8% to 429 million tonnes in 2024–25 (Figure 6.8). This is driven by an increase in production in Argentina, Brazil and Paraguay due to favourable growing conditions. **Brazil** has been steadily increasing the area planted to soybeans over the last 15 years and has arable land available not currently being farmed (particularly in Mato Grosso). An estimated 169 million tonnes of soybeans are expected to be harvested in Brazil in 2024–25 driven by:

- A lower Brazilian Real against the US dollar which has encouraged farmers to boost soybean sales and therefore increase production and global supply.
- Increased imports from China as the Chinese government seeks to increase food security and reduce its reliance on the large US soybean crop.

Global canola production is expected to fall slightly to 88 million tonnes in 2024–25 (Figure 6.8). This is forecast to be driven by lower production in the European Union and drier weather impacting the Canadian crop:

- High temperatures and dry conditions across Saskatchewan and Alberta throughout July (the flowering period) are expected to reduce yields for **Canada's** canola crop.
- Canola production in the **European Union** is expected to fall to 19 million tonnes in 2024–25. This reflects lower yields from excess water in large parts of the Netherlands, Germany, Italy and France.
- Dry conditions have also impacted the **Black Sea** canola crop, reducing yields and potential exports from Ukraine.

Figure 6.8 Global soybean and canola production by country



Note: Data to the right of the dotted line indicate forecasts. *2024–25 forecast is USDA forecast in marketing years for each country. ^Australian production is USDA data and may not align exactly with ABARES historical and forecast series.
Source: USDA

Global oilseed consumption to rise

Global oilseed consumption is expected to rise modestly in 2024–25, reflecting a continued rise in demand for both canola and soybeans for domestic consumption and for biodiesel production.

China is forecast to remain the world's largest oilseed importer and is expected to import 109 million tonnes of soybeans in 2024–25 (an annual increase of 1%). Lower soybean prices, driven by the large Brazilian crop have allowed crush margins in China to become positive, driving increased imports.

Contributing to the marginal increase in soybean imports is an improvement in Chinese average swine prices above the estimated breakeven point of RMB 15.2 per kilogram. This is expected to incentivise swine producers to expand production and increase sow herds throughout 2024–25.

However, in March 2024 the Chinese Ministry of Agriculture and Rural Affairs (MARA) revised the implementation plan for Pig Production Capacity Regulation to reduce the national target of reproductive sows by 5%. This is expected to limit growth in Chinese swine production, limiting demand for soybean meal and other oilseeds as a feed protein.

Further, MARA has announced a series of measures in 2023 aimed at reducing soybean inclusion in feed by 0.5% per year over a three-year period. These measures are aimed at improving China's food security and are expected to reduce soybean import demand for pig feed over the outlook period. Growing demand in the Chinese aquaculture sector may offset weaker demand from the pig meat sector.

Global canola consumption is expected to increase in 2024–25 due to increasing demand from biofuel production. Government policies across the United States, Canada, the European Union, Brazil, India and other emerging economies are expected to increase demand for biofuels and in turn feedstocks such as canola.

The International Energy Agency lists the following biofuel policies as contributing to global biofuel demand:

- **United States**: Renewable Fuel Standards (RFS) and Inflation Reduction Act (IRA).
- **Brazil**: Biodiesel blending program and RenovaBio programme.
- **Indonesia**: Biodiesel blending programme mandate increased to 35%.
- **India**: National Policy on Biofuels.
- **European Union**: Renewable Energy Directive III (RED III), includes a 29% renewable energy share target for transport by 2030.

The consumption of biofuels such as bioethanol, biobased diesel (BBD) and sustainable aviation fuel (SAF) have become increasingly incentivised in the European Union due to a range of environmental policies, such as RED III. The European Union relies on imports of feedstocks for biofuel production as it is unable to domestically source its total feedstock requirement. Canola consumption increased in the EU by 35% from 2014 to 2023, with the import share of consumption increasing from 6% to 20% over the period.

Opportunities and challenges

European Union Deforestation Regulation (EUDR)

The European Union is scheduled to implement its European Union Deforestation Regulation (EUDR) on 30 December 2024. Under the EUDR, exporters of certain products, including palm oil and soy, to the European Union will need to ensure that exported products (or inputs to exported products)

have not been produced on land subject to deforestation or forest degradation since 31 December 2020. If implemented, palm oil imports and soybean imports from some major origins may not be exported to the EU if they cannot meet EUDR obligations. If this happens it will tighten EU biofuel feedstock supplies and increase demand for other feedstock imports (potentially including canola from Australia). However, market participants are still developing systems for compliance or assessing whether to export elsewhere. Considerable uncertainty regarding implementation and enforcement remains, making trade impacts difficult to assess.

Indonesia - European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)

Indonesia and the European Union began negotiations for the IEU-CEPA in 2016 and completed the 19th round of negotiations on 5 July 2024. If implemented the CEPA is expected to eliminate 95% of tariffs on goods and services trade between Indonesia and the European Union. Indonesia and the European Union have both stated they are planning to finalise CEPA before President Joko Widodo steps down on 20 October 2024.

If Indonesia was to receive any preferential access to the EU market, this may allow the European Union to access cheaper palm oil for biofuel production limiting upside potential for Australian canola export prices. However, if not, it is likely that Indonesian palm oil exports to the European Union will continue to be phased out, potentially increasing demand for substitute feedstocks such as Australian canola.

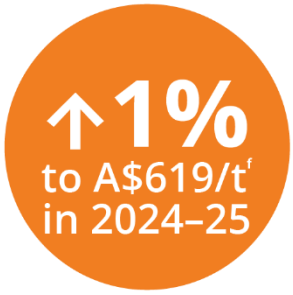
Anti-dumping duties on Chinese used cooking oil

The European Commission announced that on 16 August 2024, it will impose anti-dumping tariffs of between 12.8% and 36.4% on biodiesel imports from China. Interest groups had raised complaints that Chinese Used Cooking oil (UCO)-based biodiesel had lowered prices and impacted margins for EU producers. Parties also claimed that due to the difficulty in certifying UCO, Chinese exporters had been re-exporting and dumping palm oil to avoid deforestation legislation. Analysis conducted by Transport & Environment (T&E), an advocacy group, suggests that 80% of EU UCO used as fuel is imported, with 60% of this being imported from China. Anti-dumping duties will disincentivise EU biofuel producers from importing UCO from China. The European Union is also introducing a Union Database for Biofuels from November 2024, which will require registration of biofuel source shipments to improve traceability and reduce the likelihood of fraudulent product entering the EU market. The additional duties and database requirements may increase the demand for alternative feedstocks such as canola providing opportunities for Australian growers.

Similar to the European Union, farm state senators in the United States are pushing for a "regulatory crackdown" on Chinese UCO imports. This comes following domestic industry concerns as to the quality of Chinese UCO which now accounts for 30% of the biodiesel feedstock in the United States. There is also substantial pressure from domestic soybean growers in the United States to reduce UCO imports in order to support domestic soybean prices.

7 Wine

John Walsh



f Australian average farmgate price of wine grapes.

Wine grapes
Prices to rise driven by increased demand for premium wine from China.

Key points

- Gross value of wine grape production forecast to increase 1.5% in 2024–25 to $888 million.
- Value of wine exports to rise 5% in 2024–25 to $2.4 billion, following removal of China's import tariffs.
- Average wine grape price to rise 1% to $619 per tonne in 2024–25, driven by premium varieties.
- Prices for red grape varieties in warm inland regions forecast to remain low.
- Wine grape production for crush to remain steady at 1.43 million tonnes in 2024–25.

Production value to rise but remain below average

The **gross value of wine grape production** is forecast to increase by 1.5% in 2024–25 to $888 million, driven by a slight rise in prices for premium wine grapes following the removal of China's import tariffs in March 2024. Although higher than recent years, the forecast for 2024–25 is 20% below the 10-year average to 2023–24 in real terms, as low prices for warm inland varieties and below average production continue to limit growth.

Wine grape production for crush is forecast to remain steady in 2024–25 at 1.43 million tonnes, below the 10-year average. High water availability and a neutral rainfall outlook for key growing regions is expected to support higher production potential. However, production for crush will continue to be constrained, as high domestic stocks and falling global demand continue to suppress demand from winemakers.

The re-opening of the Chinese market is expected to support a slight increase in prices for cooler climate and premium wine grapes. However, weak household consumption conditions and increased competition from other alcoholic beverages are expected to continue to suppress China's demand for wine imports. In addition, the re-opening of the Chinese market is not expected to have a meaningful impact on wine grape prices in warm inland regions, which account for two-thirds of the national crush. Wine grapes grown in these regions are primarily used to produce commercial wine priced below $5 per litre free on board (fob), servicing markets in the United States, the United Kingdom, Canada and Australia.

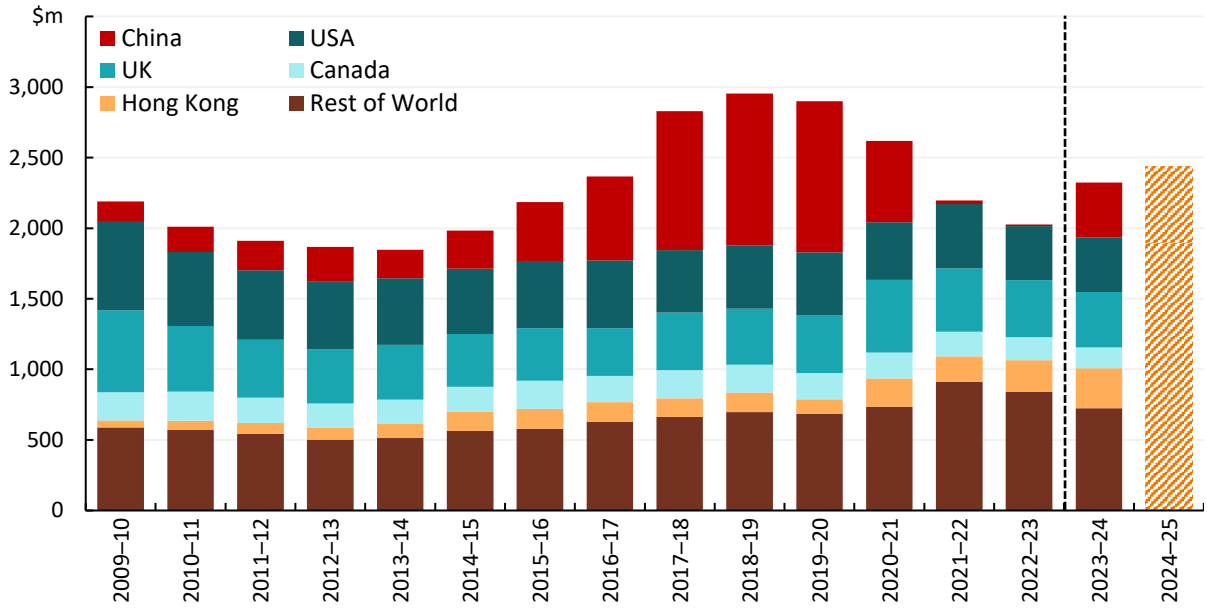
The gross value of wine grape production in 2024–25 is forecast to be slightly higher than the forecast in the *June 2024 Agricultural Commodities Report*. This reflects a slight upward revision to prices for premium wine grapes.

China re-opening drives increase in export values

Wine export values are forecast to increase by 5% in 2024–25 to $2.4 billion (Figure 7.1), supported by the re-opening of the Chinese market following the removal of import tariffs in March 2024. The forecast annual increase in 2024–25 follows a stronger than expected rise in export values over the final quarter of 2023–24, as exporters rapidly re-established supply chains. However, export values to China are not expected to reach pre-tariff levels as the Chinese import market for wine has more than halved in recent years (see *Opportunities and Challenges*).

Wine export values increased 15% in 2023–24, the first year of growth since 2018–19. However, export values to North America and the United Kingdom – Australia's second and third largest markets by value and biggest destinations for commercial wine – both declined 3% in 2023–24 year-on-year.

Figure 7.1 Value of Australian wine exports to the World



Note: Data to the right of the dotted line indicates estimates and forecasts.
Source: ABARES; ABS

Wine export volumes are forecast to increase by 2% to 648 million litres in 2024–25, driven by higher exports to China following the removal of import tariffs in March 2024. Australian export volumes to China are expected to stay well below pre-tariff levels due to falling Chinese wine consumption. Outside of China, the demand for Australian wine exports is not expected to improve in 2024–25 due to continued pressure on disposable incomes and a shift in consumer preferences towards other beverages. Export volumes to all major destinations (including North America and the United Kingdom) declined in 2023–24, with the biggest falls in unpackaged wine exports priced below $1.50 per litre.

Premium prices to increase but inland prices remain flat

Australian wine grape prices are forecast to increase 1% in 2024–25 to $619 per tonne, driven by an expected rise in prices for premium wine following Australia's re-entry into the Chinese market.

Prices for cool climate and premium wine grapes are expected to increase slightly in 2024–25, given the re-opening of the Chinese market. In addition, global demand for high-end premium wines

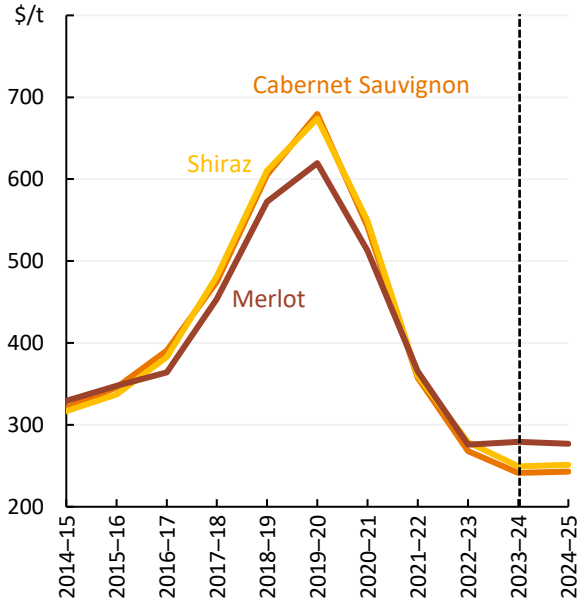
remains relatively strong despite the long-term decline in global wine consumption. Health-conscious consumers in major wine consuming countries are reducing their overall alcohol intake but opting for premium wines when they do drink.

Prices for red varieties in warm inland regions are expected to remain low at $243 to $277 per tonne in 2024–25 as high stock levels and declining consumption of commercial wine continue to suppress demand from winemakers (Figure 7.2). Reflecting this decline in consumption, the proportion of red wine grapes sold at lower price points in warm inland regions increased in 2023–24 with 51% of red wine grapes sold in warm inland regions sold for less than $250 per tonne, compared with 21% in 2022–23 (Figure 7.4).

Prices for white varieties in warm inland regions are expected to remain steady at $371 to $495 per tonne in 2024–25 with a more favourable demand outlook compared to red varieties (Figure 7.3).

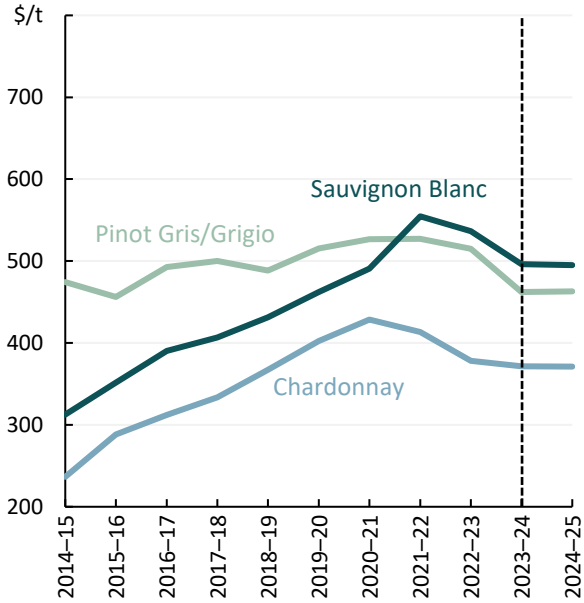
Wine export prices are forecast to increase 3% to $3.77 per litre in 2024–25, driven by the re-opening of the Chinese market. The average export price increased for the first time in five years in 2023–24 to reach $3.65 per litre. In 2023–24, Australian wine exports priced at or above $20 per litre increased by $344 million with over 90% exported to China.

Figure 7.2 Warm inland red variety grape prices



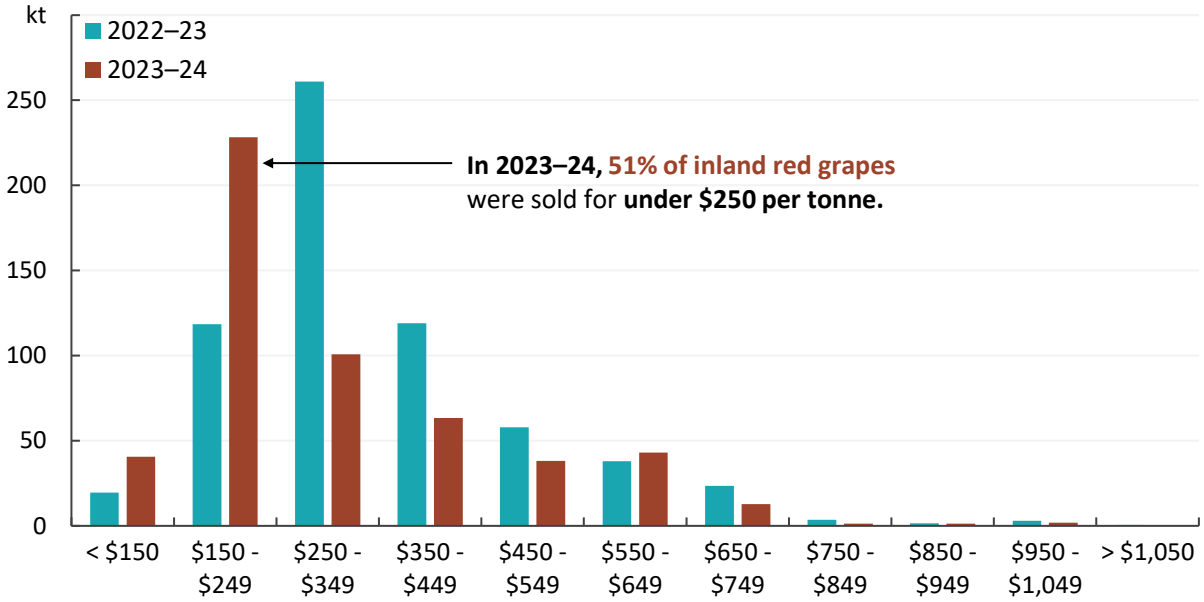
Note: Data to the right of the dotted line indicates forecasts. Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: ABARES; Wine Australia

Figure 7.3 Warm inland white variety grape prices



Note: Data to the right of the dotted line indicate forecasts. Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: ABARES; Wine Australia

Figure 7.4 Volume of red wine grapes purchased in warm inland regions, by price point



Note: Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: Wine Australia

Production for crush constrained by subdued demand

Wine grape production for crush is forecast to remain steady in 2024–25 at 1.43 million tonnes, but below the 10-year average (Figure 7.5). Despite higher yield potential, production for crush is expected to be constrained as high domestic stocks and the long-term decline in wine consumption continue to suppress demand from winemakers.

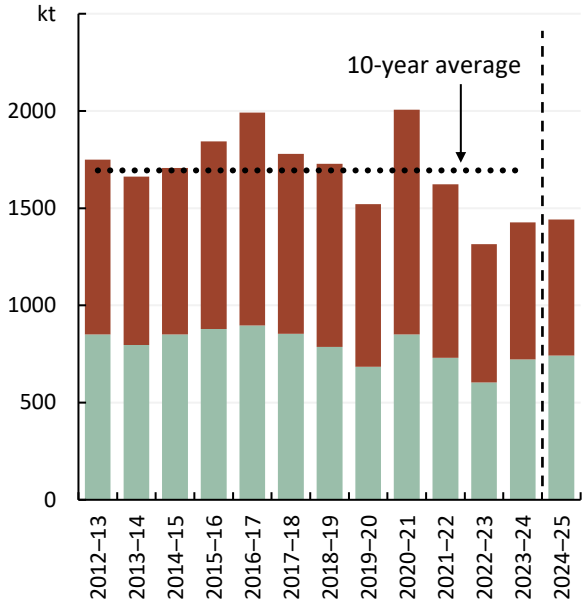
High water availability and a neutral rainfall outlook are expected to support higher yield potential in 2024–25:

- High opening water allocations and low water allocation prices are expected to continue in 2024–25. Despite falling from last year, major water storages are still sitting well above long-term averages, supporting irrigated grapes in warm inland regions.
- Despite a dry start to winter for wine growing regions in south-eastern Australia, recent rainfall has improved soil moisture reducing the risk of poor shoot growth. With a neutral rainfall outlook expected through spring, yield potential is expected to improve in 2024–25.

Offsetting higher yield potential, high red wine stocks are expected to continue to weigh on the amount of grapes winemakers contract in 2024–25. Red wine stocks, particularly in warm inland regions, increased significantly in 2021–22 following record production and weakening demand. Lower red grape production in 2022–23 and 2023–24 led to stock levels easing but remaining elevated due to continued weakness in demand. In addition, with margins squeezed, growers may look to reduce production costs by cutting back on inputs, impacting their ability to manage disease pressures if they arise, reducing production.

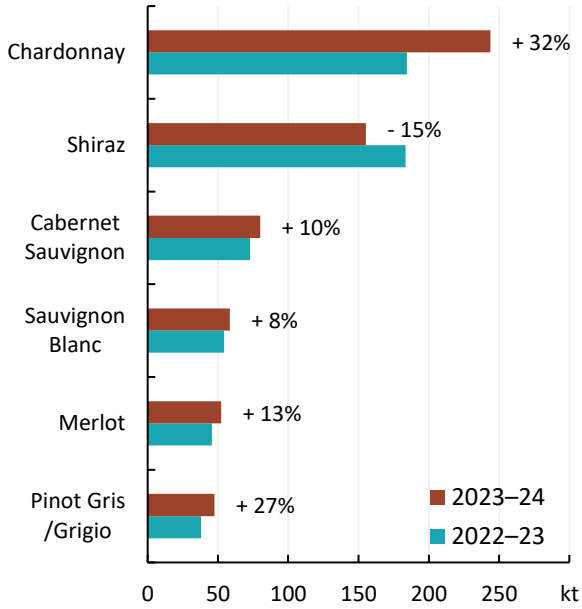
In contrast, the white grape crush increased in 2023–24 to exceed the red grape crush for the first time since 2007, driven by chardonnay and pinot gris (Figure 7.6). This trend is expected to continue in 2024–25 with prices for inland red varieties forecast to remain low.

Figure 7.5 Australian wine grape production for crush



Note: Data to the right of dotted line indicates forecasts.
Source: ABARES; Wine Australia

Figure 7.6 Production for crush for top varieties in warm inland regions



Note: Warm inland regions refers to the Riverland, the Riverina and the Murray–Darling Swan Hill regions.
Source: Wine Australia

World supply falling but stocks remain high

World wine production is expected to decline in 2024–25, reflecting a reduction in vineyard area as growers in major wine producing regions react to subdued global demand and lower prices.

