



NAB Rural Commodities Wrap

May 2025

Highlights



The **NAB Rural Commodities Index** climbed in April – increasing by 2.7% month-on-month in Australian dollar (AUD) terms. Overall, our index has pushed higher since October last year, which means it was 7.4% higher in April than a year ago.

Reflecting the sizeable decline in the **exchange rate** over the past year, the increase in our index was more modest in US dollar (USD) terms – up by 3.9% yoy. That said, USD prices have trended higher since the start of the year.

An increase in **beef** prices was the key driver of the month-on-month increase in our AUD index in April – accounting for around three-fifths of the total change. This was supported by higher prices for **lamb**, **barley** and **canola**, while prices for **sugar** and **fruit** were slightly softer.

Recent rainfall conditions have been highly mixed – below average in Tasmania, Victoria, eastern South Australia and parts of southern NSW in April. In contrast, rainfall was above average for much of Queensland, NT and northern WA. The BoM **forecasts rainfall** will be within the typical range for June to August overall, albeit with below average falls in alpine Victoria, southwest WA and coastal NSW.

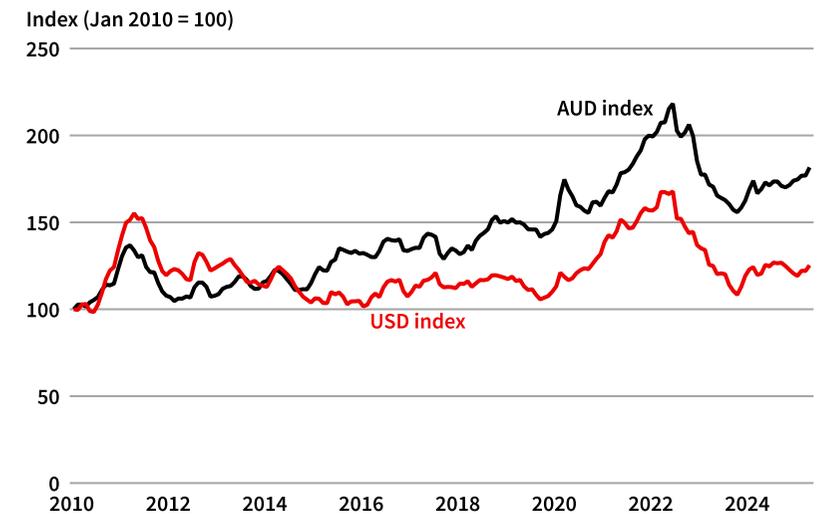
Climatic conditions (as measured by the El Nino-South Oscillation (ENSO) index) have remained in neutral territory, and the BoM expect it to remain neutral through to September.

Uncertainty remains the key theme in the **global economy**. The impacts of tariffs, and broader policy uncertainty, mean that we expect a substantial slowdown in global economic growth, negatively impacting demand for more discretionary rural commodities. **Australia's economic growth** is set to gradually recover over the course of 2025 – as the easing in inflation and a series of policy rate cuts to support a gradual increase in household consumption.

