



NAB Rural Commodities Wrap

July 2025

Highlights



The **NAB Rural Commodities Index** continued to climb in June – up by 2.2% month-on-month in Australian dollar (AUD) terms. We have observed a clear upward trend since October 2024, which means that our index was 8.6% higher in June than a year ago.

There has been **considerable volatility in the US dollar exchange rate** over the past year – with the rate in June 2025 around 2.1% below that of June 2024. This means in US dollar (USD) terms, our index rose by 6.4% yoy. There has been a strengthening trend in the AUD since February this year.

The month-on-month increase in our AUD index in June was driven by **vegetables** (with poor rainfall earlier in the year driving broccoli prices higher), **lamb** (where the trade lamb price has risen to record highs) and **beef**. In contrast, **dairy**, **wheat** and **sugar** prices were weaker in June.

The BoM forecasts above average rainfall for the eastern two-thirds of Australia between August and October – with unusually high rainfall across northern parts of this region.

Climatic conditions, as measured by the El Nino-Southern Oscillation (ENSO) index have remained in neutral territory for an extended period. The BoM's modelling suggests that this trend will continue until at least December

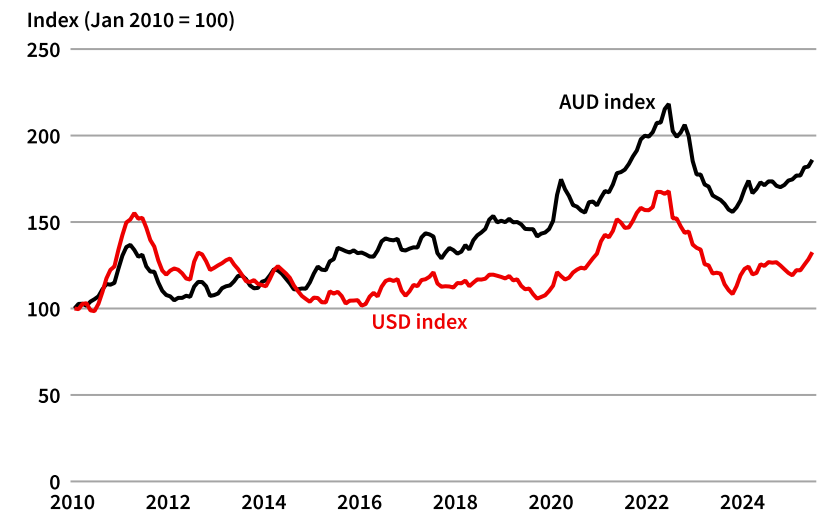
Where **US tariffs** ultimately settle is still very unclear, meaning trade policy uncertainty remains elevated, weighing on business and consumer sentiment. Given this, we only see soft global growth by historical standards through to 2027.

Recent **Australian activity data** has been mixed, with household consumption seemingly remaining weak in Q2 (as households seek to restore their savings). This should result in another year of sub-trend growth in 2025 but move back to trend levels in 2026.

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NAB Rural Commodities Index

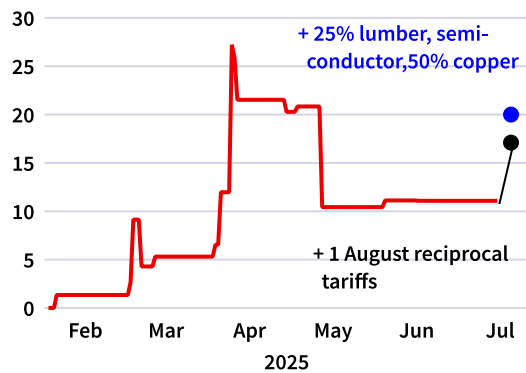


Source data: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg, Refinitiv, Macrobond

Economic update



Cumulative change in US average tariff rate (ppts)