In **California**, the world's largest wine producing region, over 12,000 hectares of vineyards have been removed in recent years. Rationalisation is expected to continue in 2024–25 as the industry looks to reduce bulk wine supply in line with long-term demand.

In **France**, vine removals are set to continue, supported by government subsidies announced in February 2024. The French wine industry has signalled its intention to reduce vineyard area by up to 100,000 hectares. Alternative uses have been found for some excess stock, with government funding allocated to the distillation of unwanted wine into industrial alcohol. In addition, French wine production in 2024–25 is expected to face pressure from a wetter than average spring resulting in mildew pressures for growers in Bordeaux, and drier conditions in the Aude area and Pyrénées-Orientales region reducing yields.

In **Chile**, the rate of vine removals is expected to ease in 2024–25, reflecting a below average 2024 crop that has seen inventory levels fall.

Long-term decline in wine consumption set to continue

World wine consumption is expected to continue to decline in 2024–25. Per capita wine consumption in major wine consuming markets has been falling for the past decade, driven by competition from other alcoholic beverages and the rise of the health-conscious consumer looking to cut back alcohol consumption. The shift in alcohol preferences is most pronounced in younger cohorts, with a stronger preference towards spirits.

In **China** – Australia's largest export market – declining wine consumption has been driven by an overall fall in alcohol consumption and a substitution towards other forms of alcohol, such as spirits. In 2024–25, weak economic conditions (see *Economic Overview*) is expected to keep wine demand relatively subdued.

In **advanced economies**, discretionary spending is expected to increase in line with an improved outlook in most economies, providing some support to wine consumption.

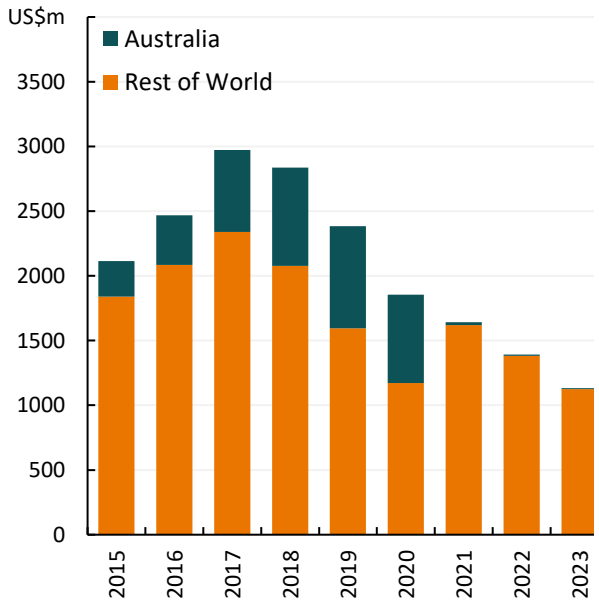
Opportunities and challenges

Removal of Chinese import tariffs no silver bullet for warm inland regions

Although welcome news for exporters, the removal of Chinese import tariffs on Australian wine in March 2024 is not expected to significantly alleviate the ongoing pressures faced by warm inland growers. The main beneficiaries of the tariff removal will be exporters of high-end premium wine, with Chinese demand for Australian wine geared heavily towards the highest price points. The majority of wine produced in warm inland regions is lower value product priced below $2.50 per litre (fob), primarily servicing commercial wine consumers in the United States, the United Kingdom, Canada and Australia. Before the introduction of the tariff in 2021, exports of wine priced below $2.50 accounted for less than 5% of Australian export values to China (22% of volume) (Figure 7.8).

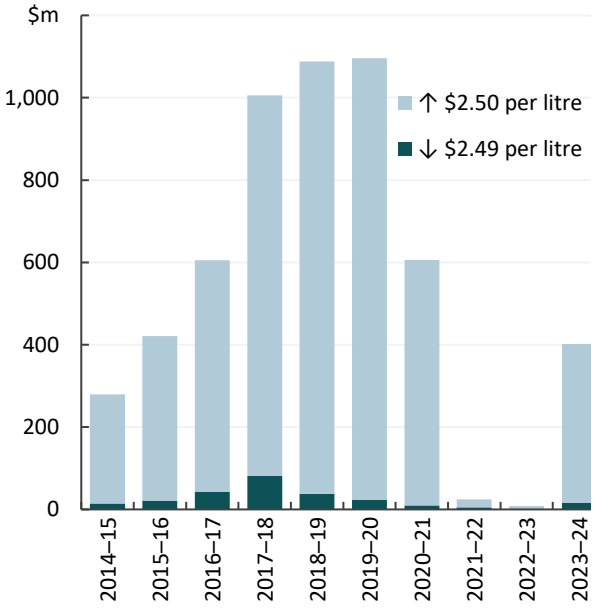
Falling wine consumption and weak economic growth has seen China's import market for wine more than halve over the past five years (Figure 7.7). In a global market with high stocks and falling consumption, Australian exporters will face strong competition in a significantly smaller Chinese market. This may lead to reduced prices as exporters compete to attract buyers and establish new relationships in the Chinese market.

Figure 7.7 Wine export values to China from Australia and the Rest of the World



Source: ABARES; UN Comtrade

Figure 7.8 Australian wine exports to China by price point



Note: Price point thresholds refer to average value (free on board) per litre.

Source: Wine Australia

8 Horticulture

Tirza Winarta

$18b
Value of production in 2024–25

Horticulture

Higher production volumes with more favourable climatic conditions.

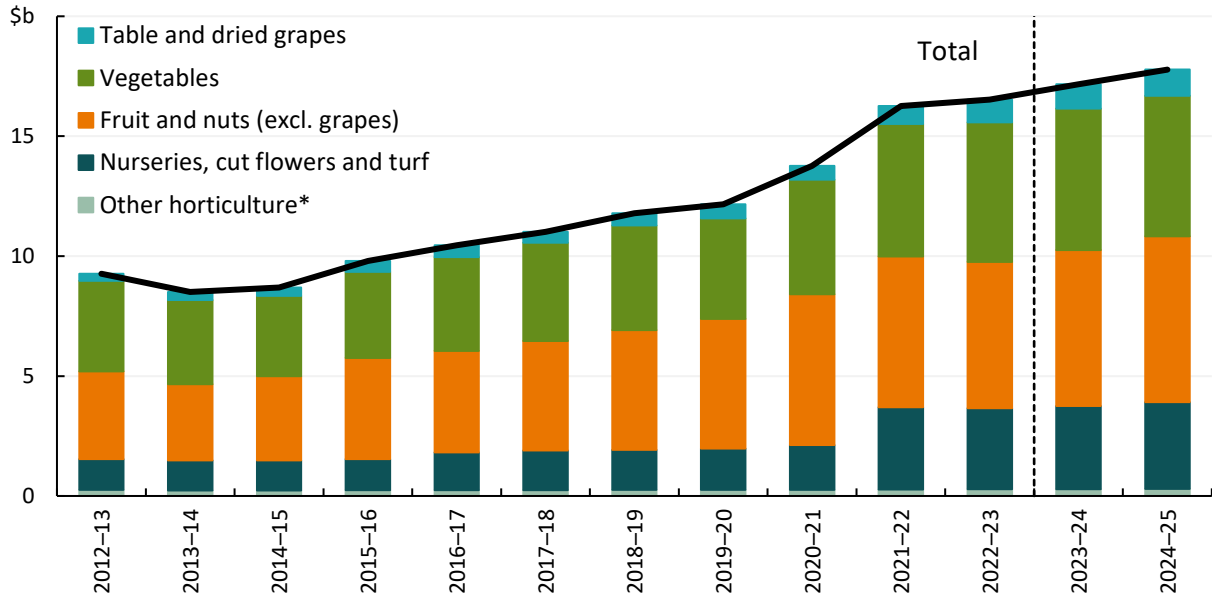
Key points

- Gross value of horticulture production to reach a record high of $17.8 billion in 2024–25.
- Domestic production and export volumes to rise, driven by higher yields for fruit and nuts.
- World demand for fruit and nuts to increase, driven by high value markets like China, Japan and Korea.
- World supply of fruit and nuts to rise, reflecting improved growing conditions for major producers.

Value of production to reach a record high

The **gross value of horticulture production** is forecast to rise to a record $17.8 billion in 2024–25, up 4% from the previous record of $17.2 billion in 2023–24 (Figure 8.1). Rising production values reflect increased production volumes and higher prices for export focussed industries. Average to above-average seasonal conditions in key growing regions and more trees reaching maturity are forecast to lead to higher yields of fruit and nuts. Prices for export focussed industries such as citrus, nuts, and table grapes are expected to increase, driven by rising global demand from high value markets such as China, Japan and Korea. However, growth in horticultural demand is expected to outpace modest growth in global supply, increasing global prices.

Figure 8.1 Gross value of Australian annual horticulture production



Note: Data to the right of the dotted line indicates estimates and forecasts. *Other horticulture includes coffee, essential oils, spices, tea, vegetables for seed, and other miscellaneous horticultural products.
Source: ABARES; ABS; Hort Innovation

The gross value of horticulture production in 2024–25 is forecast to be around $330 million higher than the forecast in the *June 2024 Agricultural Commodities Report*. This reflects an upward revision to production volumes for fruit and nuts.

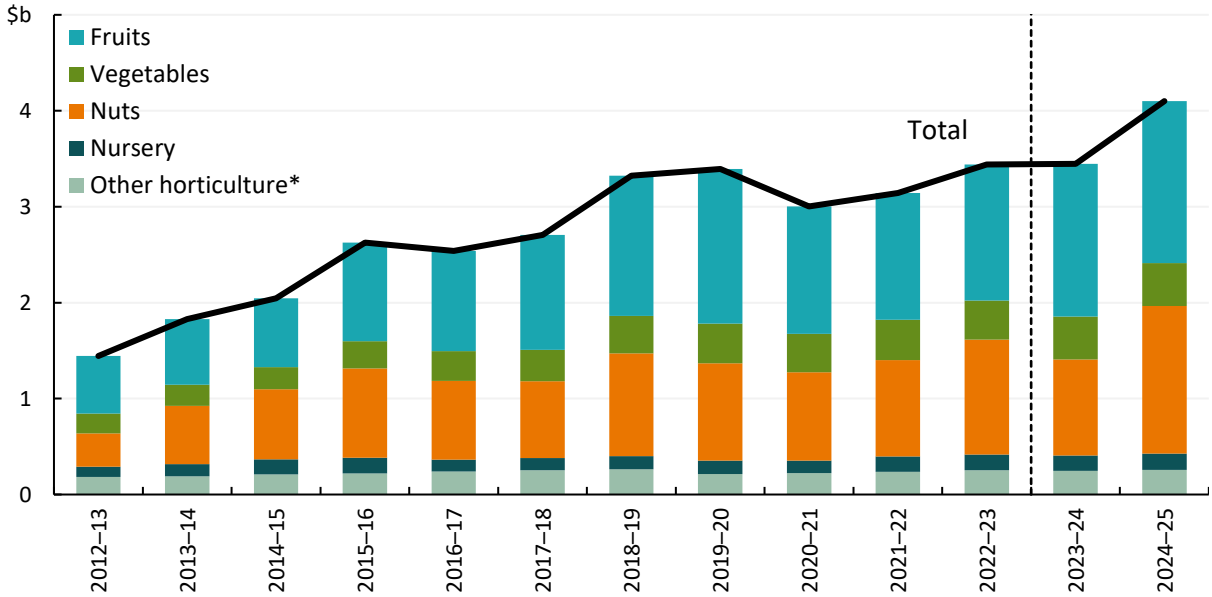
Strong global demand to drive record export values

The value of horticulture exports is forecast to rise by 19% to a record $4.1 billion in 2024–25, driven by higher production volumes and export prices (Figure 8.2). A relatively low Australian dollar is expected to support export competitiveness through 2024–25. Increases in export values for fruit and nuts are the main commodities driving growth:

- **Almond and macadamia export values** are forecast to rise to $1.4 billion in 2024–25 reflecting higher export volumes and a rebound in world prices.
- **Citrus export values** are forecast to rise $626 million in 2024–25, driven by higher export volumes and increased global demand from high value markets, such as Japan and Korea.
- **Table grape export values** are expected to increase in 2024–25, driven by higher export volumes and expanded market access to Japan. Exporters are now able to export over 130 varieties to Japan, following the removal of varietal restrictions in July 2024.

The forecast value of horticulture exports for 2024–25 is broadly in line with the *June 2024 Agricultural Commodities Report*. The forecast is slightly higher due to an upward revision to export volumes and export prices for fruit and nuts.

Figure 8.2 Annual value of Australian horticulture exports

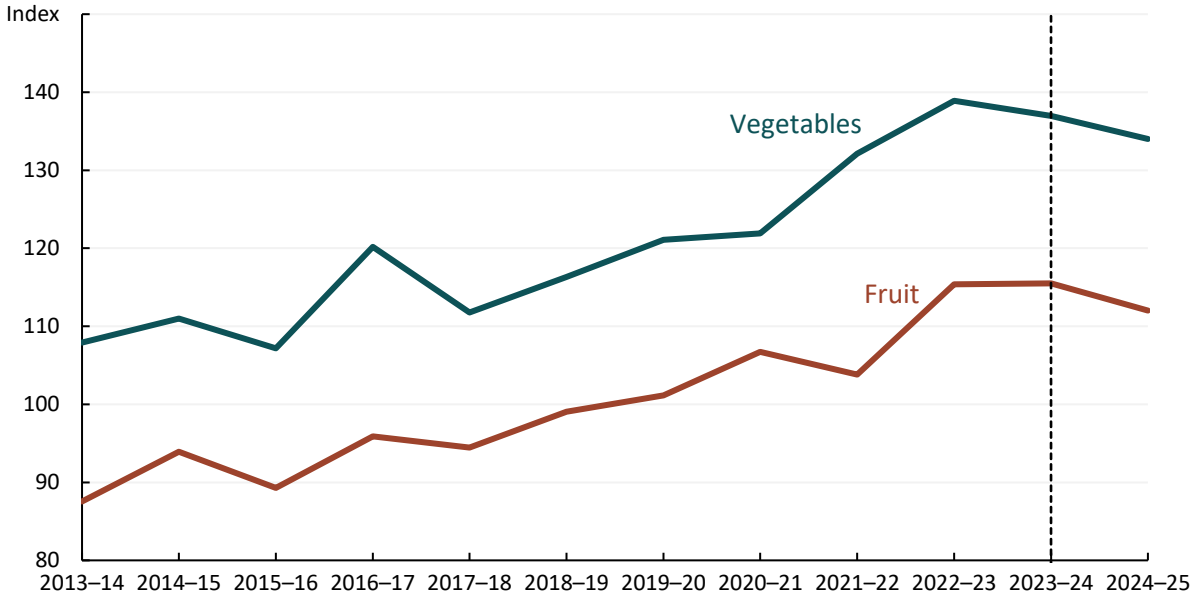


Note: Data to the right of the dotted line indicates estimates and forecasts. *Other horticulture includes coffee, essential oils, spices, tea, vegetables for seed, and other miscellaneous horticultural products.
Source: ABARES; ABS

Falling domestic prices despite rising export prices

Domestic fruit and vegetable prices are expected to decline in 2024–25 as higher production volumes more than offset an expected rise in domestic demand (Figure 8.3). Easing pressure on disposable incomes (see *Economic Overview*) is expected to drive higher domestic demand for fresh produce, and alongside lower prices, support greater fruit and vegetable consumption in 2024–25.

Figure 8.3 Average annual Australian retail fruit and vegetable price index

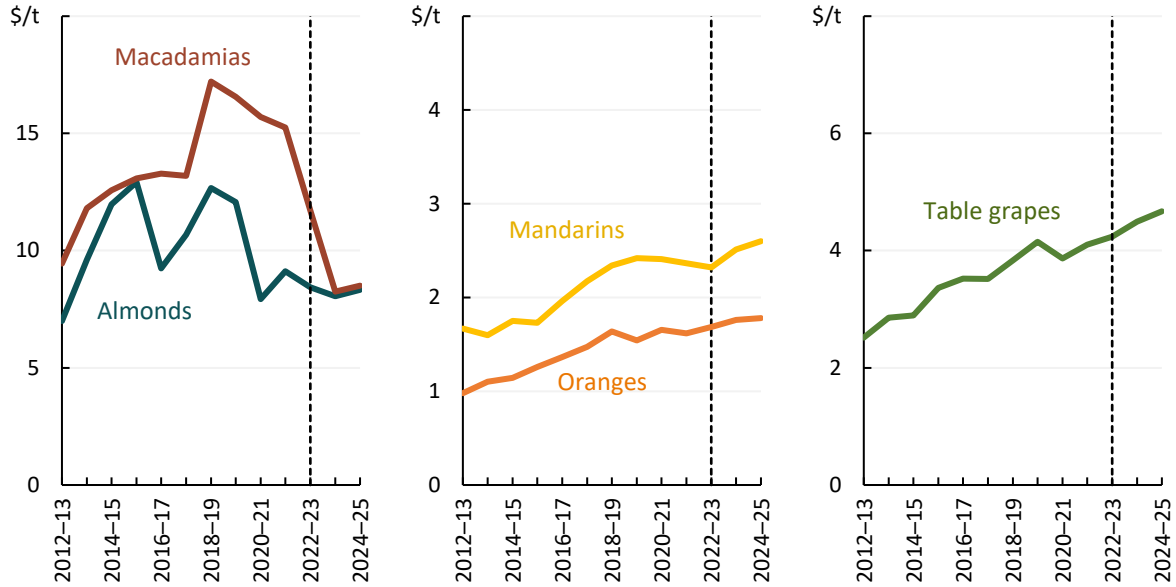


Note: Index 2011–12 = 100. Yearly average of the ABS Consumer Price Index. Data to the right of the dotted line indicates forecasts.
Source: ABARES; ABS

Horticulture export prices are forecast to rise in 2024–25, driven by strong demand from high value markets and higher quality Australian exportable supplies (Figure 8.4):

- **Almond export prices** are forecast to rebound in 2024–25 but are expected to remain below the 10-year average in real terms. Record-breaking production in the United States in 2020–21, coupled with above-average production volumes in the following years, resulted in high global carryover stocks, driving down global prices. However, in 2023–24, US exportable supplies were affected by quality issues due to orangeworm, leading to a reduction in global stocks. Low stock levels are anticipated to persist into 2024–25, supporting a recovery in global prices.
- **Macadamia export prices** are expected to increase in 2024–25 but remain well below the 10-year average in real terms. Strong import demand from China has driven a slight recovery in global prices, however, increased global supply is expected to continue putting downward pressure on prices.
- **Table grape export prices** are expected to increase with strong global demand from high value markets such as China and Korea, remaining above the 10-year average in real terms.
- **Mandarin and orange export prices** are expected to increase in 2024–25 and remain above the 10-year average in real terms. This reflects improved quality of exportable supplies following more favourable growing conditions in 2023–24 and continued strong demand from high value markets such as Japan, China and Korea.

Figure 8.4 Annual export prices for selected commodities



Note: Data to the right of dotted line indicates estimates and forecasts. Export prices calculated as export unit values (export value divided by export volume).
Source: ABARES; ABS

Australian production volumes to increase

Horticulture production is forecast to rise in 2024–25, driven by increases to planted area and expected higher yields for fruit and nuts. Large areas of citrus and nut trees planted in recent years are expected to reach bearing age and enter production in 2024–25, driving the expected increase in yields. In addition, favourable growing conditions and easing input pressures are expected to support increased production for most horticulture commodities:

- **Almond production** is forecast to increase by 16% to 176 thousand tonnes in 2024–25, driven by increases to bearing area, favourable growing conditions and high water availability in the Riverina, Sunraysia and Riverland regions. This increase follows an estimated record 152 thousand tonne crop in 2023–24.
- **Macadamia production** is expected to increase by 10% to 56 thousand tonnes in 2024–25 driven by higher yields. Lower input costs (see Box 8.1) and expected higher farmgate prices are forecast to incentivise greater fertiliser application and improved orchard management practices.
- **Citrus production** is forecast to increase in 2024–25, driven by higher yields for oranges and mandarins as more trees mature and enter production. With a neutral climate outlook through spring, the 2024–25 crop is not expected to face significant disease pressures (such as albedo breakdown) that have impacted crops in recent years.
- **Vegetable production** is forecast to remain steady in 2024–25. High water availability, a neutral climate outlook and falling input costs are expected to support higher yield potential; however, production is expected to be constrained by low prices and subdued domestic demand.

Box 8.1 Easing input pressures to support higher production

Falling input prices are expected to support higher production for most horticultural commodities in 2024–25. Lower input prices can allow greater investment in farm management practices, supporting yields and in turn

production volumes. Fuel, fertiliser and chemical costs are expected to ease, following significant increases from 2020–21 to 2022–23 (see *Economic Overview*).

High water availability and low water prices are expected to continue into 2024–25. Despite falling from last year, major water storage levels are still sitting well above long-term averages, supporting production for irrigated horticulture.

Labour availability issues eased for horticultural businesses in 2023–24 and are expected to stabilise in 2024–25, driven by a relatively high number of overseas temporary worker arrivals. The availability of workers for short periods during the year is critical for labour-intensive operations (such as planting and harvest) on many horticulture farms. Horticulture crops are often harvested only once a year and – in some regions – harvest operations occur only over a few weeks. These brief labour-intensive operations align with the short-term availability of many overseas workers. Horticulture producers faced significant workforce challenges from 2019–20 to 2022–23 due to constraints on large-scale international travel and migration to Australia. Labour availability improved in 2023–24, in part due to increased utilisation of the Pacific Australia Labour Mobility (PALM) scheme, as well as the Working Holiday Maker program, which can be more appealing to smaller horticulture businesses. The number of PALM scheme workers increased slightly between January and June 2024, and together with declining demand for labour in the broader Australian economy (see *Economic Overview*), is expected to support labour availability for horticulture businesses.

Export volumes to rise with increased production

Australian export volumes are forecast to rise in 2024–25, driven by higher production and increased global demand. Improved growing conditions are expected to enhance fruit quality and increase harvest volumes for tree nuts, table grapes and citrus fruits:

- **Almond and macadamia export volumes** are forecast to rise in 2024–25, reflecting higher domestic production and strong global demand from high value markets.
- **Citrus export volumes** are expected to increase in 2024–25, driven by higher domestic production and strong global demand.
- **Table grape export volumes** are forecast to rise in 2024–25, driven by strong production and increased market access to Japan. Exporters will now be able to export over 130 table grape varieties to Japan, following the removal of variety restrictions in July 2024. Prior to the announcement, Australian exporters could only export three varieties of table grapes – Crimson Seedless, Red Globe and Thompson Seedless. Additionally, income growth in emerging economies, such as Indonesia and Vietnam are expected to drive demand for Australian table grapes and further support price growth.

World supply to rise with higher production

World horticulture supply is forecast to increase in 2024–25, driven by higher production in key growing regions. However, the growth in demand for horticulture is forecast to outpace the growth in supply, increasing global prices.