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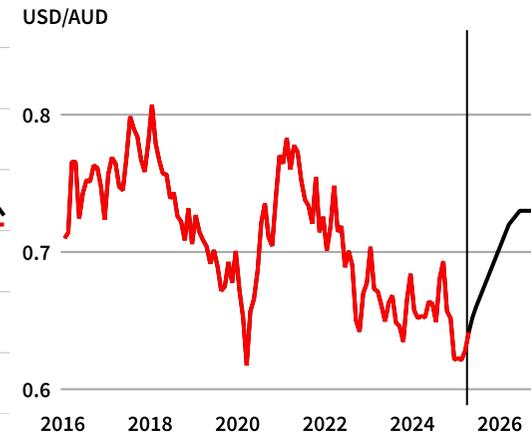
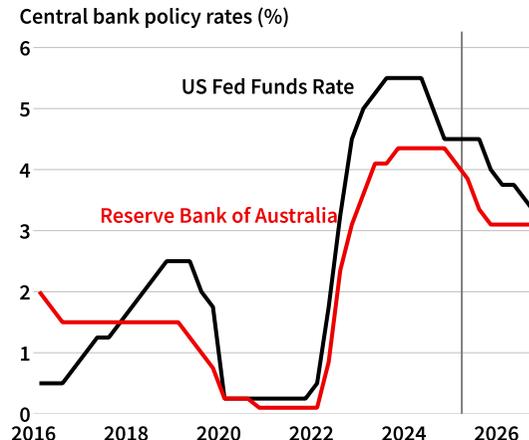
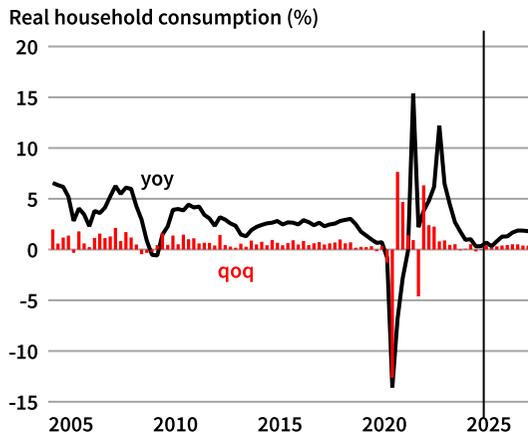
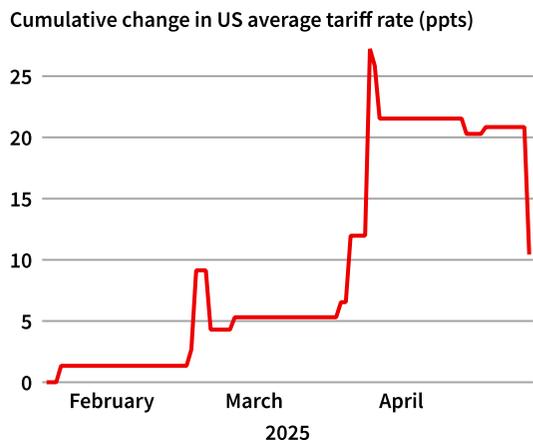
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NAB Rural Commodities Index



Source data: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg, Refinitiv, Macrobond

Economic update



Global economy

While the US-China trade détente in May represents a significant de-escalation from the extremes of early April, tariffs imposed by both countries are well above the last year's levels, as are US tariffs on other countries. Further hikes could still occur.

The impacts of tariffs, and broader policy uncertainty, mean that we expect a substantial slowdown in global economic growth. This could negatively impact demand for some rural commodities (particularly more discretionary products such as wool).

Australian economy

Australia's economic growth is set to gradually recover over the course of 2025 – as the easing in inflation and a series of policy rate cuts support a gradual increase in household consumption.

Overall, we expect Australian economic growth to return to its long-term trend in 2026.

Unemployment is expected to remain low by historical standards, peaking at 4.4% in the second half of 2025.

Interest rates

The more positive economic climate post the US-China trade deal means less urgency for the US Federal Reserve to cut rates. NAB expects the Fed to remain on hold until October, making two 25 bps cuts in Q4 and a further three in 2026.