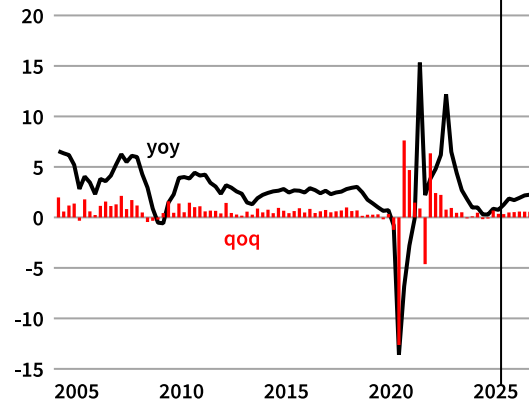


Global economy

US reciprocal tariffs are set to commence on 1 August but where tariffs ultimately settle is still very unclear. As there is a high of chance of further increases, risks to the global outlook are tilted to the downside. In the meantime, trade policy uncertainty remains elevated, weighing on business and consumer sentiment.

Given this uncertainty, we only see soft growth by historical standards through to 2027.

Real household consumption (%)

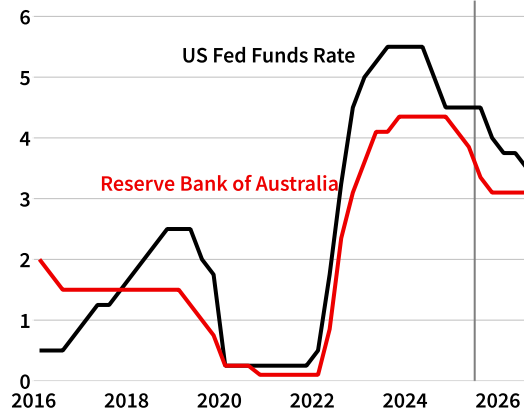


Australian economy

Recent activity data has been mixed, with household consumption seemingly remaining weak in Q2 (as households seek to restore their savings).

This should result in another year of sub-trend growth in 2025 but move back to trend levels in 2026 – with unemployment remaining low and inflation settling in the mid-point of the RBA's target range.

Central bank policy rates (%)

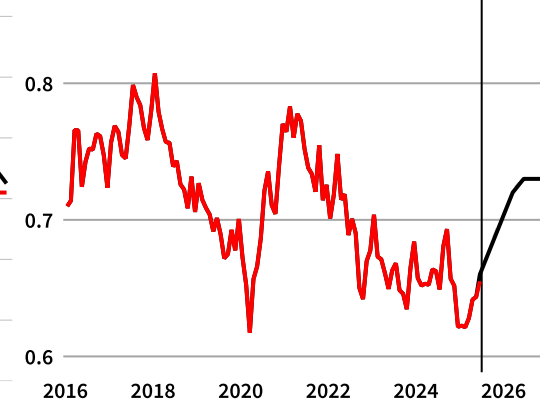


Interest rates

The US Federal Reserve remains on hold while it waits for clarity around tariff settings, the pass-through to inflation and broader economic conditions. We see 50bps of cuts this year (starting in October) and another 75bps in 2026.

The RBA remained on hold in July, but we expect another cut in August, with additional cuts in Q4 and Q1 2026, bring the cash rate to a neutral 3.1%.