- **World almond supply** is expected to rise, driven by an expected increase in the Californian almond crop for 2024 after consecutive years of lower production. The increase in global production will be partially offset by reduced carry-in stocks due to crop quality issues that impacted the 2023 California almond crop.

- **World macadamia supply** is expected to rise, driven by the transition of planted areas from non-bearing to bearing. High macadamia prices prior to 2022–23 saw significant expansion of macadamia plantations, especially in China, South Africa and Australia.
- **World fruit supply** is forecast to increase driven by rising global demand incentivising higher production volumes from major exporters. Favourable growing conditions are expected to support higher yields in the US and China offsetting expected poorer yields out of the European Union and South America.

World demand in high value markets continue to rise

World demand for horticultural commodities is forecast to increase in 2024–25. Population growth and rising incomes in emerging markets continue to drive growth in demand for high quality produce:

- **World tree nut demand** – such as almonds and macadamias – is expected to increase, fuelled by a growing health-conscious consumer base. Demand from India, the world's largest export market for almonds, is expected to remain strong, with rising per capita incomes.
- **World fruit demand** is expected to rise, driven by demand for high-quality premium fruit in markets such as Japan, China and Korea. India's demand for fresh fruit continues to increase, driven by population growth and an expanding middle class.

Opportunities and challenges

Improved market access key to export growth

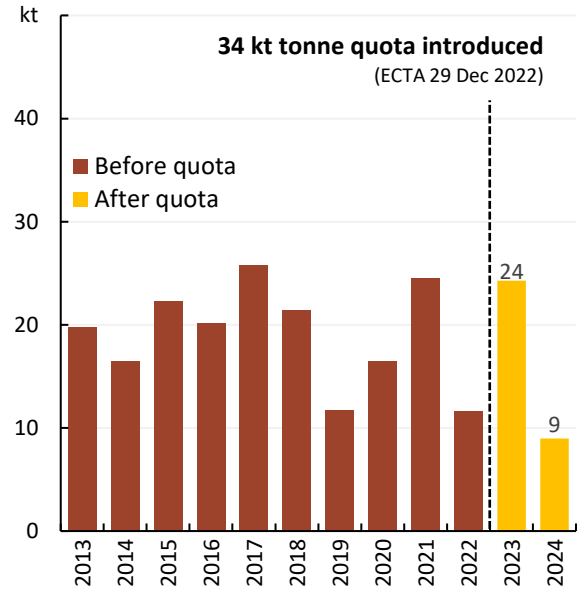
Australian horticultural exports are expected to increase significantly over the next decade, driven by higher production, particularly for almonds and citrus fruits. Expanding Australia's export destinations and improving market access in emerging markets will be critical to supporting value growth. The Australia-India Economic Cooperation and Trade Agreement (ECTA) has created new export opportunities for Australian horticulture. Entered into force on 29 December 2022, ECTA provided an immediate 50% tariff reduction within an annual quota of 34 thousand tonnes for almonds and 13,700 tonnes for oranges and mandarins per calendar year as well as the phased elimination of tariffs for a number of other horticultural commodities.

Although welcome news for Australian exporters, the outcomes under ECTA have not yet resulted in a significant increase in volumes of almonds, oranges or mandarins exported to India. In the five years prior to the quota being introduced, almond exports to India averaged 19% of Australia's total almond exports. In 2023, the first full year since the quota was introduced, Australia underutilised the quota, exporting 24,000 tonnes of almonds to India (accounting again for 19% of total exports) (Figure 8.5). Trade data indicates a similar trend for oranges and mandarins (Figure 8.6).

With a large population, emerging middle class and rising disposable incomes, India presents a significant opportunity for Australian horticulture exporters over the long term. For example, India's almond imports more than doubled, and orange imports more than tripled over the last ten years. As a southern hemisphere producer, Australia can support India's growing demand for high quality produce by providing counter seasonal supply. The challenge is increasing demand for Australian produce in a market with significant competition from other major exporters such as Egypt and South Africa (oranges) and the United States (almonds). Ongoing negotiations for a broader

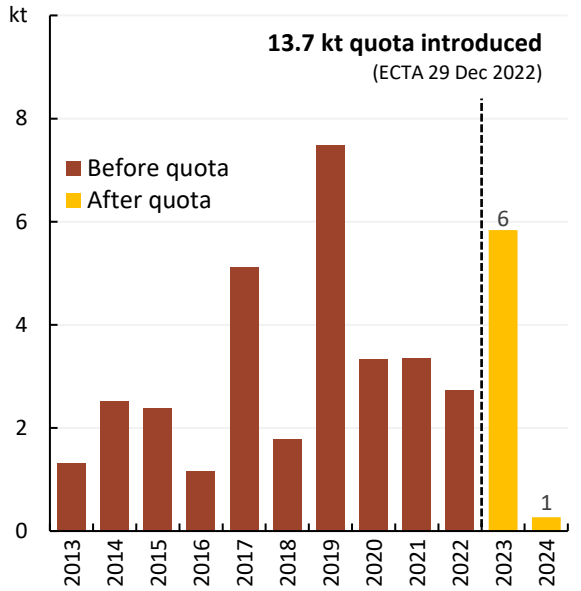
Comprehensive Economic Cooperation Agreement (CECA) may provide further opportunities for Australian horticulture.

Figure 8.5 Volume of Australian almond exports to India



Note: Almond exports refer to HS codes 0802.11.00 (Fresh or dried almonds, in shell) and 0802.12.00 (Fresh or dried almonds, shelled). Quota refers to 34,000 tonne quota (with 50% tariff reduction) agreed under Australian-India Economic Cooperation and Trade Agreement (ECTA). 2024 is year-to-date data to June.
Source: ABARES; ABS

Figure 8.6 Volume of Australian orange and mandarin exports to India



Note: Orange and mandarin exports refer to all exports under HS codes 0805.10 and 0805.20. Quota refers to 13,700 tonne quota (with 50% tariff reduction) agreed under Australian-India Economic Cooperation and Trade Agreement (ECTA). 2024 is year-to-date data to June.
Source: ABARES; ABS

Potential reforms to the Working Holiday Maker visa program

The Australian Government's Migration Strategy released on 11 December 2023 identifies areas for potential reform in the Working Holiday Maker program. Working Holiday Makers have accounted for a large share of the temporary workforce in the horticulture industry since 2005, critical for labour-intensive operations such as planting, harvest and packing. A number of reforms are currently under consideration to improve the working holiday maker scheme, including simplifying sponsorship requirements, improving consistency across different visa classes and updating occupation lists to better reflect regional requirements. The reforms aim to ensure migration supports development objectives in regional Australia, while protecting migrant workers.

Biosecurity threats an ongoing risk to horticulture production

Varroa mite is a parasite that affects bees, which are essential for the pollination of many horticultural crops. In June 2022, the Varroa mite (*Varroa destructor*) was detected in New South Wales, prompting the implementation of an eradication program. However, in February 2024, the National Management Group determined that eradicating Varroa mite from Australia was no longer feasible and shifted to a Management Plan. In August this year, Varroa mite was detected in Victoria, marking the first detection outside of New South Wales. Whilst management strategies, including increased surveillance and treatment of affected hives, are being enacted, this detection poses an ongoing risk to the pollination of various horticultural crops.

9 Beef and veal

Alistair Read

Key points

- Gross value of production to rise by 19% to $16.3 billion in 2024–25 driven by higher prices and production.
- Domestic production and export volumes to increase as the Australian cattle herd reaches production maturity.
- Global beef demand to rise driven by the United States, leading to higher beef export prices.
- Global beef supply to fall with lower production in the United States and Brazil.

Value of production to rise due to higher prices

The **gross value of beef, veal and live cattle production** is forecast to rise to a record $16.3 billion in 2024–25, up by 19% from an estimated $13.7 billion in 2023–24 (Figure 9.1). This represents the largest percentage increase in production value in a decade. Rising production values reflect higher cattle saleyard prices and a small increase in beef production. Saleyard prices are forecast to rise as processor demand rises by more than supply. Rising production volumes are driven by increased slaughter volumes as young cattle from recent herd rebuilding reach production maturity.

The gross value of beef, veal and live cattle production in 2024–25 is forecast to be $1.7 billion higher than expected in the *June 2024 Agricultural Commodities Report*. This reflects an upwards adjustment to average saleyard prices for cattle reflecting recent price data.

Value of exports to rise with increased export volumes

The value of **beef, veal and live cattle exports** are forecast to increase to a record $14.0 billion in 2024–25, up by 6% from an estimated $13.3 billion in 2023–24 (Figure 9.2). Higher export values reflect:

- **Live cattle export values** are forecast to rise by 25% to $1.1 billion in in 2024–25. This increase reflects higher export volumes and prices for both live feeder/slaughter and breeder cattle exports.
- **Beef and veal export values** are expected to rise by 4% to $12.9 billion in 2024–25. Rising world beef demand – driven by the United States – and higher Australian beef production expected to increase export volumes in 2024–25.

The forecast value of beef, veal and live cattle exports for 2024–25 is forecast to be $0.7 billion higher than expected in the *June 2024 Agricultural Commodities Report*. This reflects an upwards adjustment to both beef export prices and volumes.

Figure 9.1 Gross value of annual beef, veal and live cattle production

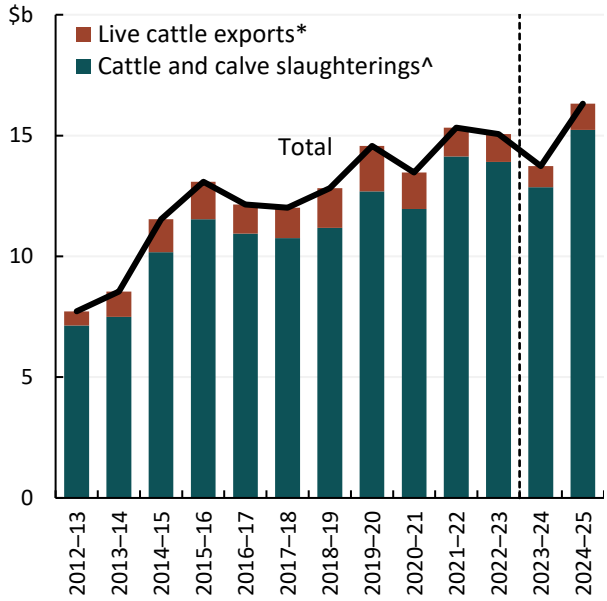
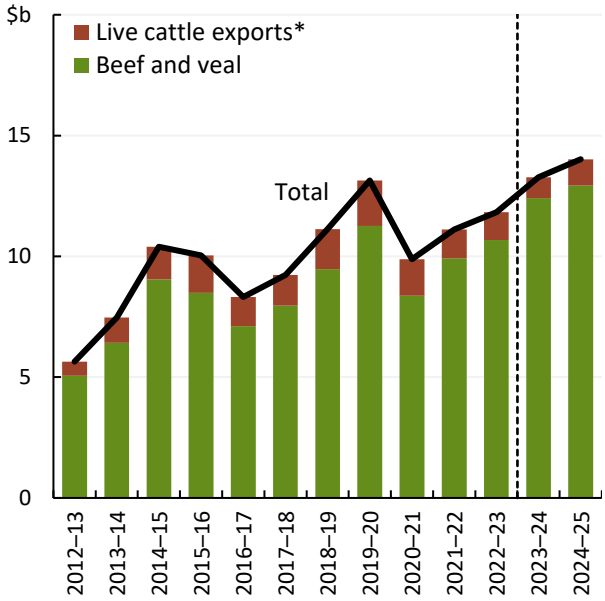


Figure 9.2 Value of annual beef, veal and live cattle exports



Note: Data to the right of dotted line indicate estimates, forecasts, and projections. *Includes all cattle for feeder/slaughter. ^Includes dairy cattle but excludes skin and hide values.
Source: ABARES; ABS

Cattle prices to rise with increased saleyard demand

Higher prices driven by stronger demand from processors

Average cattle saleyard prices are forecast to rise by 29% to 602 cents per kilogram (carcase weight) in 2024–25, from 466 cents per kilogram in 2023–24 (Figure 9.4). The forecast recovery in saleyard prices reflects saleyard demand for cattle rising by more than the increase in turnoff and supply of cattle to saleyards. Elevated beef export prices – driven by near peak US beef import demand as continued US herd destocking leads to a decline in US beef production – are expected to increase domestic processor demand and drive-up local saleyard prices. Restocker demand is also expected to rise in 2024–25 – but remain relatively subdued – with improved seasonal conditions and pasture availability.

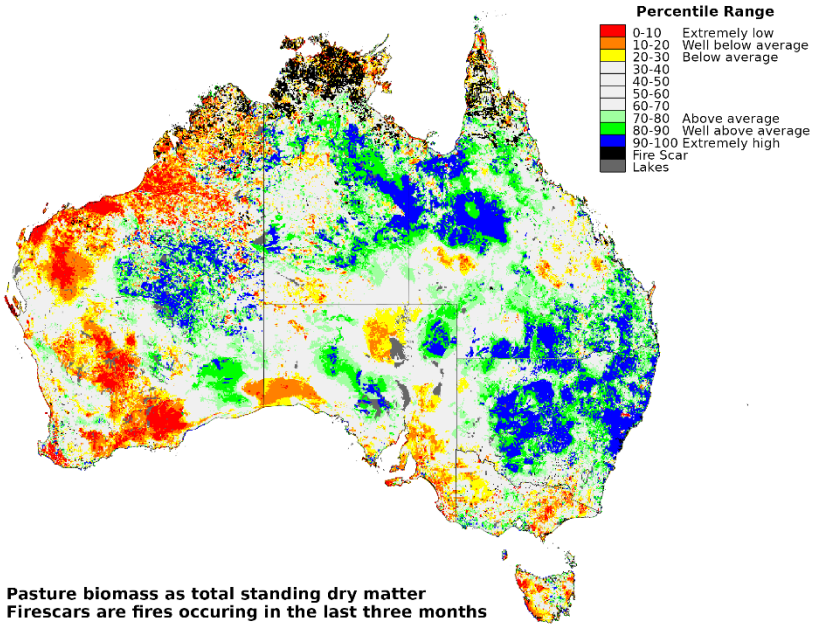
Despite this strong rise, average cattle saleyard prices are expected to be 5% below the 10-year average to 2023–24 in real terms. Expected prices in 2024–25 are rising from a low level as the fiscal year average price in 2023–24 includes the low prices in late 2023 (see *Livestock Prices*). Below-average prices expected in 2024–25 reflect the relatively high availability of cattle for slaughter; this will likely limit buyer competition and weigh on saleyard prices for processor-ready cattle.

The Bureau of Meteorology declared the end of El Niño in mid-April, announcing that the El Niño–Southern Oscillation (ENSO) has shifted into a neutral phase. In 2024–25, climatic and production conditions for livestock are assumed to improve relative to 2023–24 to be above the historical average across much of Australia (see *Seasonal Conditions*).

Despite expectations that Australia's cattle herd will fall over 2024–25, herd numbers are expected to remain near the five-year average, reflecting above average pasture availability across northern and most of eastern Australia and below-average saleyard prices (Figure 9.3). However, despite recent

rainfall, large parts of Western Australia and South Australia are seeing very low pasture availability. Elevated supplementary feed costs are also expected to drive higher turn-off in Western Australia.

Figure 9.3 Pasture biomass percentile at 31 July 2024



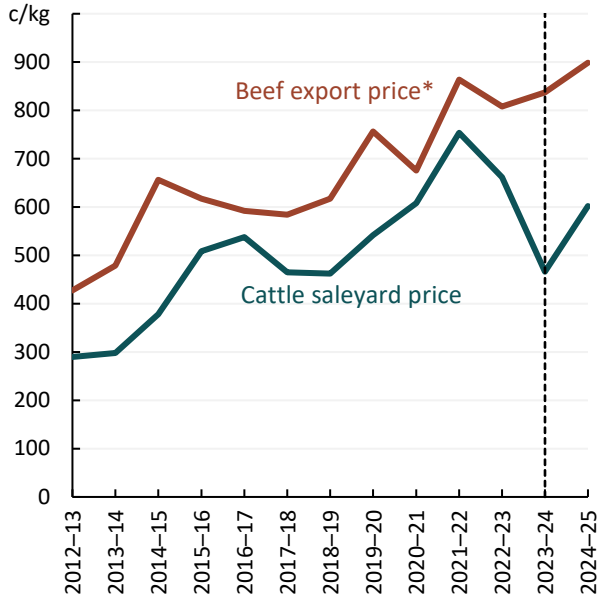
Source: AussieGRASS

Rising beef export prices driven by increased demand from the United States

Australian beef export prices are forecast to rise, driven by strong demand from the United States (Figure 9.4) and falling world supply. Declining US production, preferential market access for Australian beef, and a relatively weak Australian dollar are expected to support strong US demand for Australian beef exports throughout 2024–25 (Box 9.2).

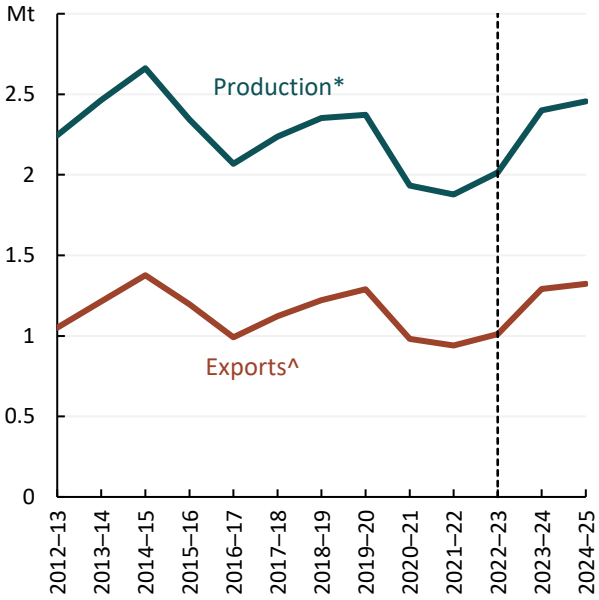
The difference between beef export prices and Australian saleyard prices for cattle is expected to close slightly but remain elevated in 2024–25. This gap between export prices and domestic prices is expected to support strong profitability for export-orientated processors and strong processor demand in saleyards. However, improved domestic saleyard demand is expected to increase domestic saleyard prices, partially closing the gap to export prices. Australian lean ground beef export prices to the United States (measured by the US90CL in Figure 9.4) are expected to remain particularly strong due to declining US production of lean trimmings and strong demand. However, prices for exports of alternative cuts of Australian beef to other markets are expected to rise by less.

Figure 9.4 Average annual cattle saleyard price and beef export price



Note: Data to the right of dotted line indicates forecasts. Australian livestock saleyard prices are measured in carcase weight. *US 90CL CIF price used as the Australian beef export price, converted into Australian cents per kilogram.
Source: ABARES; MLA

Figure 9.5 Annual Australian meat production and export volumes



Note: Data to the right of the dotted line indicate estimates and forecasts. *carcase weight. ^shipped weight.
Source: ABARES; ABS

Australian production and exports to rise

Beef and veal production and exports to rise with increased slaughter

Australian **beef and veal production volumes** are forecast to rise by 2% to 2.5 million tonnes (carcase weight) in 2024–25 reflecting higher slaughter volumes (Figure 9.5). Despite improved seasonal conditions relative to 2023–24, cattle turn-off and slaughter are expected to rise. **The Australian cattle herd** is forecast to decline by 4% to 28.7 million head in 2024–25, which is around the average size over the five years to 2022–23 (Box 9.1). Significant rebuilding activity in the beef herd from 2020–21 to 2022–23 resulted in a younger beef herd. As these animals are now reaching production maturity, turn-off of cattle for slaughter is expected to increase. Increased domestic beef production is expected to lead to a 3% increase in **Australian beef and veal export volumes** in 2024–25 (Figure 9.5).

Slaughter capacity is expected to continue rising throughout 2024–25 as recent investments in expanding processing capacity become operational. However, slaughter volumes are expected to rise at a slower rate than in 2023–24. Elevated export prices are expected to incentivise processors to expand slaughter capacity, especially in early 2025 with the expected peak in US import demand. Although sourcing labour remains a challenge in the processing sector, labour supply is not expected to substantially constrain growth in processing capacity during 2024–25.

Box 9.1 ABARES historical cattle herd numbers revised higher due to change in scope

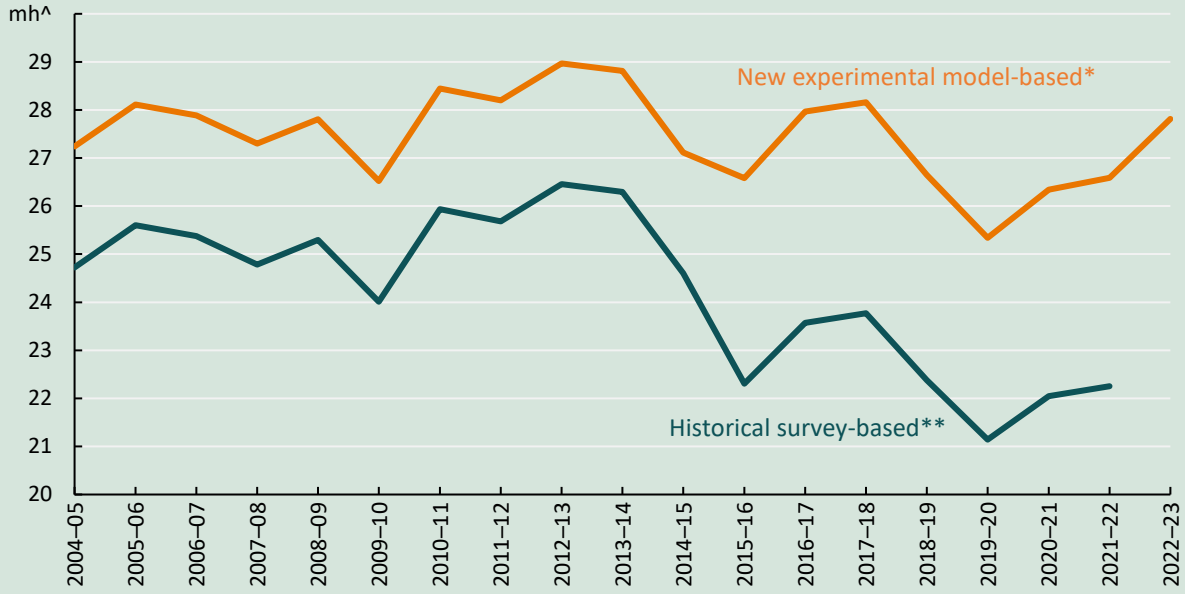
On 14 June 2024 the ABS released Australian Agriculture: Livestock, a new publication that marks the first release of agricultural statistics using new methods and data sources. This release included a new experimental estimate of the number of cattle in Australia that provides a more complete estimate of total cattle in Australia compared with past survey estimates which did not include cattle on smaller farms.