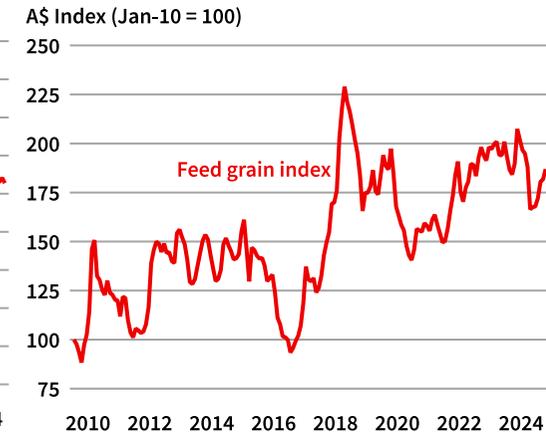
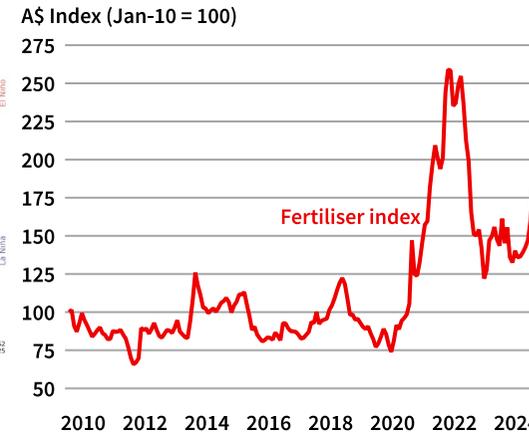
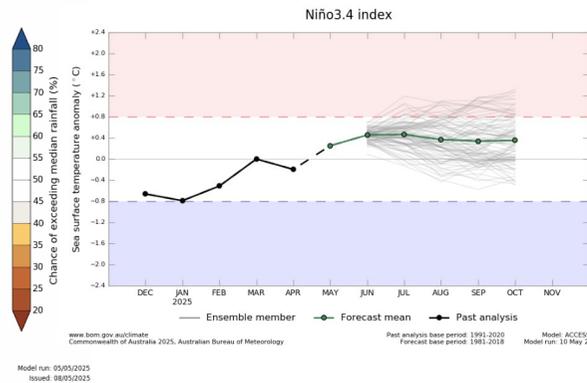
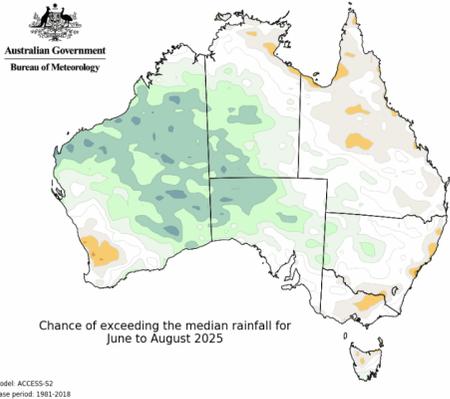
The RBA made its second policy rate cut of 2025 in May – bringing the cash rate down to 3.85%. NAB forecasts an additional three cuts this year, bringing the rate down to an around neutral 3.1%.

Currency

The USD/AUD exchange rate was highly volatile in the first half of April, but comparatively stable subsequently, as the extreme US-China trade tensions were wound back.

That said, our currency strategists see a broadly negative trend for the USD moving forward, as tariffs and heightened policy uncertainty lower foreign appetite for US assets and increase demand for foreign assets among US investors. The AUD is tipped to move up to 70 US cents by the end of 2025 and 73 US cents by the end of 2026.

Seasonal conditions and farm inputs



Rainfall outlook appears average

Rainfall conditions in April were highly mixed across the country. It was below average in Tasmania, Victoria, eastern South Australia and parts of southern NSW. In contrast, rainfall was above average for much of Queensland, NT and northern WA.

The BOM forecasts rainfall will be within the typical range for June to August, with slightly above average falls in central Australia, and below average in alpine Victoria, southwest WA and coastal NSW.

Neutral climatic conditions set to continue

Climatic conditions, as measured by the El Niño-South Oscillation (ENSO) index, remain in neutral territory, moving closer to the middle of the range (away from a near La Nina event in early 2025).

The BoM expect the ENSO will remain neutral through to September, albeit the bureau note that forecasts at this time of the year have a lower degree of confidence for outcomes post winter.