USD/AUD

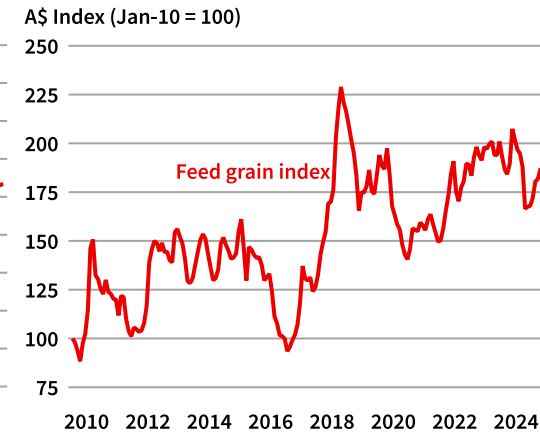
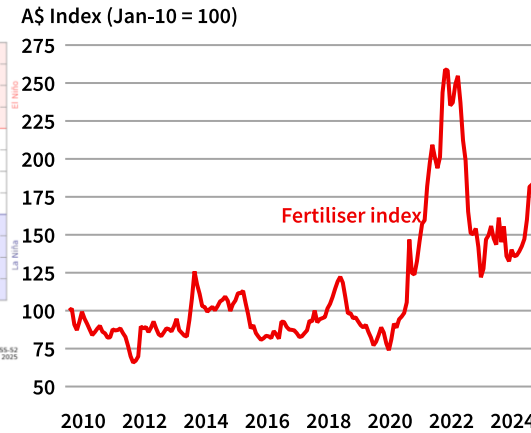
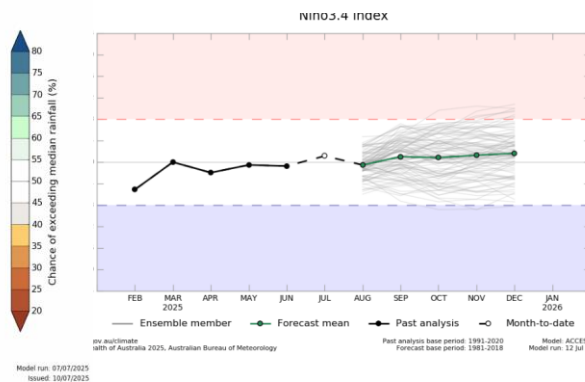
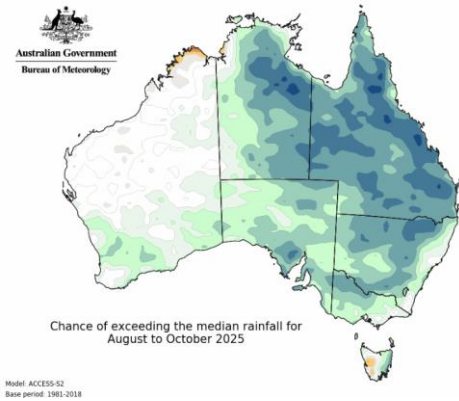


Currency

The USD/AUD exchange rate pushed up above 65 US cents in late June, holding above this mark on a sustained basis for the first time since November 2024, before dipping back below it in mid-July.

NAB's currency strategists see further downward pressure on the US dollar in coming months – reflecting the slower US growth prospects, policy uncertainty and investor outflows. The AUD is forecast to reach 70 US cents by the end of 2025 and 73 US cents by the end of 2026.

Seasonal conditions and farm inputs



Rainfall outlook above average outside WA

Rainfall in June was below average to average across most of the country – with the exception of above average rainfall in parts of northern Queensland and coastal western Victoria.

The BoM forecasts above average rainfall for the eastern two-thirds of Australia between August and October – with unusually high rainfall across northern parts of this region.

Climatic conditions remain neutral

Climatic conditions, as measured by the El Niño-Southern Oscillation (ENSO) index have remained in neutral territory for an extended period.

The BoM's modelling suggests that this trend will continue until at least December – albeit the bureau note that the large spread in outcomes across a range of international models indicates more uncertainty at present than usual.

Fertiliser prices remain elevated

Fertiliser prices have trended marginally higher since April, however the broader trend has been relatively stable – at elevated levels – since the start of 2025.

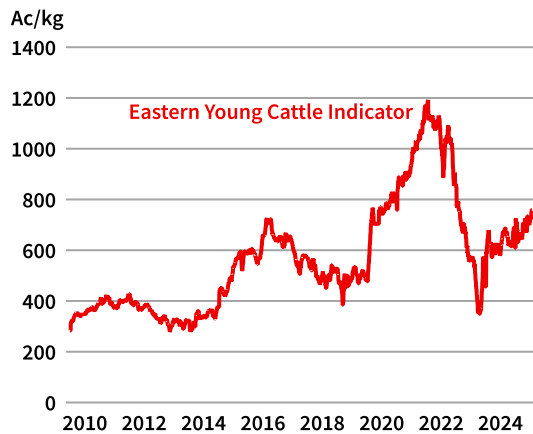
While US natural gas prices have retreated since January, as have urea prices in more recent months, this has been offset by an upward trend in Diammonium Phosphate (DAP) prices.

Feed grain prices have edged lower

Feed grain prices have eased in the past two months, down by 3.9% in June – with oats and sorghum falling more rapidly than other grains.