The change in scope has driven a substantial increase in the number of beef cattle in Australia (Figure 9.6). For example, the beef cattle herd new experimental model-based scope is 4.3 million head larger at 30 June 2019 than the historical survey-based scope.

The specific differences between the historical survey-based scope and the new experimental model-based scope are that the historical survey-based scope only included cattle on farms with an estimated value of agricultural operations (EVAO) above $40,000 and did not include cattle on feed. The experimental model-based scope includes cattle on all commercial beef farms and includes cattle on feed.

These experimental herd estimates are created using a beef cattle herd model that takes the closing stock from a previous period, adds population inflows (using non-ABS data to estimate new calves), subtracts population exits (ABS data) and arrives at a closing stock in the current period. More detailed information on this model can be found on the ABS's methodology webpage.

Figure 9.6 Annual estimated beef cattle herd size using different ABS methodologies



Note: ^Million head. *Theis data is experimental and should be used with caution. The ABS anticipates releasing an updated version of these estimates, following additional research and development, which may include revisions back to 2004–05. **Estimates for cattle on establishments with estimated value of agricultural operations (EVAO) of $5,000 or more from 2004–05 to 2014–15; and EVAO of $40,000 from 2015–16.
Source: ABS

Live export volumes to rise with higher turn-off

Live cattle export volumes are forecast to rise by 15% to 764 thousand head in 2024–25, driven by live feeder/slaughter cattle:

- **Live feeder/slaughter cattle** exports are forecast to increase by 15% to 703 thousand head in 2024–25. Export prices for live feeder/slaughter cattle are expected to remain relatively low compared to recent years, supporting demand from Indonesian buyers and increased export volumes.
- **Live breeder cattle** export volumes are expected to rise by 10% to 61 thousand head in 2024–25. Despite rising, live dairy breeder export volumes to China are forecast to remain subdued, reflecting the strong growth in Chinese milk supply over recent years and relatively low Chinese milk prices.

Higher world demand driven by the United States

World beef demand is expected to rise in 2024–25, leading to higher world beef prices as world supply is expected to fall. Higher expected world beef demand reflects rising demand from the United States:

- **United States** demand for beef imports is expected to rise significantly in 2024–25 as US beef production falls (Box 9.2). This is expected to be partially offset by weaker consumer demand in the US with elevated beef prices and slower economic growth. US demand for Australian beef exports will be further supported by Australia's preferred access status which increases the competitiveness of Australian exports in the US market.
- **Japan's** demand for Australian beef exports is expected to improve in 2024–25. Low US beef export availability is expected to support improved Japanese demand for Australian beef exports (the US was the largest beef exporter to Japan in 2023). However, this is expected to be somewhat offset by relatively high import prices and a continued draw-down of Japanese beef inventories. High import prices reflect a weak Japanese yen and relatively elevated world beef prices as US beef export volumes fall.
- **The Republic of Korea's** demand for Australian beef is expected to rise in 2024–25 as falling US export volumes are expected to support demand for relatively cheaper Australian beef exports. This is expected to be partially offset by increased beef production in the Republic of Korea and subdued economic growth.
- **China's** demand for beef imports in 2024–25 is expected to improve slightly. On 30 May China's suspension on exports from five meat processing establishments was lifted with immediate effect, although suspensions remain on another two facilities. This is expected to provide some support to China's imports of Australian beef and veal products in 2024–25. However, this is likely to be somewhat offset by weak Chinese consumer demand and increased availability of other protein sources such as pork are expected to weigh on import demand for Australian beef.
    - **Brazil, Argentina and Uruguay** are expected to remain major Chinese import sources reflecting competitive pricing, limited access for Brazilian beef exports to the US, and elevated beef production. Together, these countries accounted for around 75% of beef imports to China in 2023. Brazilian beef exports have limited market access into the US market and face a 26.4% tariff on their imports for most of the year. As a result, Brazilian beef exporters typically focus

on servicing the Chinese market where they are more competitive. The value of beef exports to China and Hong Kong accounted for around two-thirds of Brazil's total beef export value in 2022–23.

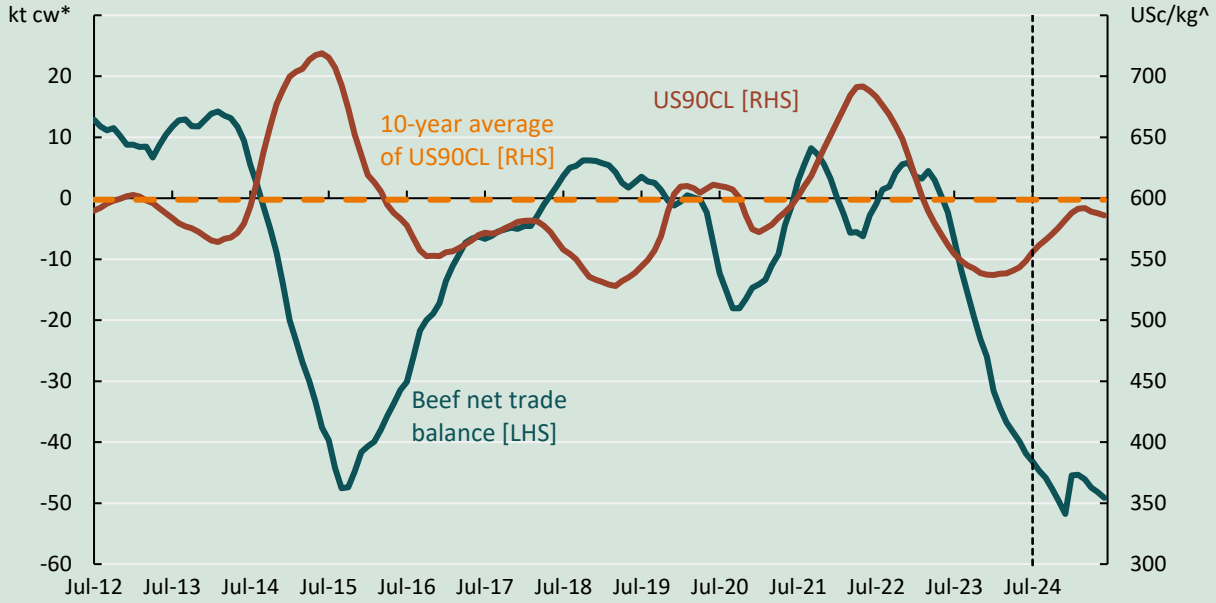
- **Australian beef products** remain a relatively premium product compared to South American products. Chinese demand for Australian exports may be relatively more affected by continued weak Chinese consumer demand than cheaper beef exports from other countries.

Box 9.2 US beef import demand to remain strong, but elevated South American supply is weighing on prices

The United States has been a net importer of beef since January 2023 due to falling domestic production. The US beef herd remains firmly in a destocking phase due to dry seasonal conditions; the US cattle herd is currently at its lowest inventory level since 1951 and is forecast to continue declining. US beef production has begun falling which has supported strong growth in US demand for beef imports, with total import volumes growing by 20% in 2023–24. Australian beef export volumes to the US also grew significantly, up by 97% in 2023–24. USDA forecasts indicate that US beef import demand is expected to remain strong throughout 2024–25 as net US beef trade is expected to be at its largest deficit since 2008 (Figure 9.7).

Over the last decade, a strong relationship has existed between the US beef net trade balance and the Australian US90CL price (a US import price for Australian lean beef trimmings); when the United States shifts towards net beef imports, US import prices for Australian beef typically rise (Figure 9.7).

Figure 9.7 United States beef net trade balance and real US import price for Australian lean beef trimmings



Note: Data to the right of dotted line indicates forecasts. *carcase weight. ^2023–24 US dollars. Data shown is the 12-month rolling average for both series. US90CL forecasts derived from ABARES fiscal year forecast. Beef net trade balance calculated as exports minus imports, forecasts are derived from the calendar year forecasts published in the August 2024 USDA World Agricultural Supply and Demand Estimates (WASDE) report.
Source: ABARES; USDA

However, despite a rapid increase in US beef import demand during 2023–24, the US90CL price has remained below the 10-year average (around 600 USc/kg) in real US dollar terms. The subdued response of import prices reflects a large volume of beef exports from South America to the United States despite most of these exports facing an out-of-quota tariff of 26.4%. US beef imports from South America grew by 21% in 2023–24 despite no change in quota restrictions. This was driven by increased exports from Brazil (up by 11%), Uruguay (up by 44%) and Argentina (up by 23%). In Brazil, weak Chinese demand, relatively low Brazilian cattle prices, a strong US

dollar, and higher prices paid in the US have driven strong export volumes to the US despite Brazilian exports facing a significant tariff.

World supply to fall

World beef supply in 2024–25 is forecast to fall. Expected higher world demand, and lower supply, are forecast to increase world beef prices. Lower world beef supply reflects expected lower beef production in the United States and Brazil more than offsetting higher production in Australia:

- **United States** beef production and exports are expected to fall as the US beef herd remains firmly in a destocking phase. This is forecast to constrain US beef production and export volumes throughout 2024–25.
    - Lower US beef production and exports are being driven by the continued contraction of the cattle herd. The US cattle herd entered 2024 at its lowest inventory level since 1951 and is forecast to continue declining throughout 2024 and early 2025.
    - US beef producers still face elevated interest rates and input costs. High cattle prices have incentivised some producers to continue selling cattle, despite improved feed availability allowing for herd rebuilding, to manage cash flow and interest payments. This has helped to keep cattle slaughter higher than expected and prolonged herd destocking.
- **Brazil's** beef exports are forecast to fall slightly in 2024–25 as herd destocking slows, and the herd enters a restocking phase. Drought conditions in many beef producing regions have increased cattle turn-off, driving record beef production in 2023. However, destocking activity is expected to slow throughout the year, stabilising beef production and export volumes in late 2024. Restocking activity is expected to begin in the first half of 2025. Uncertainty regarding rainfall in Brazilian cattle regions represents a downside risk to the supply outlook: high rainfall, if realised, could promote a faster than expected onset of restocking activity, increasing cattle retention and reducing both beef production and export volumes.
    - A proposed tax reform could also reduce the export availability of Brazilian beef. The Government and National Congress are currently discussing whether to include meat products, including beef, in the basic food basket. If included, domestic beef sales would be granted a tax exemption. This would be expected to increase the affordability and domestic demand for beef in Brazil and reduce the availability of Brazilian beef for export, particularly in 2025.
    - The Brazilian government self-declared the entire country as free from Foot-and-Mouth Disease (FMD) without vaccination on 2 May 2024. The Brazilian government indicated that they will be making an application to the World Organisation for Animal Health (WOAH) for recognition of the new status in August 2024 with the aim of achieving formal WOAH recognition in May 2025. If Brazil is formally recognised as FMD-free, this would likely increase demand for Brazilian exports in key global markets.
- **Argentina's** beef export volumes are expected to remain steady in 2024–25. Improving weather conditions are forecast to see a fall in production in favour of restocking, but this is expected to be offset by lower domestic demand which increases the availability of beef for export. Argentina's domestic beef demand is expecting to fall, reflecting uncompetitive domestic retail prices and the removal of export controls, which will increase the availability of beef for export.

- The removal of export controls on 1 January 2024 caused Argentina's monthly beef export volumes to rise to the highest levels in 57 years despite domestic production remaining relatively stable.
- China is expected to remain the top destination for Argentinian beef exports, accounting for around 80% of Argentinian export volumes in 2023. However, export volumes to the United States are expected to rise with increased US demand.

Opportunities and challenges

Biosecurity remains a key risk for the livestock industry

Foot-and-Mouth Disease and lumpy skin disease have both been reported in Indonesia and other countries to Australia's north. If introduced to Australia, these diseases would reduce market access for Australia's exports and be extremely disruptive to Australia's cattle industry. The Australian Government is continuing to work with industry and the Indonesian Government to develop and strengthen prevention and preparedness measures. The incidence of FMD in Indonesia has stabilised, with case numbers now comparable to the 70 other countries where FMD is present.

Australian exports are well positioned to meet rising US beef demand

US demand for Australian beef is expected to increase over the outlook period driven by lower US beef production as the US beef herd enters its rebuilding phase (expected in 2025).

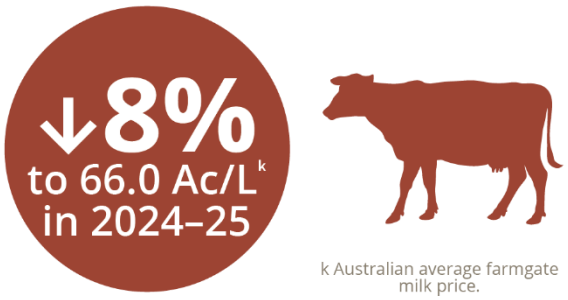
Australian beef exporters are well positioned to meet this expected rise in demand as Australia maintains preferred market access status with the United States. Only Canada and Mexico hold better access (no quota restrictions). In addition, beef production in Canada (the largest exporter of beef to the United States in 2023) is expected to fall, reflecting a long-term trend of falling beef cattle numbers. This will likely constrain Canada's ability to service rising US beef import demand.

As of 1 January 2024, beef tariffs on Australian exports to the US have been fully eliminated under the Australia-US Free Trade Agreement – conditional on the US price-based safeguard for beef not being triggered. This gives Australia a significant competitive advantage against other large beef exporting countries, particularly those in South America, who have smaller quotas and an out-of-quota tariff of 26.4%. For example:

- Brazil – which was the fifth largest exporter to the US in 2023 – is included in the 'Other Countries' annual quota of 65 thousand tonnes of beef. This quota was filled on 27 February 2024. As a result, Brazilian beef exports are subject to the out-of-quota tariff of 26.4% for the remainder of 2024, reducing the competitiveness of Brazil's beef exports in the US market. Despite facing this tariff, Brazilian beef export volumes have been unexpectedly high over recent months (Box 9.2).
- Uruguay – which was the sixth largest exporter to the US in 2023 – has an annual quota of 20 thousand tonnes of beef, of which 71% had been filled at 26 August 2024. Uruguay has met 95–100% of this quota over the last three years. However, the United States has imported large volumes of beef from Uruguay over recent months; if this trend continues Uruguay could fill its quota before the end of the year. If realised, this would likely increase US demand for Australian beef towards the end of 2024.

10 Dairy

Holly Beale



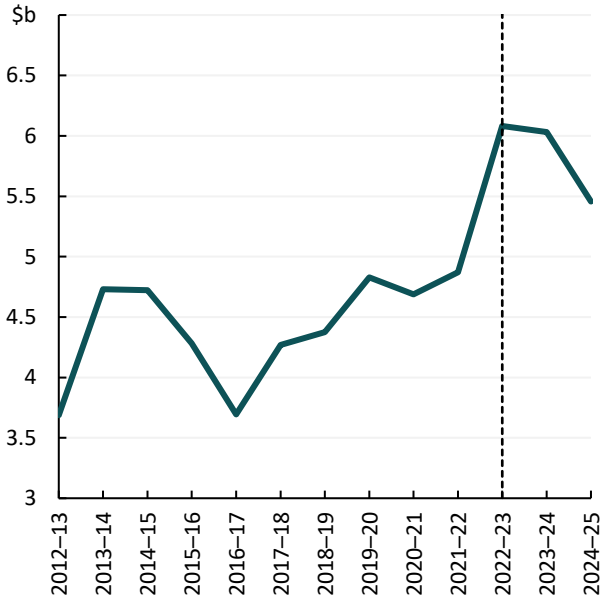
Key points

- Gross value of milk production to fall by 10% to $5.5 billion in 2024–25.
- Farmgate milk prices to fall, reflecting a lower incentive to secure supply. Global prices to rise as demand increases by more than supply.
- Domestic dairy production to fall by 1% to 8.3 billion litres in 2024–25.
- Value of dairy product exports to fall by 7% to $3.1 billion in 2024–25.

Gross value of production to fall

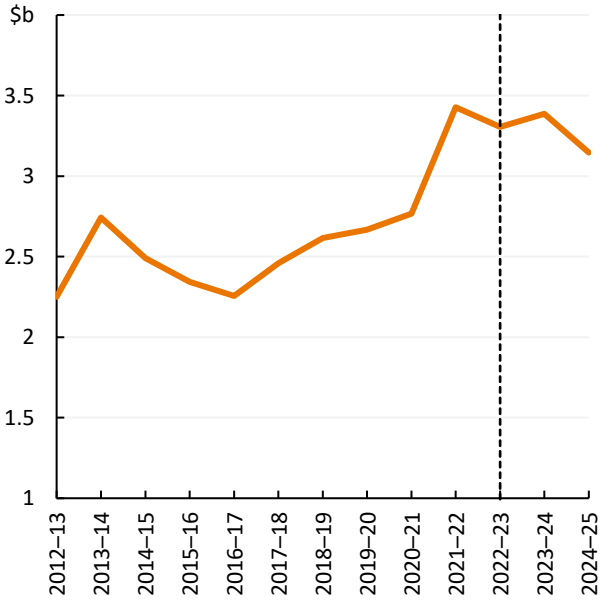
The gross value of milk production is forecast to fall by 10% to $5.5 billion in 2024–25 from an estimated value of $6.0 billion in 2023–24 driven by lower farmgate prices and production (Figure 10.1). **Farmgate milk prices** are expected to fall to 66.0 cents per litre in 2024–25, 8% lower than the estimated 72.0 cents per litre in 2023–24, driven by reduced processor demand. Farmgate milk prices in 2024–25 are expected to be around the 5-year average to 2022–23 in real terms.

Figure 10.1 Gross value of annual milk production



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Figure 10.2 Annual value of dairy exports



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Milk production is expected to fall by 1% to 8.3 billion litres in 2024–25 as a smaller cow herd outweighs higher average yields.

The forecast value of milk production in 2024–25 is broadly consistent with the *June 2024 Agricultural Commodities Report*.

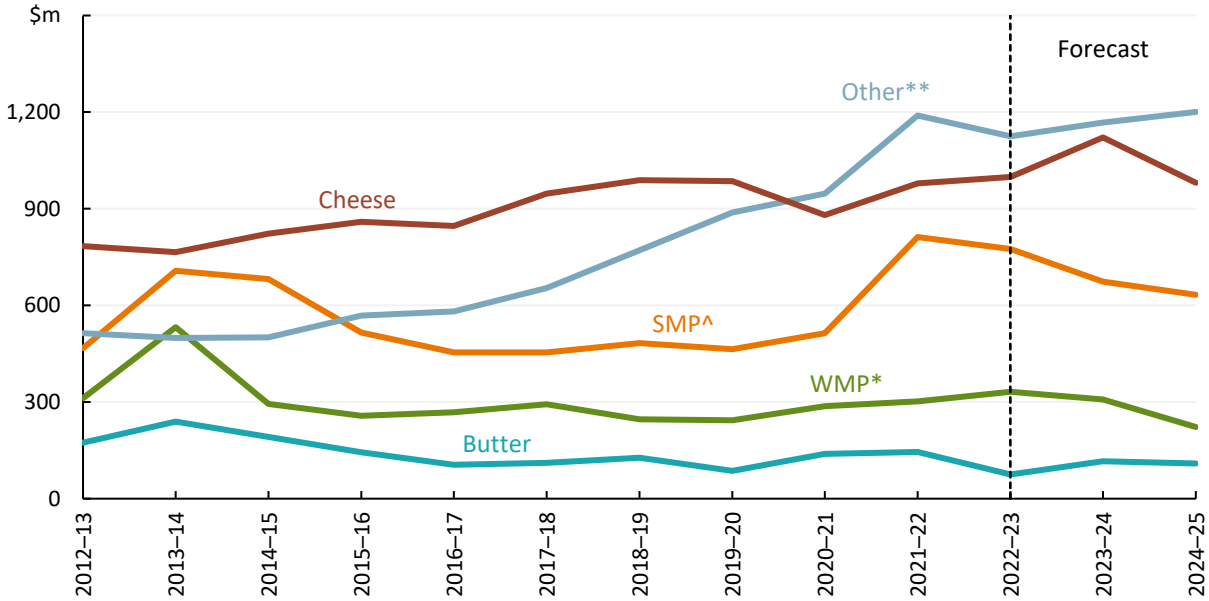
Value of dairy exports to fall with lower milk production

The value of dairy exports is forecast to fall by 7% to $3.1 billion in 2024–25 from $3.4 billion in 2023–24 (Figure 10.2). This reflects expected lower export volumes more than offsetting forecast increases in export prices for most dairy products (Figure 10.3):

- **Whole milk powder** to fall to $223 million (down by 28% from $308 million in 2023–24).
- **Cheese** to fall to $980 million (down by 12% from $1.1 billion in 2023–24).
- **Skim milk powder** to fall to $633 million (down by 6% from $674 million in 2023–24).
- **Butter** to fall to $109 million (down by 6% from $116 million in 2023–34).

The forecast value of dairy exports in 2024–25 is broadly consistent with the *June 2024 Agricultural Commodities Report*. An upwards revision to export volume has been offset by a downwards revision in expected export prices, both reflecting recent developments.

Figure 10.3 Annual value of Australian dairy product exports



Note: Data to the right of dotted line indicate estimates and forecasts. *Whole milk powder. ^Skim milk powder. **Other dairy includes all dairy products not elsewhere specified.
Source: ABARES; ABS

Farmgate prices to fall, but export prices forecast to rise

The Australian **farmgate milk price** is forecast to fall by 8% to 66.0 cents per litre (approximately $8.70 per kilogram of milk solids) in 2024–25 (Figure 10.4). Falling farmgate milk prices are being driven by declining competition between milk processors to secure supply. Larger than expected milk production in 2023–24 and declining milk processing capacity have both reduced processor demand to secure milk supply for 2024–25. The farmgate milk price has been revised down from 67.6 cents

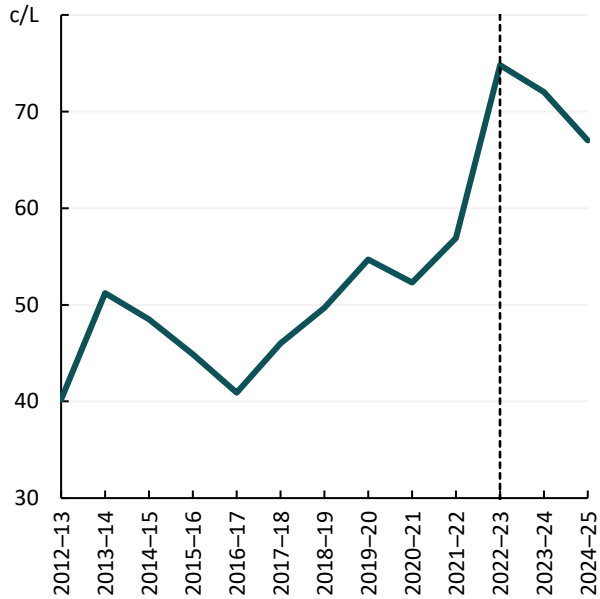
per litre in the *June 2024 Agricultural Commodities Report* following the announcement of opening farmgate milk prices throughout June and July 2024.