Higher fertiliser prices add cost pressure

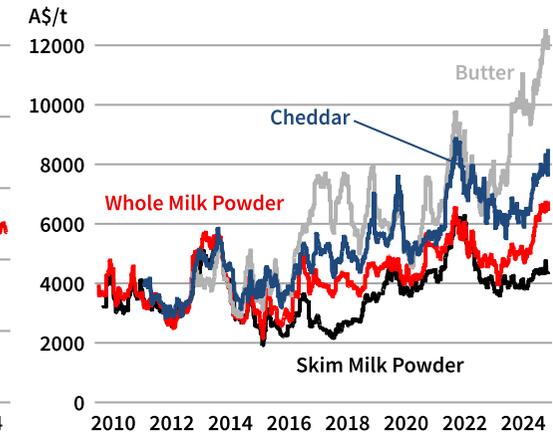
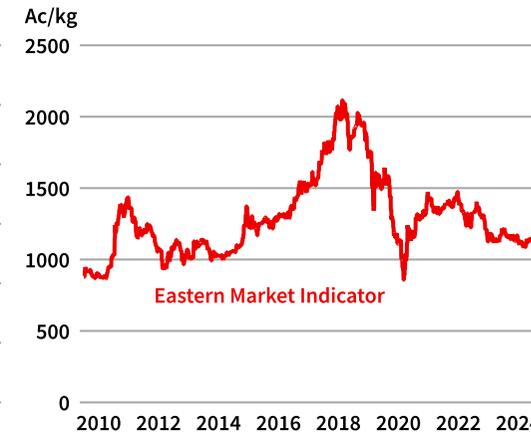
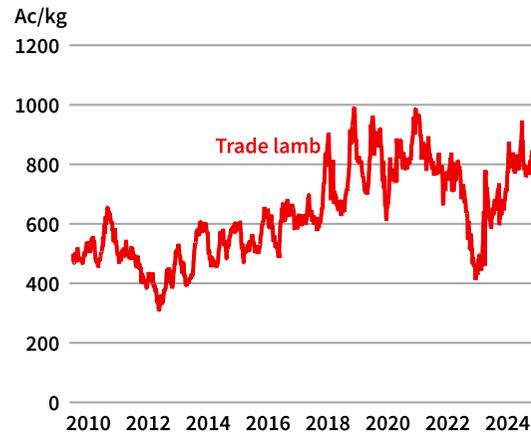
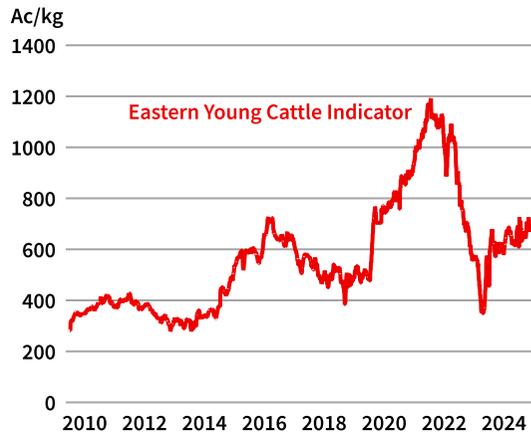
Fertiliser prices eased marginally in April, but remain well above the levels of mid-2024 (the previous cycle low). The key driver of this price trend has been US natural gas prices (which have a notable seasonal component), however prices for urea and DAP have also trended higher over this period, while the weaker Australian dollar has also added cost pressure for the farm sector.

Feed grain prices edging higher from recent lows

Feed grain prices have trended higher in recent months – up around 12% from levels in late 2024 – albeit they currently remain below the trend across 2023 and much of 2024.

Feed wheat and sorghum were the main contributors to the recent increase in the aggregate index.

Livestock



Cattle

Cattle prices have been relatively range bound in recent months – climbing above 700c/kg in April (to the typical levels seen across January) – before dipping back below this mark in May.

While the global supply picture remains comparatively tight, uncertainty around the global trade environment (particularly the US) may constrain export opportunities.

Lamb

Trade lamb prices tracked sideways just below 800c/kg in Q1, before starting to push above this mark in April, and continuing higher in May.

Demand from processors has remained comparatively strong, while the impact of poor rainfall across much of 2024 has limited lamb supply – helping to keep prices elevated.

Wool

Wool prices generally trended higher between early January and early April – moving well above 1200c/kg for the first time since mid-2023. However, prices have trended lower in the wake of US tariff measures.