Despite falling, farmgate milk prices are forecast to remain consistent with the 5-year average to 2022–23 in real terms. Farmgate milk price step-ups are also expected to occur later in the season – volatile international prices are creating uncertainty that is likely to discourage price step-ups until processor conditions are more stable. The Australian price premium for all major dairy exports has diminished, Australian export prices are expected to continue aligning with world prices in 2024–25. This represents an improvement in the export availability of Australian dairy products relative to 2022–23 when the price premium on Australian export peaked.

Global export prices are expected to rise in 2024–25 as growing global demand – driven by improving consumption in China – outweighs relatively stable global supply (Figure 10.5). Growth in Chinese milk production is expected to slow in 2025 from recent highs but remain elevated. Per-capita consumption is expected to rise faster than Chinese milk production in 2024–25. This is expected to cause a drawdown of Chinese milk powder inventories and increase China's demand for dairy product imports in 2025 – from relatively low levels in 2023–24 – placing upwards pressure on world dairy prices:

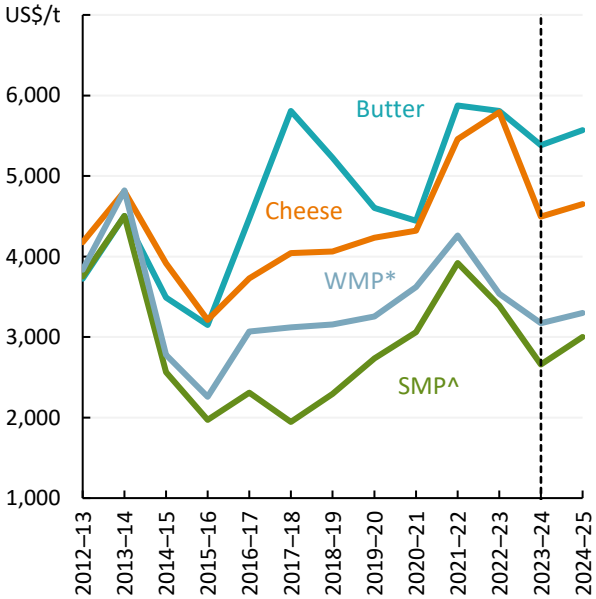
- **Cheese** prices are forecast to rise by 2% to US$4,567 per ton with rising global demand.
- **Butter** prices are forecast to rise by 5% to US$5,942 per ton, with a tight current global supply of cream supporting prices in 2023–24 expected to persist into early 2024–25.
- **Skim milk powder** prices are forecast to rise by 9% to US$2,917 per ton – as a butter co-product, production is expected to be constrained early in the 2024-25 before pressures ease.
- **Whole milk powder** prices are forecast to rise by 8% to US$3,450 per ton, supported by a drawdown of milk powder inventories from China.

Figure 10.4 Average annual Australian farmgate milk price



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; Dairy Australia

Figure 10.5 Average annual Australian dairy product export prices



Note: Data to the right of dotted line indicate estimates and forecasts. *Whole milk powder. ^Skim milk powder.
Source: ABARES; Dairy Australia

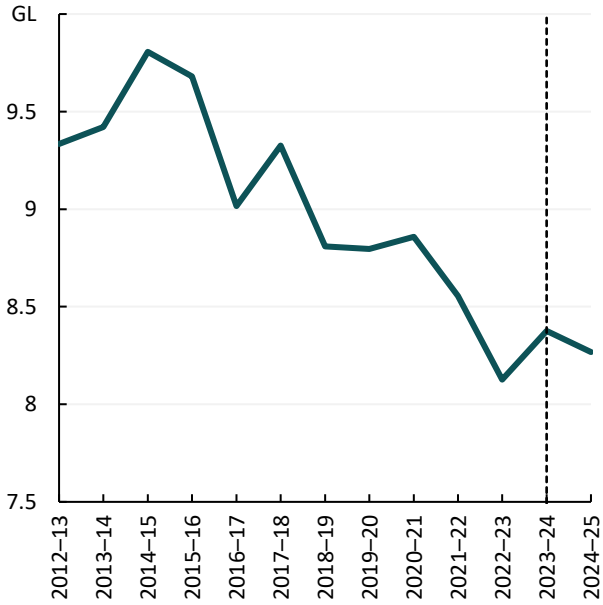
Lower milk production to reduce export volumes

Australian milk production is expected to decline by 1% to 8.3 billion litres in 2024–25 as lower cow numbers outweigh higher milk yields (Figure 10.6).

- **Dairy cow numbers** are forecast to fall 1.6%, driven by ongoing falls in the number of dairy farms in Australia.
  - Falling dairy farm numbers are driven by several factors including high land values which can incentivise sale and disincentivise potential new entrants.
  - Conversely, Chinese demand for live dairy breeder cows is expected to remain subdued relative to recent years, reflecting relatively high Chinese milk production growth over recent years and low milk prices. A high dairy herd in 2024 is expected to support high production, limiting live dairy breeder exports over 2024, partially offsetting the decline in cow numbers.
- **Milk yields** are forecast to rise by 0.3%. This reflects improved seasonal conditions and pasture availability in 2024–25 which is expected to reduce reliance on supplemental feed.

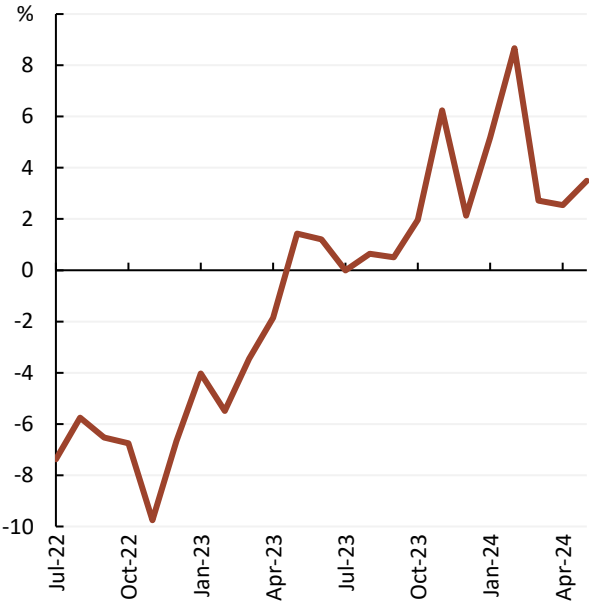
Growth in monthly milk production over 2023–24 has slowed since its peak in early 2024 but continues to perform stronger than 2022–23 (Figure 10.7). Overall, 2023–24 represents the strongest period of milk production growth since 2017–18.

Figure 10.6 Annual volume of Australian milk production



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; Dairy Australia

Figure 10.7 Year-ended change in monthly Australian milk production

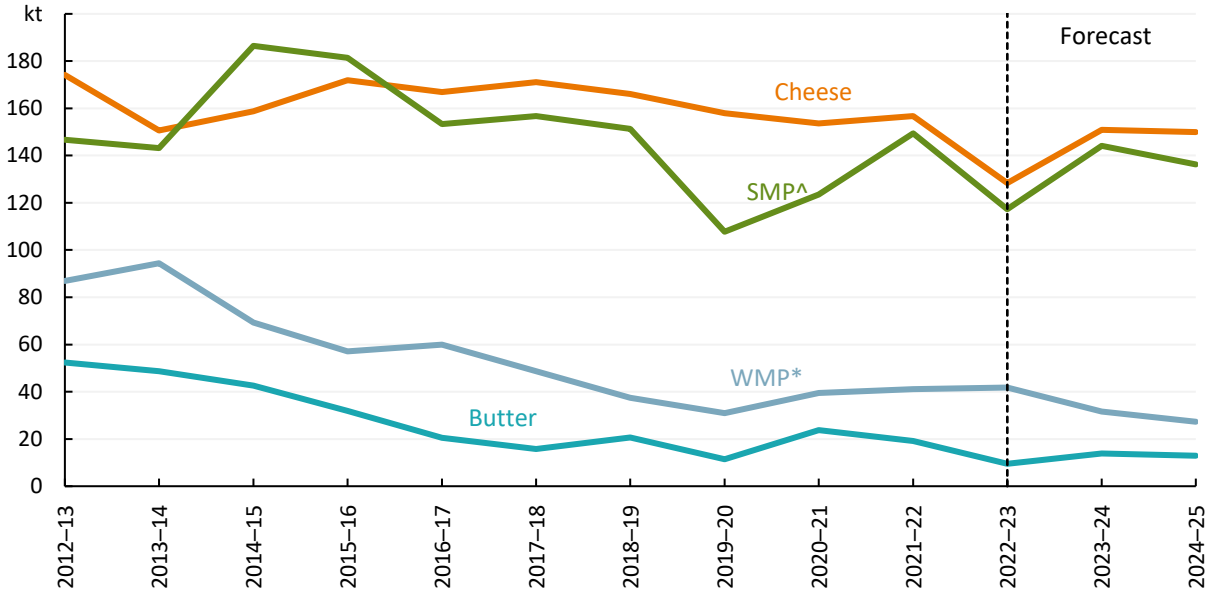


Source: Dairy Australia

Lower expected milk production is forecast to reduce **dairy product production** and **export volumes** in 2024–25 (Figure 10.6). The volume of dairy exports is forecast at 665 thousand tonnes in 2024–25, down by 2% from 680 thousand tonnes in 2023–24 (Figure 10.8):

- **Butter** production is forecast to fall by 7% to 63 thousand tonnes in 2024–25. Butter export volumes are expected to fall by around the same amount as production, despite elevated export prices.
- **Cheese** production is forecast to remain relatively stable at 400 thousand tonnes in 2024–25, supported by strong domestic consumption.
- **Skim milk powder** production is forecast to fall by 5% to 139 thousand tonnes in 2024–25. However, high export values for milk fats (co-products from the production of skim milk powder) are expected to provide some support for production and exports.
- **Whole milk powder** production is expected to fall by 10% to 26 thousand tonnes in 2024–25. Subdued demand from China, resulting from high domestic milk production in early 2024–25 is expected to reduce export incentives. However, an expected drawdown of milk powder inventories in the second half of 2024–25 is expected to support future whole milk powder exports.

Figure 10.8 Average annual Australian dairy product export volumes



Note: Data to the right of dotted line indicate estimates and forecasts. *Whole milk powder. ^Skim milk powder.
Source: ABARES; Dairy Australia

Chinese demand expected to improve from low levels

China's demand for dairy products is expected to rise in 2024–25, driving up world demand for dairy products. High Chinese production in 2024 is expected to keep import demand subdued, before demand rises in 2025 as milk production growth slows. Per-capita consumption and household spending are forecast to rise faster than Chinese milk production in 2025, increasing Chinese dairy import demand. Import demand for milk powders is also expected to be supported by a forecast reduction in domestic milk powder stockpiles:

- On 21 August 2024, the Chinese Government announced that it has initiated a countervailing duty (anti-subsidy) investigation on imports of certain dairy products originating from the European Union. The investigation is expected to take 12 months and be completed on 1 August 2025. It is

estimated that imports from the European Union account for around a third of all Chinese imports of the affected products. This investigation may see Chinese demand shift away from the European Union in 2024–25 and towards other dairy exporting countries such as Australia.

Increased demand for dairy products is also expected in other Asian economies, increasing demand for Australian dairy exports:

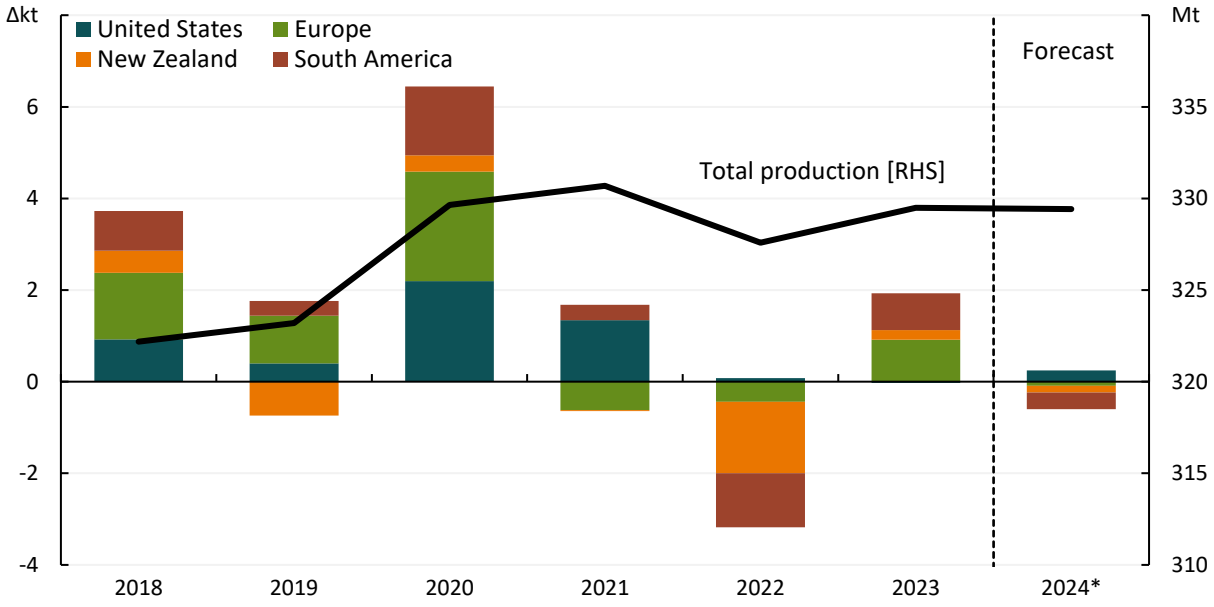
- **Indonesian** demand for dairy products is expected to recover from recent lows, with strengthening consumption, economic growth, and marginally lower inflation expected in the second half of the 2024–2025 financial year.
- **Japan's** economy is forecast to continue to grow in 2025 – this is expected to support domestic consumption of major imported commodities such as Australian cheese.

World milk production to remain stable

World milk production in 2024–25 is expected to remain stable relative to 2023–24. Increased milk production in New Zealand and the United States is forecast to offset falling production in the European Union:

- **New Zealand's** milk production is forecast to increase in 2024–25 as higher yields more than offset declining herd numbers. Milk production is expected to start rising year-on-year in the second half of 2024 as improved seasonal conditions support increased pasture and feed availability.
- **United States** milk production is forecast to increase in 2024–25, reflecting a forecast increase in cow numbers. Falling dairy cow slaughter from 2023 and lower feed prices are expected to support increased US milk production.

Figure 10.9 Change in annual milk production for major dairy exporting regions



Note: Calendar years. South America includes Argentina and Brazil. Europe includes the European Union and the United Kingdom. *Forecasts for milk production (both total and country level) are USDA forecasts.
Source: USDA

- Milk production in the **European Union** is forecast to decline marginally over 2024–25 reflecting lower dairy cow numbers. High input costs are expected to weigh on milk production into the second half of 2024.

- **Argentina's** milk production is likely to stay relatively low in 2024–25. Argentina's milk production fell in 2023–24 (Figure 10.9), with high domestic inflation pressuring input costs and reducing producer margins. These pressures are expected to remain in 2024–25 and weigh on dairy production.

Opportunities and challenges

Potential for increased demand for Australian dairy products

Expected lower Australian farmgate milk prices could help lift the export demand for Australian dairy products. High farmgate milk prices over recent years have contributed to reduced export demand and a higher reliance on import volumes. Falling farmgate milk prices may increase domestic and international demand for Australian dairy products.

Biosecurity remains a key challenge in dairy

Foot-and-mouth disease (FMD) and lumpy skin disease have both been reported in Indonesia and other countries to Australia's north. If introduced to Australia, these diseases would reduce market access for Australia’s exports and be extremely disruptive to Australia's dairy industry. The Australian Government is continuing to work with industry and the Indonesian Government to develop and strengthen prevention and preparedness measures. The incidence of FMD in Indonesia has stabilised, with case numbers now comparable to the 70 other countries where FMD is present.

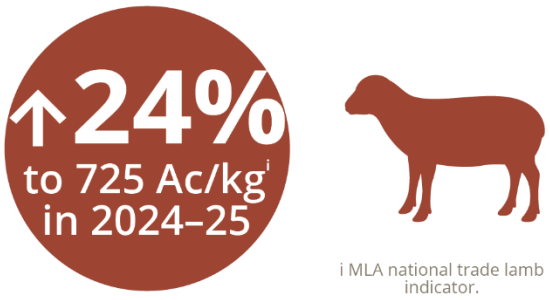
ACCC inquiry into supermarket prices could impact dairy supply chains

The Australian Government has directed the ACCC to conduct an inquiry into Australia’s supermarket sector, including the pricing practices of the supermarkets and the relationship between wholesale (including farmgate), and retail prices.

The year-long inquiry will also examine competition in the supermarket sector and how it has changed since the ACCC’s last inquiry in 2008. The ACCC has published an issues paper that outlines the topics the supermarkets inquiry will explore and is seeking views from industry participants involved in the grocery supply chain. An interim report was expected to be provided to the Australian Government on 31 August 2024, and the final report is due to be provided by 28 February 2025.

11 Sheep Meat

Gaby Coulthard



Key points

- Gross value of sheep meat and live sheep production to rise by 18% to $5.2 billion in 2024–25.
- Lamb and sheep saleyard prices to rise with improved saleyard demand.
- Value of sheep meat and live sheep exports to rise by 17% to $5.7 billion.
- Strong export demand supporting prices and lamb turn-off despite improved seasonal conditions.
- Rising world demand for sheep meat expected to outweigh higher world supply.

Value of production to rise due to higher prices

The **gross value of sheep meat and live sheep production** is expected to rise by 18% to $5.2 billion in 2024–25 (Figure 11.1). Rising production values reflect both higher lamb and sheep saleyard prices and higher sheep meat production. Saleyard prices are forecast to rise as demand from processors – driven by high world demand for sheep meat and elevated export prices – is expected to rise by more than supply. Production volumes are also forecast to rise despite improving seasonal conditions as strong export and processor demand drive up lamb turn-off.

Figure 11.1 Value of annual lamb, sheep and live sheep production

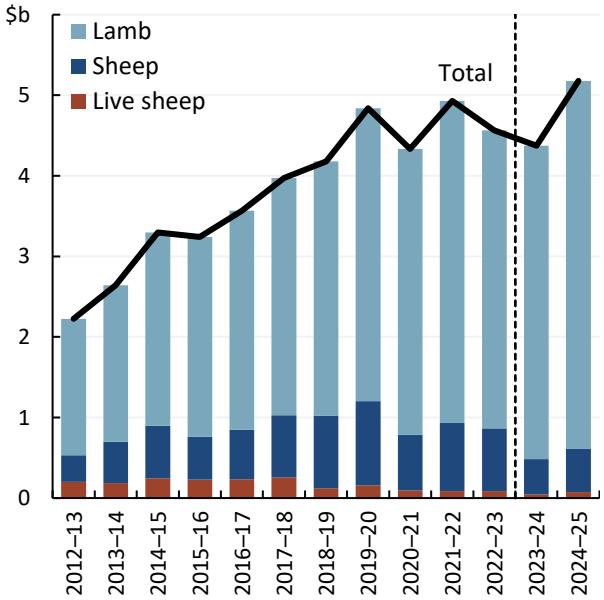
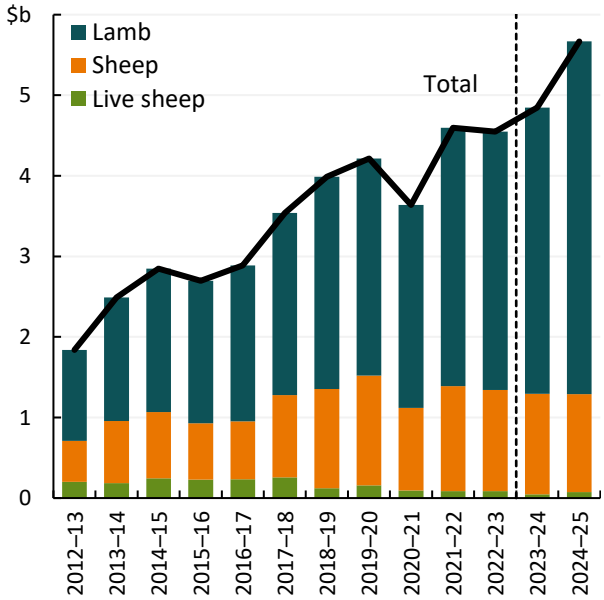


Figure 11.2 Value of annual sheep meat and live sheep exports



Note: Data to the right of dotted line indicates estimates and forecasts.
Source: ABARES; ABS

The value of sheep meat and live sheep production in 2024–25 is forecast to be $560 million higher than expected in the *June 2024 Agricultural Commodities Report*. This reflects an upwards adjustment to average saleyard prices for lamb and sheep reflecting recent data.

Value of exports to rise with increased export volumes

The **value of sheep meat and live sheep exports** is forecast to increase to $5.7 billion in 2024–25, up by 17% from an estimated $4.8 billion in 2023–24 (Figure 11.2). Rising export values reflect:

- **Sheep meat export values** are forecast to rise by 16% to $5.6 billion in 2024–25, driven by both rising export volumes and export prices. Export volumes are expected to rise with higher sheep meat production volumes and rising global demand for sheep meat.
- **Live sheep export values** are forecast to rise by 61% to $75 million in 2024–25 as both export volumes and live sheep export prices rise.

The value of sheep meat and live sheep export values is forecast to be $460 million higher than expected in the *June 2024 Agricultural Commodities Report*. This mostly reflects an upwards adjustment to lamb export prices and volumes for 2024–25.

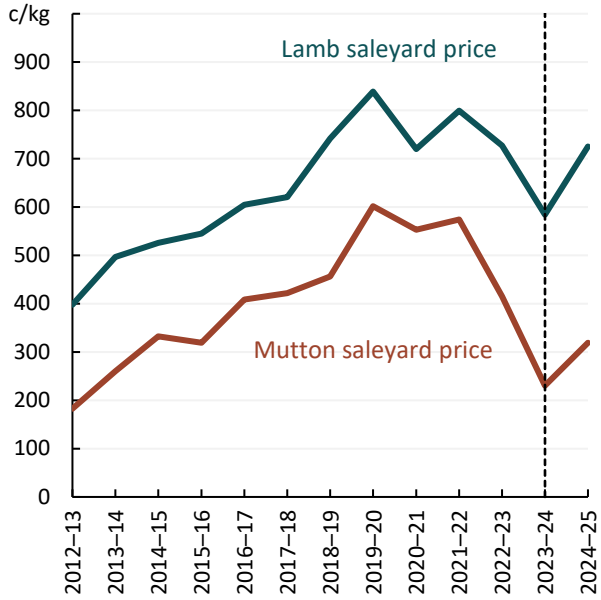
Lamb and mutton prices to rise with increased demand

Average lamb saleyard prices are forecast to rise by 24% in 2024–25 to 725 cents per kilogram (carcase weight), up from 584 cents per kilogram in 2023–24 (Figure 11.3). This reflects a recovery in saleyard demand compared to 2023–24. Together, high processing capacity and world demand for lamb are expected to increase competition between processors in saleyards, driving up prices for finished lambs. Despite this strong rise, average lamb saleyard prices are expected to be 12% below the 5-year average to 2023–24 in real terms.

Lamb saleyard prices increased sharply during the June quarter 2024 to around 762 cents per kilogram (up by 23%) due to a limited supply of lambs in saleyards. However, lamb saleyard prices are expected to fall over spring with the arrival of new-season lambs. Over the last three years the average lamb saleyard price has fluctuated against seasonal patterns but has recently returned to seasonal trends (Box 11.1).

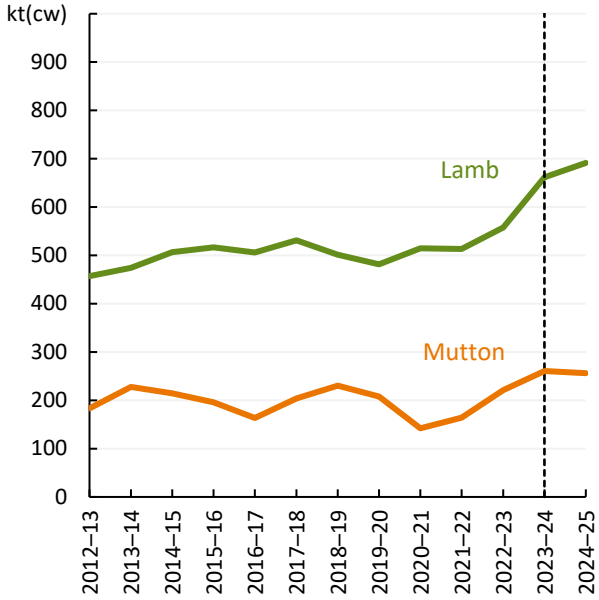
Average mutton saleyard prices are forecast to rise by 38% in 2024–25 to 319 cents per kilogram (carcase weight), up from 231 cents per kilogram in 2023–24 (Figure 11.3). The expected recovery in mutton saleyard prices reflects both a rise in saleyard demand – due to increased processor competition – and a fall in the supply of sheep to saleyards due to improved seasonal conditions. Despite rising, mutton prices are forecast to remain 41% below the 5-year average to 2023–24 in real terms as prices recover from the lows of 2023–24.

Figure 11.3 Average annual lamb and mutton saleyard price



Note: Data to the right of dotted line indicates forecasts.
Source: ABARES; MLA

Figure 11.4 Annual Australian sheep meat production



Note: Data to the right of the dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Box 11.1 Seasonal trends return in lamb saleyard prices

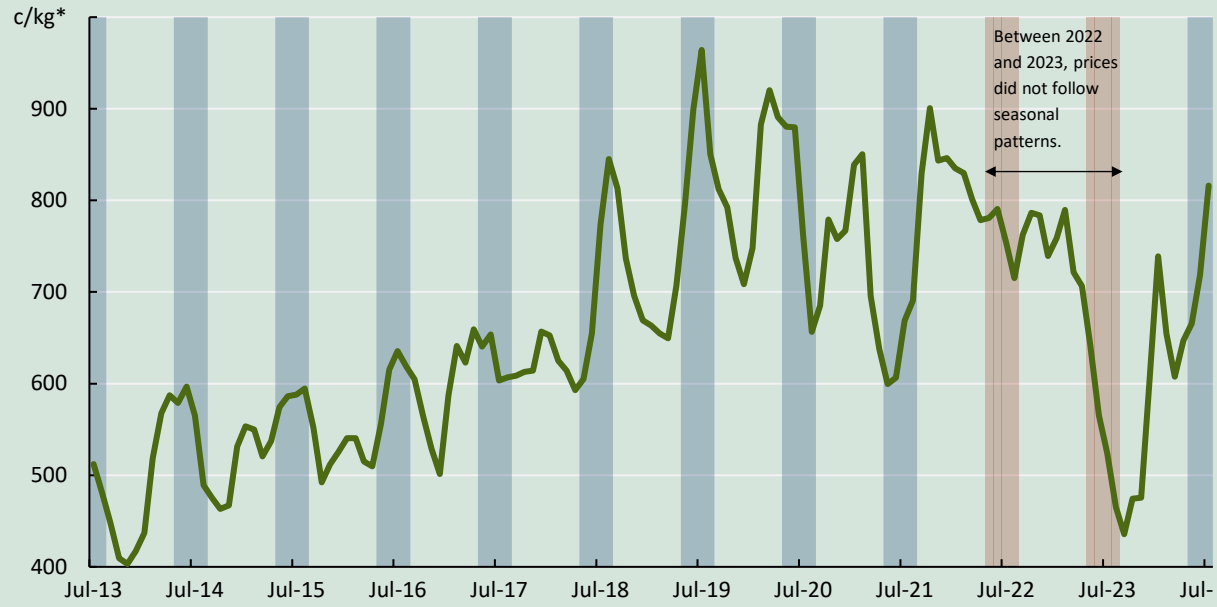
After two years of unusual price trends, lamb prices have returned to seasonal price trends. The trade lamb indicator price has been rising steadily since March (up by 23% over the June quarter), consistent with a diminishing seasonal supply of saleyard lambs.

Lamb prices usually follow a supply-driven seasonal price trend. At the beginning of the year, prices are typically low due to a high availability of lambs. Prices generally rise as the year progresses as the supply of finished lambs from the previous year decreases – prices typically peak in autumn/winter. Towards the end of July, the supply of new season lambs in saleyards increase, driving a fall in prices (Figure 11.5).

In 2022 and 2023, lamb prices drifted away from this seasonal trend as constrained demand from meat processors, and a rapid decline in restocker demand from producers led to a high supply of sheep in saleyards. These market conditions reflected the impacts of a peak in flock-size and shift towards destocking following three consecutive La Niña years and market uncertainty around the expectation of dry conditions.

In 2024, prices eased for the first few months due to increased supply of lambs from destocking – this runs counter to typical seasonal trends in which prices rise as numbers of finished lambs fall. However, prices have followed a more seasonal trend since March with the trend expected to continue for the rest of 2024.

Figure 11.5 National Trade Lamb Indicator



Note: Shaded areas represent months with lower supply leading up to the winter months (May to August). *carcase weight.
Source: ABARES; MLA

Australian production and export volumes to rise

Australian sheep meat production volumes are forecast to rise by 3% to 948 thousand tonnes (carcase weight) in 2024–25 reflecting higher slaughter volumes more than offsetting lower lamb and sheep weights:

- **Lamb production** is forecast to rise by 4% to a record high 691 thousand tonnes in 2024–25. The increased processing of lighter lambs that require less labour – as they can be exported in whole carcass form – has increased processing capacity for lamb production.
- **Mutton production** is forecast to fall by 2% to 256 thousand tonnes in 2024–25.

The **Australian sheep flock** is forecast to decline by 3% to 68.5 million head in 2024–25 due to fewer lambs being promoted to sheep and turn-off of older sheep falling but remaining at elevated levels. Despite an expected improvement in seasonal conditions in 2024–25 relative to 2023–24, the sheep flock is expected to decline. This reflects sustained saleyard demand from processors – due to elevated slaughter capacity and strong export returns – supporting saleyard prices and higher lamb turn-off.

Australian sheep meat export volumes are expected to rise by 3% to reach a record 650 thousand tonnes (shipped weight) in 2024–25, reflecting strong lamb production volumes. Demand from the Middle East for both lamb and mutton grew significantly in 2023–24 and is expected to persist in 2024–25 (see Box 11.2):

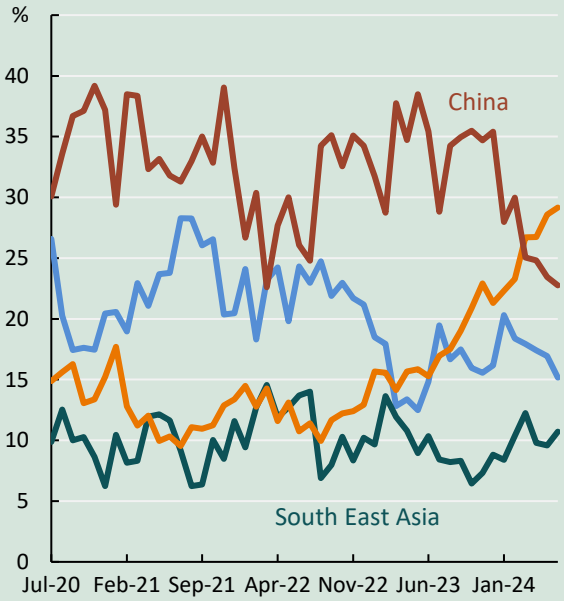
- **Lamb export volumes** are forecast to rise by 8% to 425 thousand tonnes in 2024–25 with high lamb production and lamb export demand from the United States and Middle East.
- **By contrast, mutton export volumes** are forecast to fall by 6% to 225 thousand tonnes in 2024–25 as falling demand from China more than offsets high demand for mutton from Saudi Arabia, Oman and Singapore.

Box 11.2 Middle East now Australia's biggest destination for sheep meat

Over the last 10 years, demand from the Middle East for sheep meat has grown rapidly and transformed the region into Australia's biggest destination for sheep meat exports. In April 2024, the Middle East and North Africa region (MENA) overtook China as Australia's largest export destination for sheep meat (Figure 11.6).

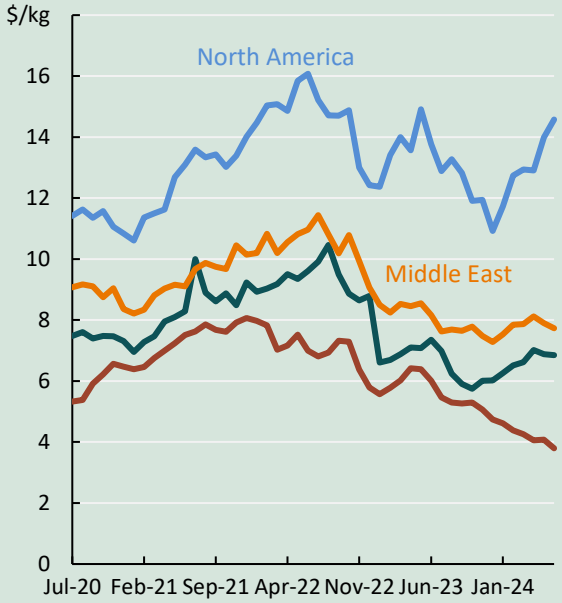
The Middle East has emerged as an important market for Australian sheep meat exports given relatively subdued demand for sheep meat from China. The Middle East region now accounts for 30% of total Australian sheep meat exports as of June 2024.

Figure 11.6 Proportion of volume of Australian sheep meat exports by region



Note: Region definitions used in line with the Standard Australian Classification of Countries (SACC), 2016.
Source: ABARES; ABS

Figure 11.7 Export unit value of Australian sheep meat exports by region

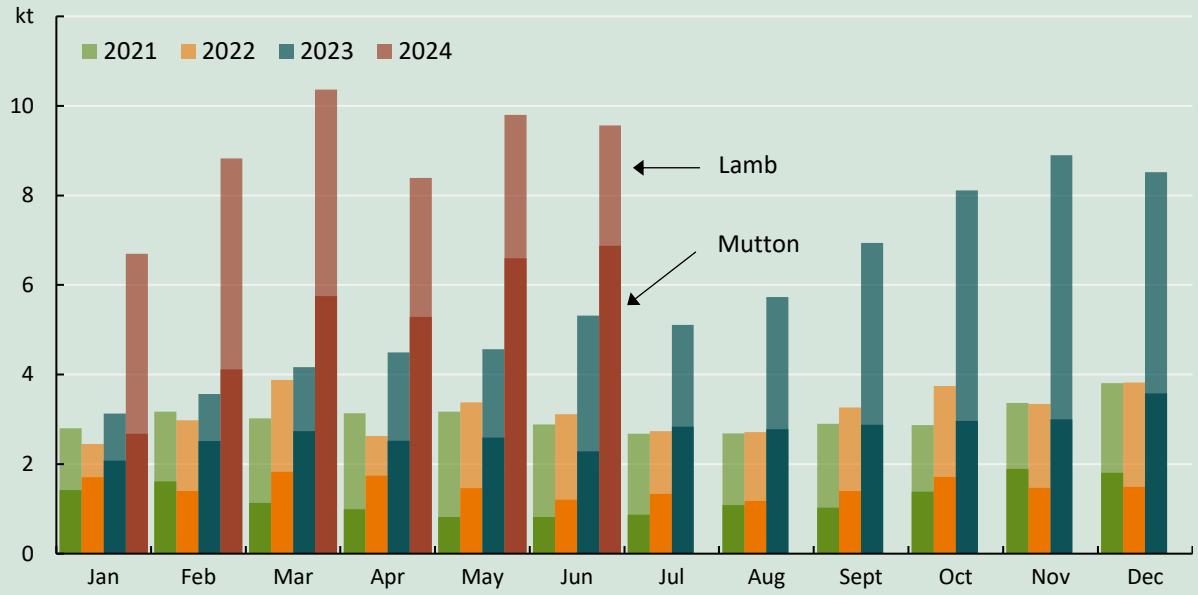


Note: Region definitions used in line with the Standard Australian Classification of Countries (SACC), 2016.
Export prices measured as the export unit value (export value divided by volume).
Source: ABARES; ABS

While the Middle East is now Australia's largest export destination for sheep meat by volume, North America remains the highest value region due to a higher proportion of lamb exports which are more expensive than mutton (Figure 11.7). The continued strength in the US dollar, as well as higher US prices, are also driving up Australian export prices which were at near-record levels as of June 2024.

The pace of growth of Middle Eastern demand for sheep meat has been very strong: sheep meat exports to the region more than tripled over the first half of 2024 compared to the same period last year, up by 213% (Figure 11.8). Rising Middle East demand for Australian sheep meat reflects higher disposable incomes and a growing tourism sector, particularly in the United Arab Emirates, Saudi Arabia and other Gulf countries. Over half of Australian sheep meat exports to the region are destined for the foodservices sector. Iran has also been a significant driver of the recent increase in demand for sheep meat from the Middle East.

Figure 11.8 Australian lamb and mutton export volumes to the Middle East



Note: Calendar years.
Source: ABS

Live sheep export volumes are forecast to rise by 28% to 650 thousand head in 2024–25 from 507 thousand head in 2023–24. This reflects seasonal conditions in Western Australia – where all Australian live sheep exports by sea occurred in 2023–24 – remaining relatively dry, reducing pasture availability and increasing sheep turn-off (For more information see *The export of live sheep by sea from Australia to end on 1 May 2028*).

Higher world demand driven by the United States and the Middle East

World sheep meat demand is forecast to rise in 2024–25 by more than supply leading to an increase in world sheep meat prices. Higher demand for both lamb and mutton is expected from the United States, the Middle East and other emerging markets. This is expected to more than outweigh a fall in demand from China as challenging macroeconomic conditions weigh on Chinese consumption.

- **United States** demand for sheep meat is forecast to rise in 2024–25. Tight US sheep meat production and continued strength in the US dollar is expected to support demand for Australian lamb exports and elevated sheep meat export prices (Figure 11.7). Australian lamb export volumes to the US increased by 23% in 2023–24 to 79 thousand tonnes. This is 27% above the 5-year average to 2022–23 and the highest volume on record.
- **Middle East** demand for sheep meat is forecast to rise in 2024–25 due to both rising incomes and an expanding tourism sector. Demand is expected to rise for both lamb and mutton particularly across countries in the Gulf due to the increase in demand for premium lamb cuts (see Box 11.2).
- **China's** demand for sheep meat is expected to remain subdued in 2024–25 as a challenging economic environment for Chinese consumers limits spending on food services. High pork production and increased availability of other meats within China's domestic markets also pose a downside risk to Australian exports of sheep meat.

Increased world supply driven by Australia

World sheep meat supply is forecast to rise in 2024–25 driven by higher Australian production. However, growth in world demand is expected to outpace the growth in supply, placing upward pressure on world sheep meat prices.

New Zealand sheep meat production is expected to fall in 2024–25, slightly offsetting the overall rise in world supply. This reflects the declining NZ sheep flock. The New Zealand Ministry for Primary Industries expects the sheep flock will continue to decline into the medium term to 2028 due to afforestation for carbon farming, high input costs and low crossbred wool prices. As a result, NZ sheep meat export volumes are forecast to fall, supporting global demand for Australian sheep meat.

Opportunities and challenges

The export of live sheep by sea from Australia to end on 1 May 2028

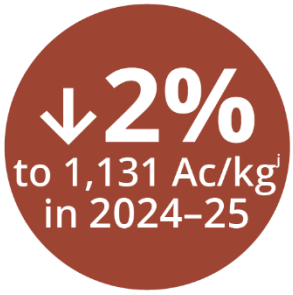
It is now law that the export of live sheep by sea from Australia will cease on and from **1 May 2028.** Trade can continue until the end date without caps or quotas. The prohibition will not apply to other livestock export industries, such as live cattle exports or live sheep exports by air.

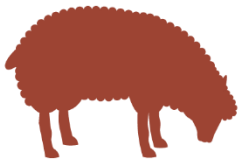
The Australian Government announced a transition plan and 5-year, $107 million transition support package in the 2024–25 Budget, to assist the Australian sheep industry and supply chain to phase out live sheep exports by sea. More information can be found on the DAFF website.

This policy may impact the production decisions of some sheep producers in Western Australia. However, at the national level ABARES expects this announcement will not significantly impact forecasts for Australia's sheep meat and wool industry over the outlook period to 2024–25.

12 Natural Fibres

Yilei Ma





j Eastern Market indicator price, clean equivalent.

Wool

Wool prices to fall, reflecting subdued global demand.

e Cotlook 'A' index.

Cotton

Cotton prices to fall,as global supply outpaces demand.

Key points

- Gross value of wool production to fall in 2024–25 down by 3% to $2.7 billion.
- Gross value of cotton production to fall in 2024–25 down by 13% to $2.7 billion.
- Australian wool prices to fall by 2% in 2024–25 reflecting subdued global demand.
- World cotton prices to fall by 6% in 2024–25 as rising global supply outpaces growth in demand.
- Value and volume of wool and cotton exports to fall in 2024–25; inventories to rise.

Value of wool and cotton production to fall

The gross value of wool production is forecast to fall to $2.7 billion in 2024–25, down by 3% from an estimated $2.8 billion in 2023–24 due to lower wool prices (Figure 12.1). Falling **wool prices** reflect expected subdued household spending on discretionary items in 2024–25, particularly in the United States and China. **Wool production** is expected to remain relatively stable as falling sheep numbers are offset by higher wool yields.

The gross value of cotton production is forecast to fall by 13% to $2.7 billion in 2024–25 reflecting expected lower production and prices (**Figure** 12.2). **Cotton prices** are forecast to fall as global supply rises by more than demand. **Cotton production** is expected to fall, reflecting a reduction in area planted due to lower world prices.

The gross values of wool and cotton production in 2024–25 are broadly consistent with the *June 2024 Agricultural Commodities Report*. Cotton and wool prices have been revised down slightly, reflecting recent price data.

Figure 12.1 Gross value of annual wool production and exports

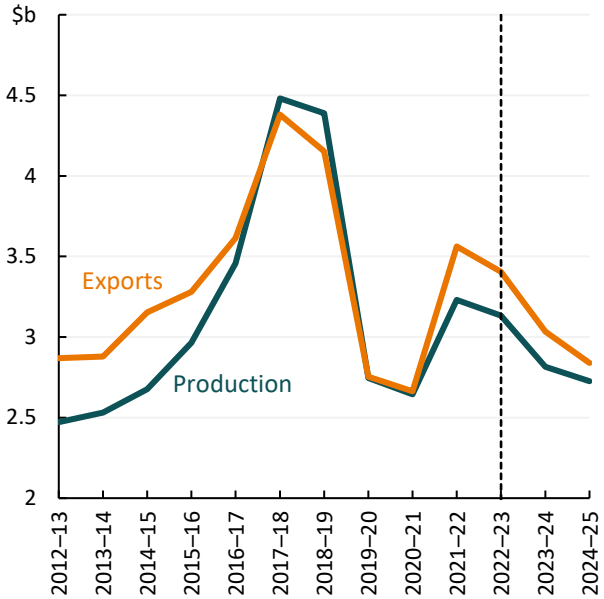
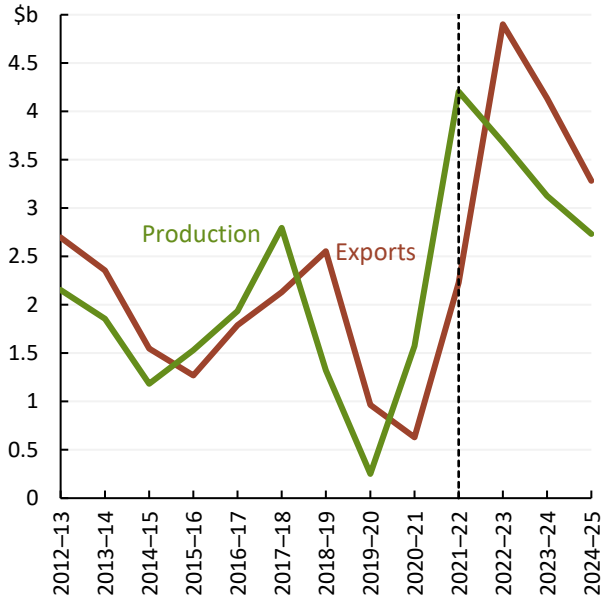


Figure 12.2 Gross value of annual cotton production and exports



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS

Value of wool and cotton exports to fall

Wool export values are forecast to fall to $2.8 billion in 2024–25, down by 6% from an estimated $3 billion in 2023–24 (Figure 12.1). Falling export values are driven by both a fall in both export volumes and export prices as world demand remains subdued. Falling wool values also reflect a rising proportion of coarse wool exports – which is less valuable given its lower quality. This trend, which began in 2021–2022 and is expected to continue in 2024–25, driven by the sheep flock composition moving towards meat breeds rather than purebred merinos.

Cotton export values are forecast to fall by 21% in 2024–25 to $3.3 billion, from an estimated $4.1 billion in 2023–24. Lower export values reflect falling export prices, lower cotton stocks and lower production. Despite the fall, cotton export values are forecast to remain 29% above the 10-year average to 2023–24 in real terms.

Forecast export values for 2024–25 are $220 million lower for wool and $590 million lower for cotton than forecast in *June 2024 Agricultural Commodities Report*. This reflects a downward revision to export prices.