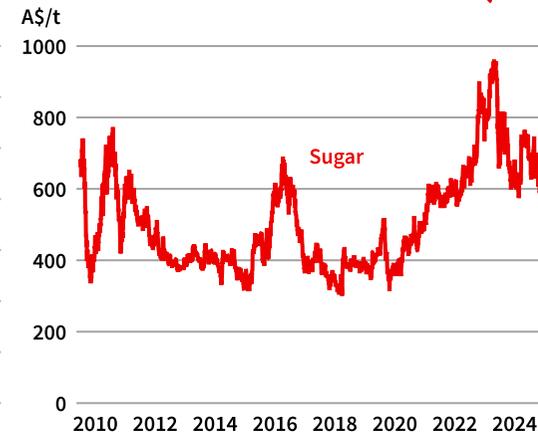
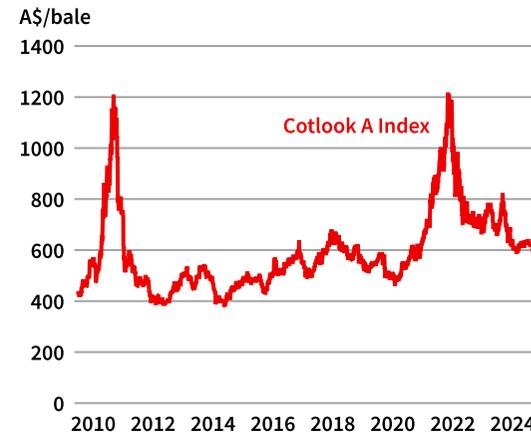
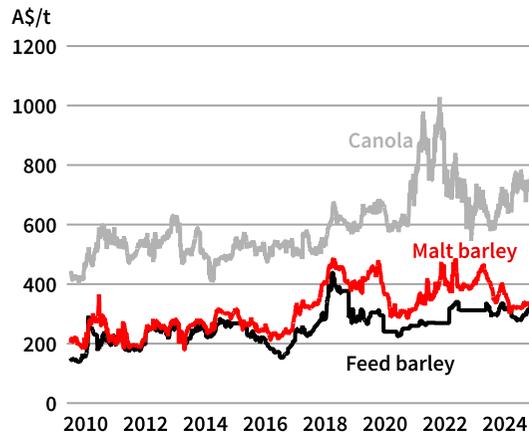
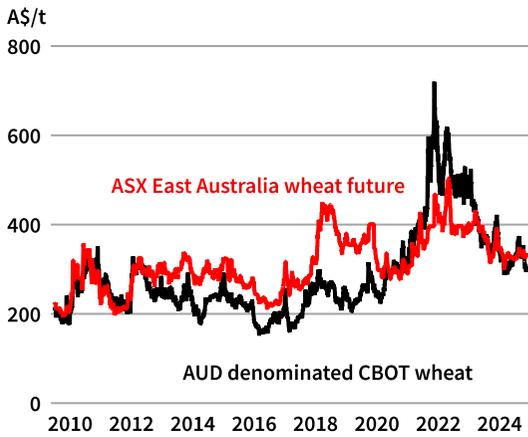
As wool demand is heavily driven by demand for high end discretionary products, the negative impact of US tariffs on the global economy could put further downward pressure on wool prices moving forward.

Dairy

The dairy price index continued to trend higher in April – driven by increases in whole and skim milk powder, as butter and cheddar eased from comparatively high levels.

Global supply conditions are expected to remain relatively tight in 2025, which should continue to support product prices.

Crops



Crop prices

Australian wheat prices have continued to track broadly sideways – having trended near \$330/t since late September. This stability is despite prices sliding in global markets in recent months.

Similarly other major crops – such as canola and barley – have also been range bound, with barley in the low \$300s/t and canola in the low \$700s/t range.

Crop production

ABARES’ estimate of the 2024-25 winter crop was increased in March – seeing a 26% increase in output to 59.8 million tonnes (from 55.1 million tonnes in December) – which would be the third largest winter crop on record. This was driven by strong increases in NSW and WA.

The summer crop for 2024-25 has also been revised up – ABARES now expect a 0.6% fall (compared with a -7.1% forecast in December).

Cotton

Cotton prices have been broadly stable in AUD terms since late 2024 – tracking close to \$620/bale through to April 2025. In the wake of the US tariff announcement, cotton prices have eased marginally – moving closer to \$600/bale. ABARES expect global cotton production to fall by around 3.3% in 2025/26, with lower output from the United States and Brazil the key drivers. This could provide some support for prices.

Sugar

Sugar prices retreated from recent peaks in late February, dropping from almost \$750/t to just under \$600/t in mid-May. Sugar supply pressures are easing, with Brazilian production set to rise this year, following the negative impact of last year’s wildfires. Similarly, improved seasonal conditions in India’s growing regions should support higher output.



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