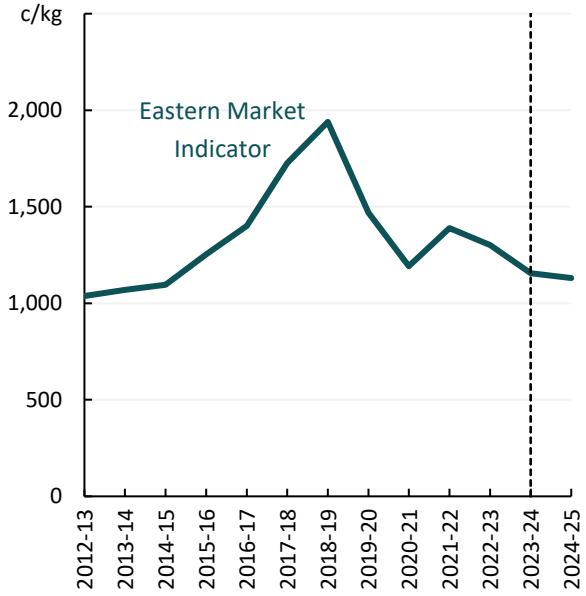
Wool and cotton prices to fall

The **Australian wool price**, as measured by the Eastern Market Indicator (EMI), is forecast to fall by 2% to 1,131 cents per kilogram in 2024–25, driven by lower world demand for Australian wool. Falling world demand reflects a weaker outlook for household spending on discretionary items in the United States and China. Woollen clothing and textiles are a relatively niche product and are sensitive to changes in discretionary spending.

The **Australian cotton price** is forecast to fall by 7% in 2024–25, reflecting falling global prices as global supply rises faster than demand (**Figure** 12.4). The differential between the Cotlook ‘A’ index (a benchmark of international medium grade raw cotton prices) and Australian cotton prices is expected to contract in 2024–25 as Australian production falls and Australian cotton supply tightens. Since 2021–22, the Queensland cotton price has traded at a discount to the Cotlook ‘A’ index (**Figure** 12.4), reflecting consecutive years with high Australian and low US production.

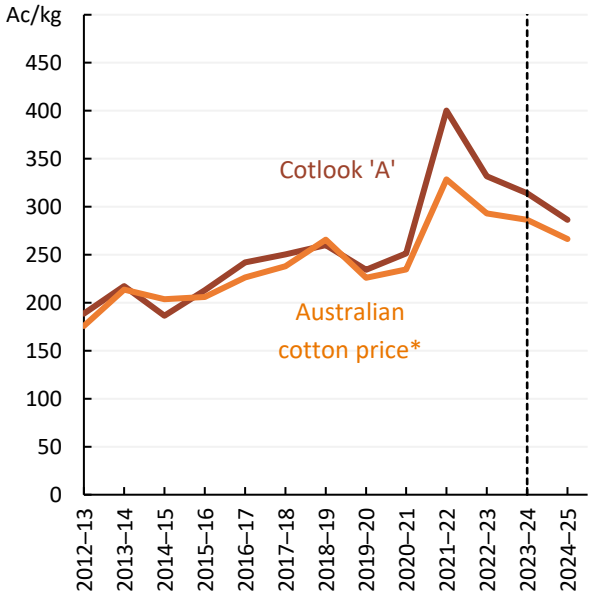
The **Cotlook 'A' index** is forecast to fall by 6% to 88 US cents per pound, with rising global supply expected to outpace growth in global demand. Rising global supply is being driven by expected increase in production in the US and Brazil, the world's two largest cotton exporting countries. In addition, falling crude oil prices are increasing the competitiveness of polyester and other synthetic fibres, placing further downward pressure on cotton prices.

Figure 12.3 Annual Australian wool price



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; AWI

Figure 12.4 Annual Australian and world cotton prices



Note: Data to the right of dotted line indicate estimates and forecasts. *Queensland cotton price.
Source: ABARES; Cotlook; Queensland Cotton

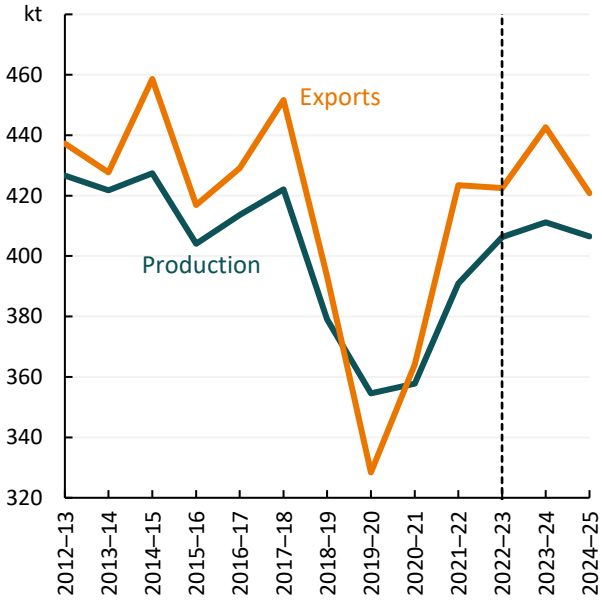
Export volumes to fall by more than production

Wool production to remain stable, cotton production to fall

Australian wool production is forecast to remain relatively stable at 407 thousand tonnes in 2024–25 as an increase in wool cut per head offsets a contraction in the sheep flock. Improved seasonal conditions in New South Wales and Queensland, relative to 2023–24, are forecast to improve pasture availability and wool cut per head (see *Seasonal Conditions*). However, the sheep flock is expected to contract despite better seasonal conditions as strong global demand for sheep meat and elevated prices incentivise turn off (see *Sheep Meat*).

Australian cotton production is forecast to decrease by 7% to 1 million tonnes in 2024–25, this is 28% above the 10-year average to 2023–24 (**Figure** 12.6). Falling world cotton prices (due to growing global supply) are expected to reduce the area planted to cotton in 2024–25. However, yields are expected to be similar to 2023–24, supported by favourable seasonal conditions and high water availability. The climate outlook for spring 2024 indicates that there is an increased chance of average to above-average rainfall across much of eastern Australia. This is expected to support soil moisture levels and allow for the timely planting for key dryland growing regions across northern New South Wales and Queensland. High water allocations and low water prices are likely to continue into 2024–25. Despite falling from last year, major water storages are still sitting well above long-term averages, supporting irrigated cotton production.

Figure 12.5 Annual wool production and export volume



Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS; AWI

Figure 12.6 Annual cotton production and exports volume

Note: Data to the right of dotted line indicate estimates and forecasts.
Source: ABARES; ABS; Cotton Australia

Wool and cotton export volumes to fall

Wool export volumes are forecast to fall by 5% to 421 thousand tonnes in 2024–25 (Figure 12.5). This reflects reduced Australian wool production and falling import demand. Export volumes are forecast to fall by more than production as weak US and Chinese consumer spending is expected to weigh on world demand for woollen garments. This is forecast to reduce demand for Australian wool imports from Chinese garment manufacturers and increase Australian wool inventories in 2024–25.

Cotton export volumes are forecast to fall by 14% to 1.1 million tonnes in 2024–25, reflecting lower production, falling exportable stocks and lower demand from China. Export volumes are expected to fall by more than production as exportable stocks continue to be drawn down since the record production year of 2021–22. Australian cotton export volumes to China surged in 2023–24 as China looked to replenish state cotton reserves. In 2024–25, with reserves replenished, China's cotton imports are expected to fall, reducing demand for Australian cotton**.** Despite falling, export volumes are forecast to remain 43% above the 10-year average to 2023–24.

World wool supply to fall as cotton supply rises

World wool supply in 2024–25 is forecast to fall, reflecting lower production in both Australia and New Zealand. Falling New Zealand production is driven by rising shearing costs, subdued international demand for fine and medium wool, and a declining sheep flock in 2024–25 (see *Sheep Meat*). The composition of New Zealand wool production is expected to shift towards increased coarse wool production.

World cotton supply is forecast to rise in 2024–25, as higher production in the United States and Brazil more than offsets lower production in India, Pakistan, and Australia:

- **US** cotton production is forecast to increase in 2024–25 following two consecutive years of production declines because of drought conditions. Improved growing conditions at the start of the US season and falling price expectations for competing crops have seen area planted to cotton expand in 2024, particularly in typically lower-yielding regions.
- **Brazilian** cotton production is forecast to rise in 2024–25, reflecting increased area planted and improved yields due to technological advancements. Brazilian cotton production has experienced a high level of growth over the last seven years, becoming the world's largest cotton exporter in 2023–24.

Mixed outlook for world demand for natural fibres

World wool demand is expected to fall in 2024–25. Reduced demand – driven by China and advanced economies – is expected to more than outpace falling world supply, driving lower wool prices:

- **China's demand** for wool is expected to fall, driven by weak domestic consumption and subdued demand for woollen garments from advanced economies. China is the largest importer of Australian wool, and the major manufacturer and consumer of woollen products. Chinese consumption of woollen garments is expected to remain subdued in 2024–25 as consumer spending remains weak (see *Economic Overview*). Reduced demand for China's manufactured woollen products from advanced economies is also expected to reduce import demand from Chinese garment manufacturers.
- **Advanced economies'** demand for wool and woollen products is expected to fall in 2024–25, particularly in the United States as retail sales remain weak. Consumers' preferences for cheaper alternatives such as cotton and polyester will continue to weigh on household demand for woollen products which are typically more expensive.

World cotton demand is likely to increase slightly in 2024–25 but by less than global supply, leading to lower cotton prices. Increased demand from Vietnam and other major importers is expected to more than offset weak demand in China.

- **Vietnam's** demand for raw cotton is expected to rise, driven by increased demand from the manufacturing sector.
- **EU** demand for cotton products is forecast to rise. An improved economic outlook for the European Union, driven by falling interest rates and rising household consumption, is expected to support a recovery in retail demand for cotton products in 2024–25.

- **China's** demand for raw cotton imports is forecast to fall in 2024–25, reflecting slowing economic growth and low consumer confidence. China is the world's largest importer and consumer of raw cotton.
- **US** demand for finished cotton products is expected to remain subdued, reflecting a forecast slowdown in the US economy.

An expected fall in crude oil prices in 2024–25 is also likely to increase the competitiveness of polyester and other synthetic fibres, placing further downward pressure on demand for natural fibres (*see Economic Overview*).

Opportunities and challenges

Expanding destinations key to export growth

India is the third largest producer of textiles and apparel in the world, presenting a significant opportunity for Australian cotton. A rising middle class with higher disposable incomes and a growing textile industry mean that India's demand for cotton is expected to grow in the coming years. While India does have a domestic cotton industry, India's demand for premium varieties such as extra-long staple (ELS) cotton is met through imports. ELS cotton is only produced in a handful of countries including Australia, meaning Australian exporters are well positioned to support an expanding Indian textile industry.

The Australia-India Economic Cooperation and Trade Agreement (ECTA) has created new export opportunities for Australian crops in India. Entered into force on 29 December 2022, ECTA provided immediate access to a duty-free cotton Australian quota of 51 thousand tonnes per calendar year. Ongoing negotiations for a broader Comprehensive Economic Cooperation Agreement (CECA) may provide further opportunities for the Australian cotton industry.

Trackability and traceability

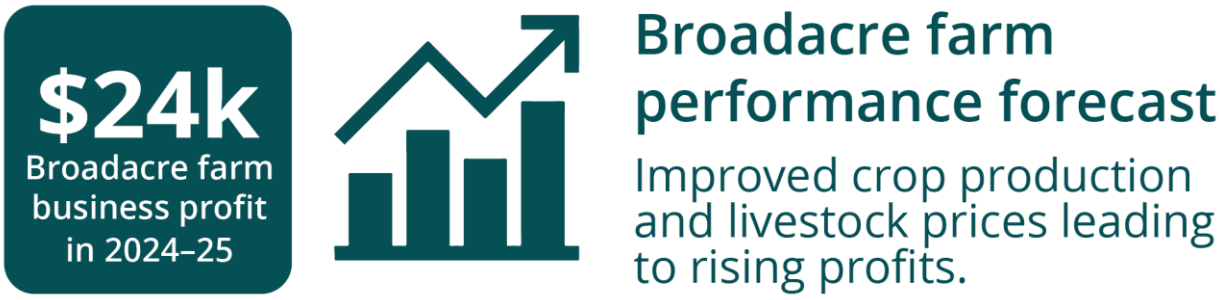
Australia's existing wool traceability systems mean the Australian wool industry is well positioned to take advantage of growing demand from consumers to trace the sustainability of their purchases. Several programs are underway to expand tracking and trackability of Australian wool with the goal of expanding access to more premium markets.

Traceability systems provide consumers with a framework for assessing the sustainability and animal welfare credentials of products. Traceability also enables stakeholders throughout the supply chain to understand aspects of production including the origin of their fibres, how the fibre was produced and the environmental impact. The consumption of water, energy, chemicals and other resources can also be traced and reported.

Several programs exist to support the traceability of wool, including the National Livestock Identification System (NLIS) and Australia's National Wool Declaration (NWD). Australian Wool Innovation (AWI) is collaborating with research institutions on the environmental and ecological credentials of Australian wool. The Australian wool industry is also working with international regulators on initiatives such as the Product Environmental Footprinting (PEF) in the European Union to advocate for higher ratings of Australian wool and other natural fibres.

13 Farm performance forecast

Patrick Mulcahy and Mihir Gupta



Key points

- Average broadacre farm business profits forecast to increase by $81,000, up to $24,000 in 2024–25 driven by improving weather conditions and higher livestock prices.
- Cropping farms are expected to have another profitable year, with production outpacing easing commodity prices.
- Livestock farm profits are forecast to increase driven by higher prices, but remain below historical averages.
- Profitability is expected to be strong across northern Australia and much of New South Wales, while drier conditions and relatively low mutton prices contribute to lower profits in southern regions.

Broadacre farm business profits and income forecast to improve in 2024–25

Driven by improving weather conditions and livestock commodity prices, average farm business profits for broadacre farms are forecast to increase by $81,000 from -$57,000 to $24,000 per farm in 2024–25, but remain low compared to the recent record years from 2020–21 to 2022–23 (Table 13.1 & Figure 13.1).

Average farm cash incomes (the difference between total cash receipts and total cash costs) for broadacre farms are forecast to increase by $75,000 from $117,000 to $192,000 per farm in 2024–25.

The key driver affecting the gap between farm profits and income is the change in value (or build-up of trading stocks). In 2024–25, this gap is forecast to narrow year-on-year, with the average value of on-farm grain storage increasing by more than the fall in the average value of livestock.

The definition for farm business profits also includes depreciation costs – which tend to be higher on average for cropping farms that use more expensive machinery than livestock farms – and also accounts for the value of family labour (see *Definitions and farm survey data*).

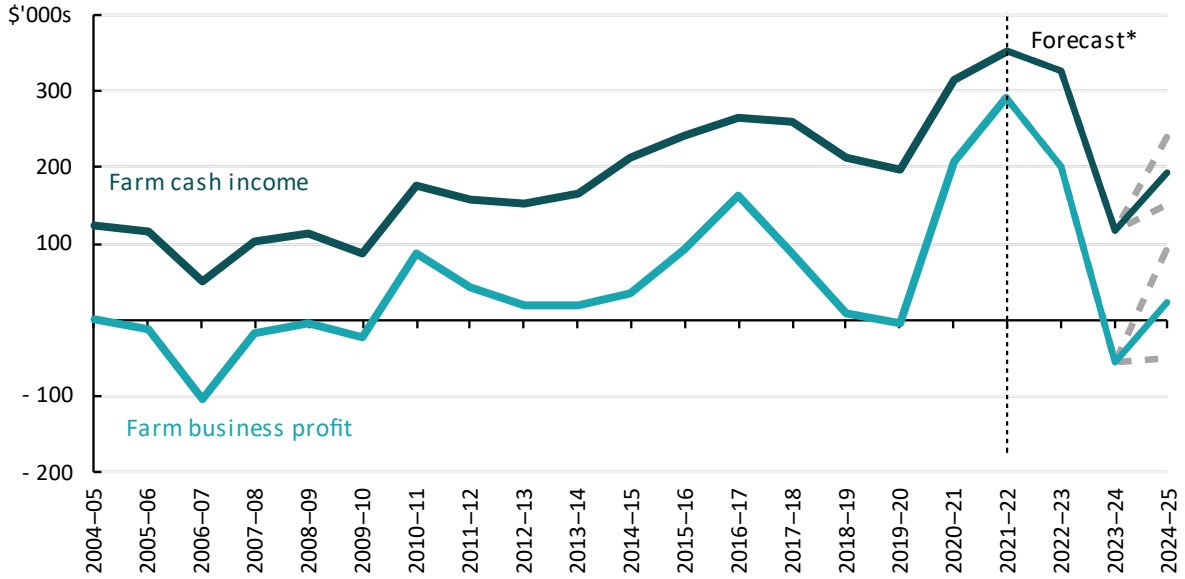
Forecasts for farm performance in 2024–25 are highly dependent on weather and price forecasts. This is especially true for cropping farms. The effect of uncertainty over future weather conditions is captured by the forecast range provided in Figure 13.1.

Table 13.1 Average broadacre farm financial performance forecasts

Performance measure	2021–22 Observed	2022–23 Preliminary	2023–24 Forecast	2024–25 Forecast
Total cash costs	668,000	663,000	633,000	647,000
Total cash receipts	1,020,000	990,000	751,000	838,000
Farm cash income	352,000	326,000	117,000	192,000
Farm business profit	**291,000**	**202,000**	**-57,000**	**24,000**

Note: Forecasts derived from ABARES *farmpredict* model and the DEWS prototype using the ABARES *September 2024 Agricultural Commodities Report* and the Bureau of Meteorology's August Seasonal Outlook. Values are in 2024–25 Australian dollars. Values represent the mean forecast. Further details on the methodology can be found in the background and methods section of this note.
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Figure 13.1 Average annual broadacre farm cash income and farm business profit



Note: Data to the right of the dotted line indicates estimates and forecasts. Forecasts derived from the ABARES *farmpredict* model and the DEWS prototype using ABARES *September 2024 Agricultural Commodities Report* and the Bureau of Meteorology's August Seasonal Outlook. Values in 2024–25 Australian dollars. *Solid lines represent the mean forecast, grey dashed lines represent the 5th and 95th percentile forecasts.
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Cropping remains profitable, but livestock farms face challenges

Cropping farms are forecast to have another profitable year, with average farm business profit increasing from $199,000 in 2023–24 to $286,000 in 2024–25 (Table 13.2). Winter crop production is expected to increase in 2024–25 with more favourable winter growing season conditions particularly in New South Wales and Queensland (see *Seasonal Conditions*). For wheat and barley, softening prices are being outpaced by increased production (see *Wheat* and *Coarse Grains*); wheat and barley receipts are forecast to increase year-on-year. For oilseeds (see *Oilseeds*), a large South American and US soybean harvest is seeing domestic canola prices fall, driving a decrease in oilseed revenue (Figure 13.2).

Beef farms are forecast to, on average, fall just short of making a profit in 2024–25, with farm business profit increasing by $84,000 from -$88,000 to -$4,000 in 2024–25 (Table 13.2), and average

farm cash income increasing by $118,000 from $71,000 to $189,000 in 2024–25 (Table 13.3). Continued strong production and improved cattle prices are seeing beef receipts and cash incomes increase significantly (see *Beef and veal*), but with beef herd size decreasing, profits are slightly below average for beef farms.

For sheep farms, profits are forecast to increase by $44,000 from -$137,000 to -$93,000 per farm in 2024–25, driven by an expected rise in sheep and lamb prices (see *Sheep meat*) (Table 13.2). However, sheep farms are likely to face their second consecutive year of negative profits, as relatively low mutton prices and continued high input costs are contributing to lower incomes and profits.

Farm input prices are expected to ease slightly in 2024–25, but both input costs and prices remain high compared to historical levels (see *Economic Overview*). Total fertiliser, materials and services costs (included in other costs in Figure 13.2) are forecast to rise, largely driven by increased cropping production. Other major input costs across all broadacre farms (such as chemicals and fuel), are projected to remain relatively flat year-on-year, despite easing prices, reflecting an increase in input use due to higher production levels. Higher livestock prices are also contributing to greater livestock purchase costs (included in other costs in Figure 13.2).

Table 13.2 Average broadacre farm business profit, by industry

Industry	2021–22 Observed	2022–23 Preliminary	2023–24 Forecast	2024–25 Forecast	2024–25 Lower estimate	2024–25 Upper estimate
Cropping	772,000	644,000	199,000	286,000	-20,000	535,000
Cropping and livestock	312,000	152,000	-75,000	1,000	-128,000	110,000
Livestock – Sheep	64,000	4,000	-137,000	-93,000	-112,000	-77,000
Livestock – Beef	207,000	127,000	-88,000	-4,000	-61,000	49,000
Livestock – Mixed	275,000	109,000	-170,000	-52,000	-109,000	-8,000
All broadacre farms	**291,000**	**202,000**	**-57,000**	**24,000**	**-51,000**	**94,000**

Note: Forecasts derived from ABARES *farmpredict* model and the DEWS prototype using the ABARES *September 2024 Agricultural Commodities Report* and the Bureau of Meteorology's August Seasonal Outlook. Values are in 2024–25 Australian dollars. A mean forecast is provided along with lower (5th percentile) and upper (95th percentile) bound estimates.
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

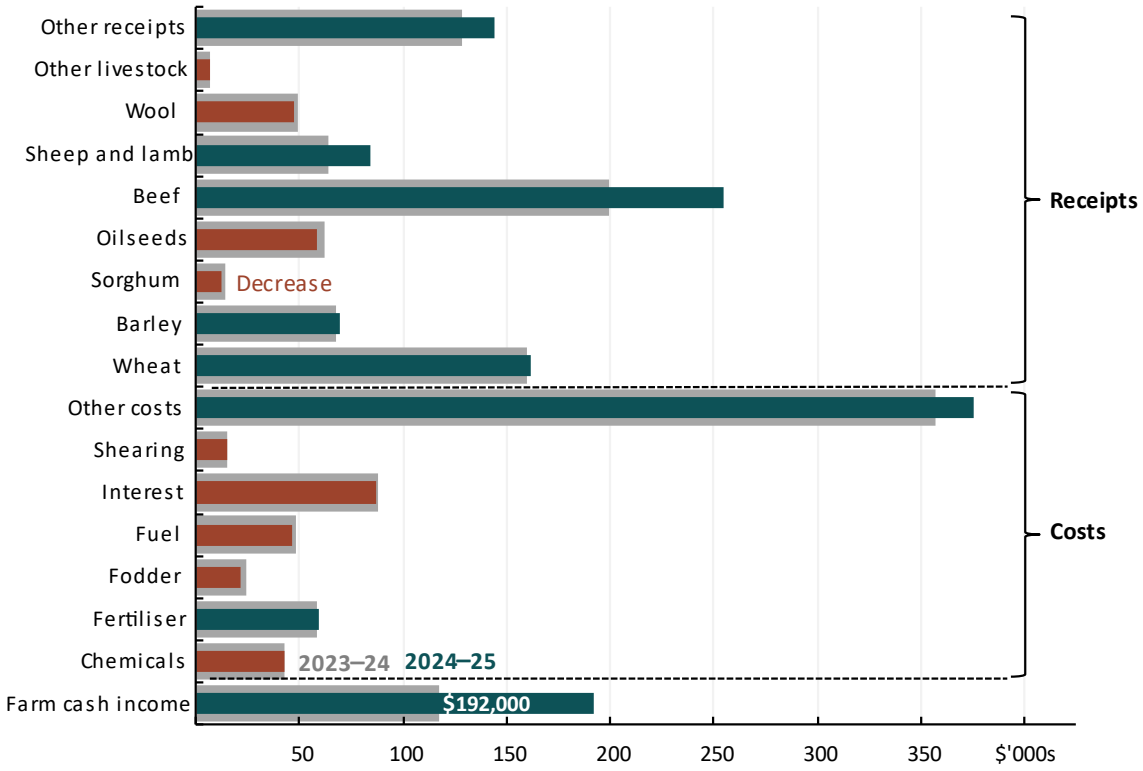
Table 13.3 Average broadacre farm cash income, by industry

Industry	2021–22 Observed	2022–23 Preliminary	2023–24 Forecast	2024–25 Forecast	2024–25 Lower estimate	2024–25 Upper estimate
Cropping	912,000	929,000	474,000	486,000	241,000	680,000
Cropping and livestock	400,000	303,000	121,000	168,000	83,000	241,000
Livestock – Sheep	130,000	94,000	-19,000	9,000	2,000	16,000
Livestock – Beef	232,000	196,000	71,000	189,000	147,000	231,000
Livestock – Mixed	298,000	176,000	-3,000	101,000	71,000	130,000
All broadacre farms	**352,000**	**326,000**	**117,000**	**192,000**	**151,000**	**240,000**

Note: Forecasts derived from ABARES *farmpredict* model and the DEWS prototype using the ABARES *September 2024 Agricultural Commodities Report* and the Bureau of Meteorology's August Seasonal Outlook. Values are in 2024–25

Australian dollars. A mean forecast is provided along with lower (5th percentile) and upper (95th percentile) bound estimates.
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

Figure 13.2 Average broadacre farm costs and receipts, 2023–24 and 2024–25



Note: Values are in 2024–25 Australian dollars.
Source: ABARES Australian Agricultural and Grazing Industries Survey; ABARES *farmpredict*

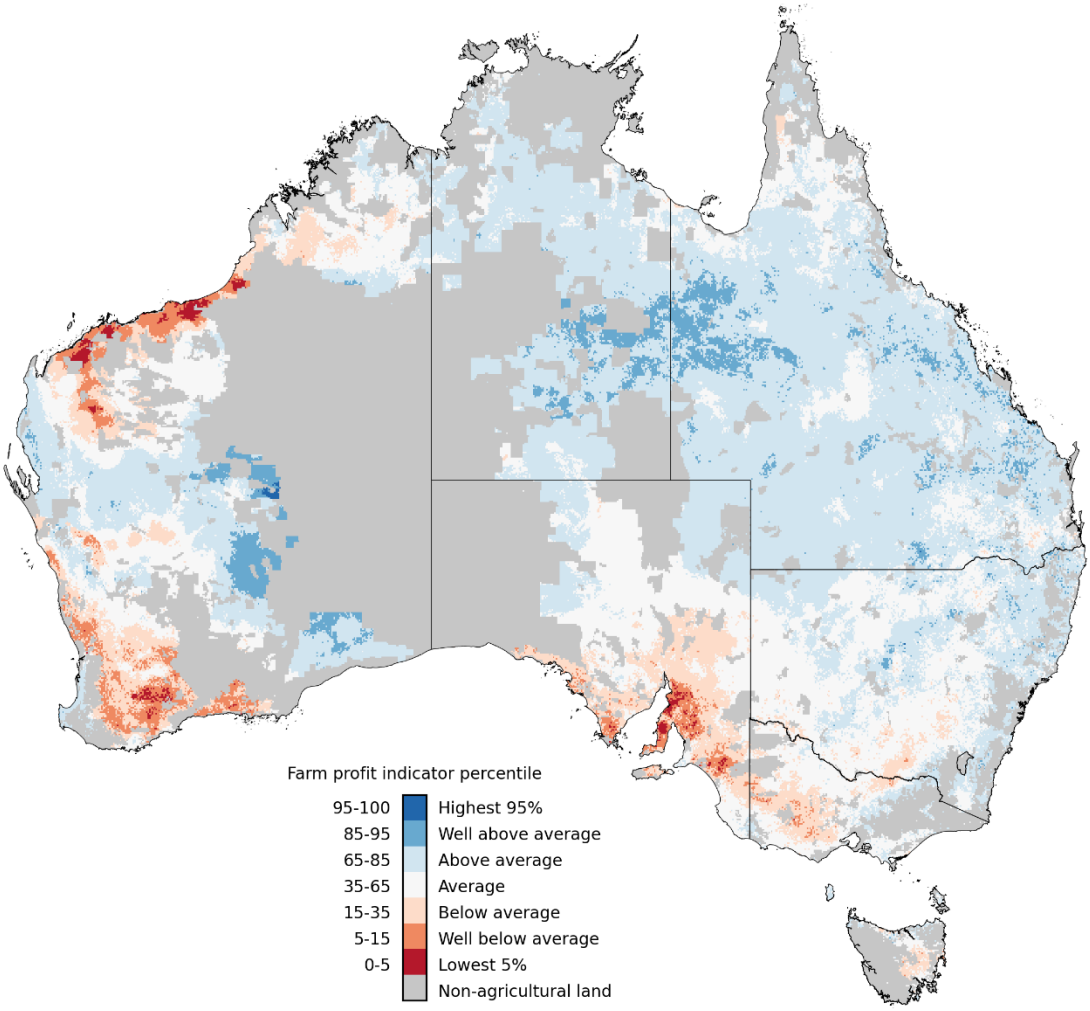
Regional variation in profits driven by climate conditions and prices

Profitability is forecast to be mixed across much of Australia in 2024–25 with Map 13.1 showing the effect of climate and prices on the farm business profits of current farms compared to the last 33 years. Map 13.2 isolates the effect of climate on profits by holding prices fixed (see *DEWS indicators*).

Good climate conditions and improved beef prices are leading to above average profit forecasts for much of northern Australia (Map 13.1). Southern Queensland and much of New South Wales are also expected to have above average profits, with favourable climate conditions driving strong crop production through these regions (Map 13.2). This is a significant revision to the predicted profits for New South Wales from the *June 2024 Agricultural Commodities Report*, when forecast climate conditions were not as favourable for cropping.

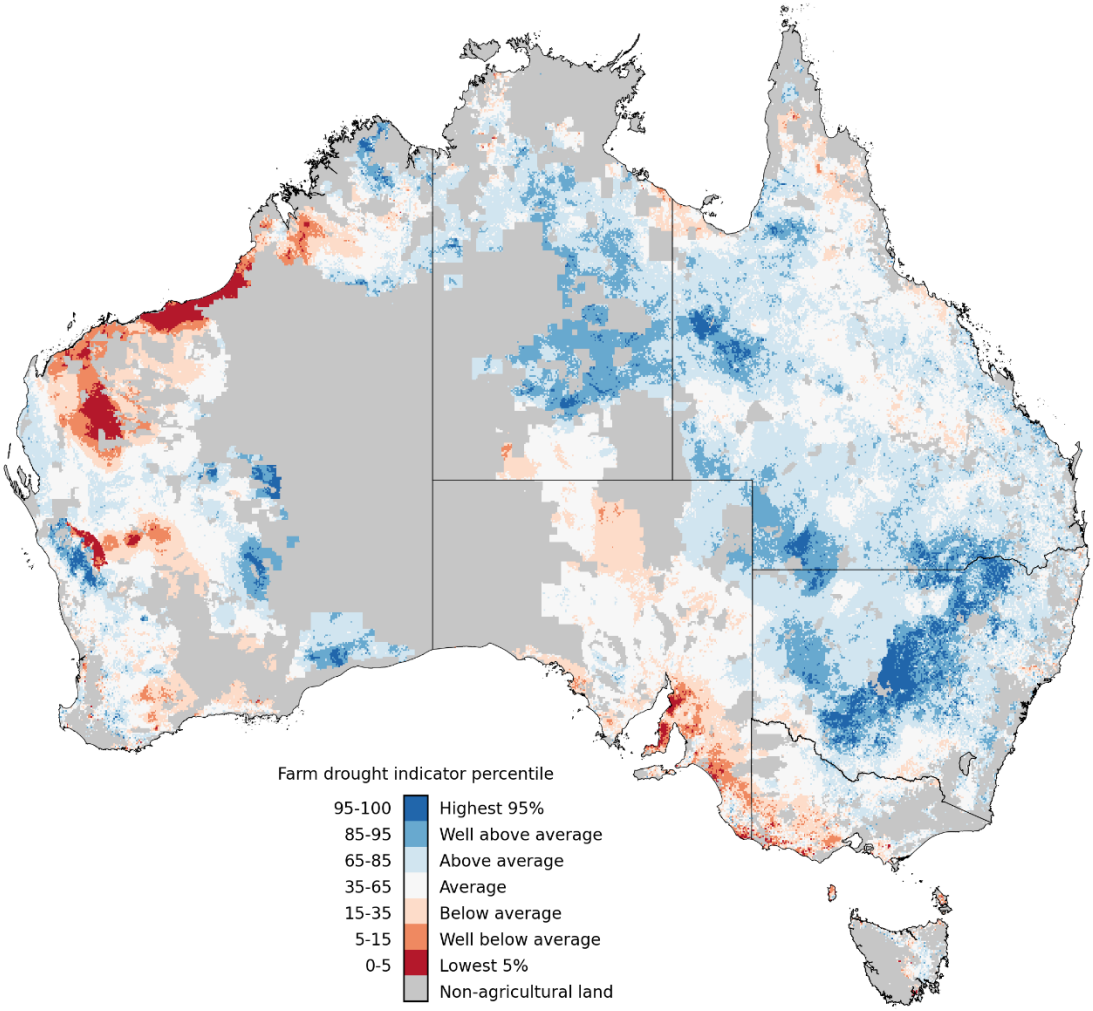
Some southern regions are expected to face climate conditions less conducive for farm profitability. A comparison between Map 13.1 and Map 13.2 shows that profits in these coastal areas are further affected by commodity prices, particularly sheep prices, which remain low.

Map 13.1 Broadacre farm business profit indicator (impact of climate and prices on farm profitability), 2024–25



Note: The long-term average is the simulated farm performance of the 2024–25 farm cohort over the past 33 years if they had experienced the actual climate and prices in each of the past 33 years.
Source: ABARES *farmpredict*; DEWS

Map 13.2 Broadacre farm business drought indicator (isolated impact of climate on farm profitability), 2024–25



Note: This scenario holds prices fixed at 2021–22 levels over the last 33 years and climate varies in line with conditions experienced in each of the 33 years.
Source: ABARES *farmpredict*; DEWS

Background and methods

Definitions and farm survey data

The broadacre farm data in this chapter is drawn from ABARES' Australian Agricultural and Grazing Industries Survey (AAGIS). AAGIS covers broadacre farms with an estimated value of agricultural operations (EVAO) greater than $40,000 per year.

All dollar values in this note are reported in 'real' terms – specifically 2024–25 dollars. This adjustment removes the effect of inflation and allows financial values across different time periods to be compared in like terms. ABARES adjusts for inflation using the Consumer Price Index, supplied by the Australian Bureau of Statistics, and future expectations from the Reserve Bank of Australia (see *Overview* for more information).

Some key definitions are:

- Farm cash income is defined as the difference between total cash receipts and total cash costs.
- Farm business profit additionally considers build-up in trading stocks, less depreciation and the imputed value of the owner-manager, partner(s), and family labour.
- Build-up in trading stocks is the closing value of all changes in the inventories of trading stocks during the financial year. It includes the value of any change in herd or flock size or in stocks of wool, fruit and grains held on the farm.

For detailed historical and forecast farm survey data see: Farm Survey Data

For more information on ABARES' farm survey program see: Farm surveys and analysis

Forecast Range

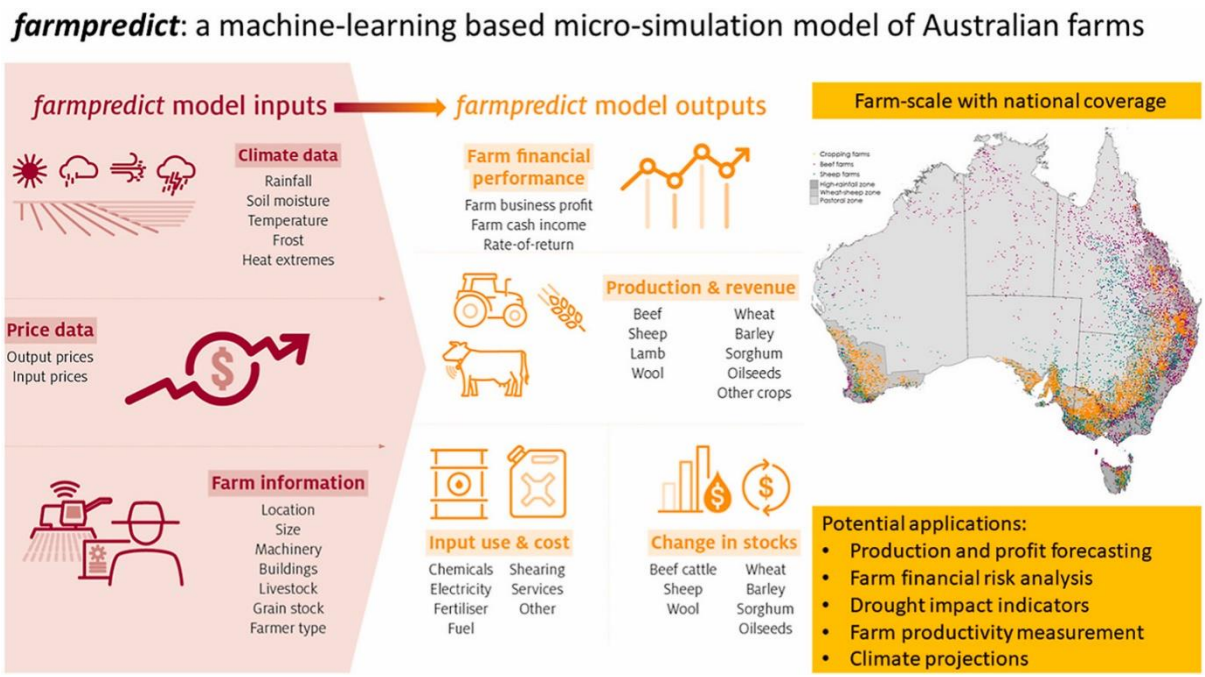
The farm performance forecast is generated using rainfall and temperature forecasts derived from the Bureau of Meteorology's ensemble seasonal weather forecasts from the ACCESS-S2 model and a range of other spatial and agricultural data.

The forecasts contained in this chapter are based on the ensemble weather forecasts from the Bureau of Meteorology. Forecasts that go beyond the current range of the Bureau of Meteorology's ACCESS-S2 based ensemble forecast (around 6 months), combine the ensemble forecast with a 'climatological' forecast (based on historical observed data). The forecast average (ensemble mean) and the lower and upper range of this forecast ensemble (5^{th} and 95^{th} percentiles) are presented in this report.

ABARES farmpredict model

ABARES *farmpredict* is a statistical microsimulation model of Australian broadacre farm businesses based on historical data from ABARES' farm survey program (Figure 13.3). The *farmpredict* model can simulate physical and financial outcomes for Australian farm businesses given prevailing climate conditions and commodity prices. *Farmpredict* applies machine learning methods to derive predictions – at an individual farm business level – of the production of outputs, the use of inputs and changes in farm stocks conditional on commodity prices, fixed inputs, climate conditions and other farm characteristics. The model then applies accounting rules to derive estimates of receipts, costs, changes in stock holdings, and profits in accordance with farm survey definitions. Full technical details of the model are provided in Hughes et al. (2022).

Figure 13.3 ABARES *farmpredict* model



For more information on the DEWS see: ABARES *farmpredict* model.

The Drought Early Warning System (DEWS)

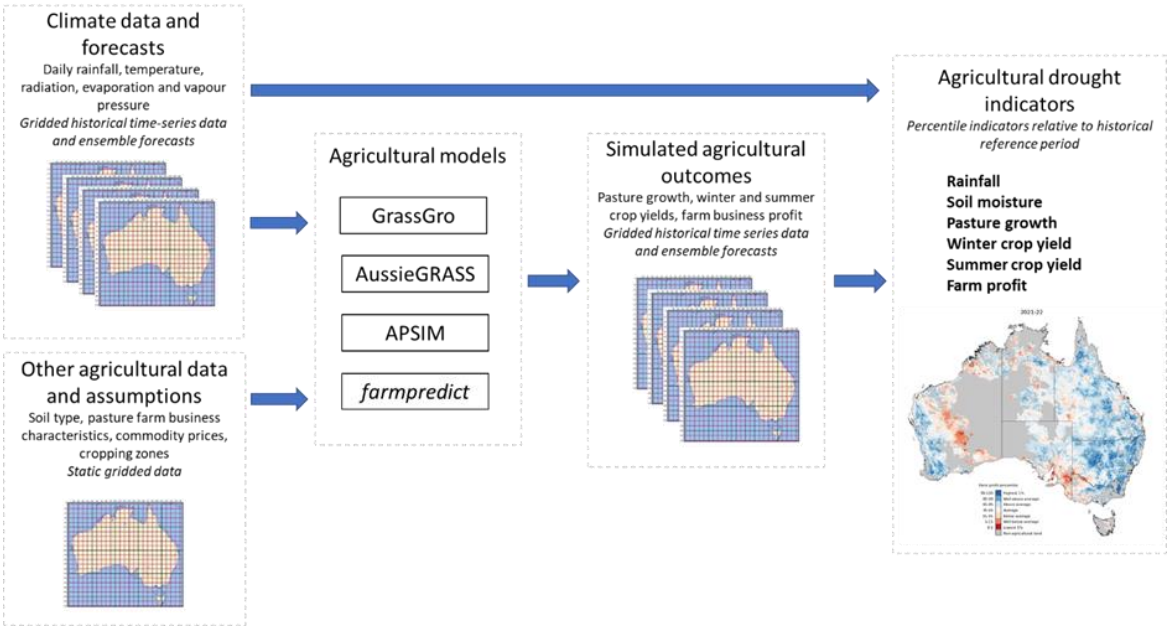
The DEWS project is a collaboration between CSIRO and ABARES being undertaken for the Department of Agriculture, Fisheries and Forestry (DAFF), with the goal of developing a drought monitoring and forecasting system. The DEWS project links weather and agricultural data with a range of scientific and economic models to measure and forecast the effects of climate variability and drought on agricultural outcomes.

The DEWS prototype operates on a 0.05-degree (approximately 5km) grid, drawing on the Bureau of Meteorology's historical gridded climate data, seasonal weather forecasts from the ACCESS-S2 model and a range of other spatial and agricultural data scaled to the same 0.05-degree grid.

These historical and forecast climate data are taken as inputs to a range of scientific and economic agricultural models (Figure 13.4). Given data and assumptions on the types of soil, pasture, agricultural activity and farm businesses prevailing at each grid cell, these models translate climate data into various agricultural outcomes. Examples include pasture growth via the AussieGRASS system and the GrassGro model, winter and summer crop yields via APSIM, and farm business profits via the *farmpredict* model.

DEWS indicators are generated for current farms (current farm characteristics and technology) across Australia for a defined 'agricultural zone' (which excludes areas with no agricultural activity). The DEWS prototype operates on a monthly cycle: all indicators are updated at the beginning of each month given observed weather data to the end of the previous month and the latest Bureau of Meteorology weather forecasts.

Figure 13.4 Overview of the Drought Early Warning System prototype



For more information on the DEWS see: The Drought Early Warning System Project

DEWS indicators

While the development of the DEWS is ongoing, initial monthly outputs from the system are now available and have been linked to ABARES *farmpredict* model to derive the indicator maps presented here. ABARES has modelled and developed profit and drought indicator maps for 'current' farms across Australian 'agricultural zones'. Forecasts of farm performance are estimated for 'current' farms, namely using the current 'fixed' characteristics of farms (such as size, enterprise mix, capital inventory, and technology), and estimating farm-level agricultural output and financial outcomes using forecasts of seasonal conditions and prices. For the DEWS indicator maps, to compare forecast performance against earlier years, the characteristics of 'current' farms are held constant, and returns are estimated using historical seasonal conditions and prices. This allows for a more realistic comparison of outcomes in the forecast year to those realised in earlier years.

In Map 13.1 and Map 13.2, the forecast performance of farms in the forecast year is compared to how they would have performed during the last 33 years, based on the prices and climate conditions experienced during that period or alternative scenarios such as prices being fixed over the entire 33 years. This allows for an assessment of the relative impact of different drivers on farm performance. The broadacre farm business profit indicator map shows the combined effect of climate and prices on forecast farm performance in the forecast year. The broadacre farm drought indicator map isolates the effect of climate on forecast farm performance in the forecast year. This scenario holds prices fixed over the last 33 years and climate varies in line with conditions experienced in each of the 33 years.

Abbreviations

$m	million dollars (Australian)
£	pound sterling
¥	yen
€	euro
A$	dollar (Australian)
ABARE	Australian Bureau of Agricultural and Resource Economics
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AFMA	Australian Fisheries Management Authority
ANZSIC	Australian and New Zealand Standard Industrial Classification
ASMC	Australian Sugar Milling Council
AWEX	Australian Wool Exchange
b	billion (Australian)
BAE	Bureau of Agricultural Economics (now ABARES)
BRS	Bureau of Rural Sciences (now ABARES)
c	cent (Australian)
CBA	Commonwealth Bank of Australia
cif	cost, insurance and freight
CIS	Commonwealth of Independent States
CL	Chemical Lean
CME	Chicago Mercantile Exchange - Chicago Board of Trade
cw	carcase weight
DAWR	Department of Agriculture and Water Resources (now Department of Agriculture, Fisheries and Forestry)
DFAT	Department of Foreign Affairs and Trade
DM	deutschmark
doi	digital object identifier
ECU	European currency unit
EMI	Eastern Market Indicator
EU	European Union
EVAO	estimated value of agricultural operations
FAO	Food and Agriculture Organization of the United Nations
fas	free alongside ship
fob	free on board
fot	free on truck
GDP	Gross Domestic Product
GL	gigalitres (1,000,000,000 litres)

$m	million dollars (Australian)
GST	Goods and Services Tax
ha	hectare (2.471 acres)
IGC	International Grains Council
IMF	International Monetary Fund
ITC	International Trade Centre
kg	kilogram (2.20462 pounds)
kL	kilolitre (1,000 litres)
kt	kilotonne (1,000 tonnes)
L	litre (1.761 pints)
lb	pound (454 grams)
m	million (Australian)
m3	cubic metre (1.307 cubic yards)
ML	megalitre (1,000,000 litres)
MLA	Meat & Livestock Australia
Mt	megatonne (1,000,000 tonnes)
na	not available
NAFTA	North American Free Trade Agreement
nec	not elsewhere classified
nei	not elsewhere included
nfd	not further defined
no.	number
NT	Northern Territory
org	organisation
RBA	Reserve Bank of Australia
Rep.	Republic
sw	shipped weight
t	tonne (1,000 kilograms)
UN	United Nations
US$	dollar (United States)
USc	cent (United States)
USDA	United States Department of Agriculture