That said, while feed grain prices are somewhat below the trend across 2023 and 2024, they remain comparatively high.

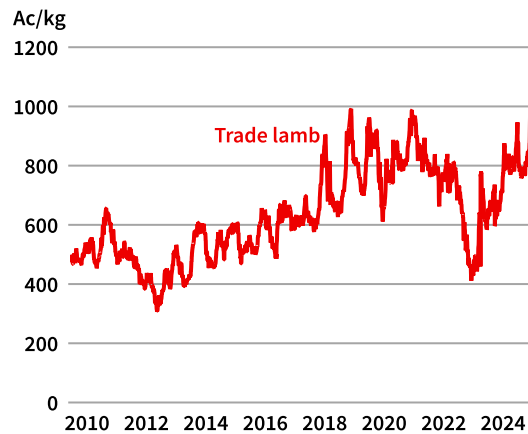
Livestock



Cattle

Cattle prices have continued to trend higher in recent months – albeit with considerable volatility. The EYCI dipped between late May and late June (briefly moving below 700c/kg) before subsequently climbing to 760c/kg by in the second half of July, its highest level since February 2023.

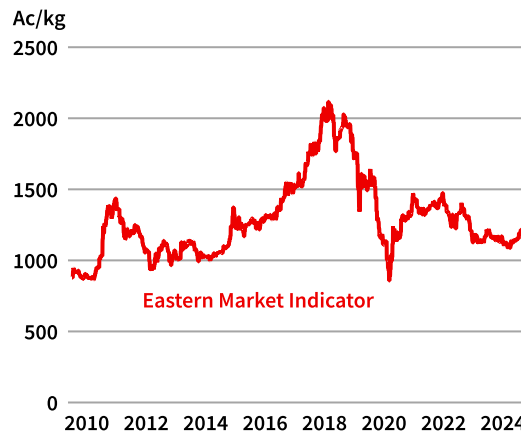
Global supply remains tight – as US production eases – however uncertainty around the global trade environment could negatively impact demand in the near term.



Lamb

Trade lamb prices have climbed rapidly since the late May – moving from around 800c/kg to almost 1200c/kg in mid-July, a new record high.

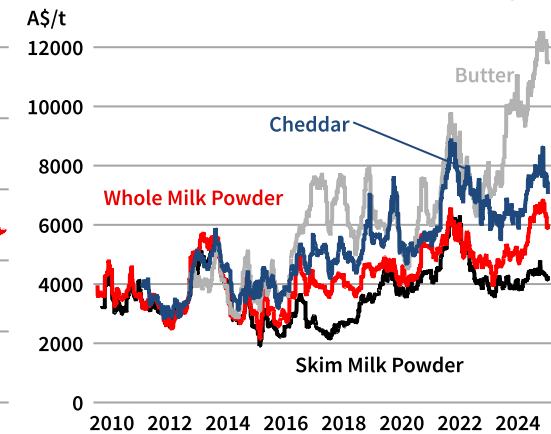
While seasonal factors have contributed – with supply at its lowest in the winter (ahead of new-season lambs in the spring) – this was exacerbated by poor seasonal conditions in a range of producing regions. At the same time, export demand has been comparatively strong – with a pickup in the US and China more recently.



Wool

Wool prices tracked higher between January and early April 2025 but subsequently eased – dropping closer to 1200c/kg – following the initial US reciprocal tariff announcement.

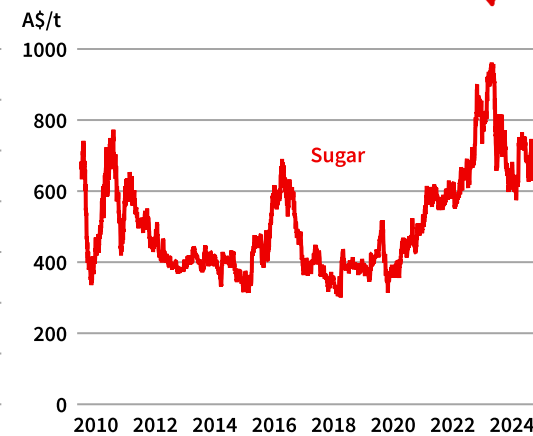
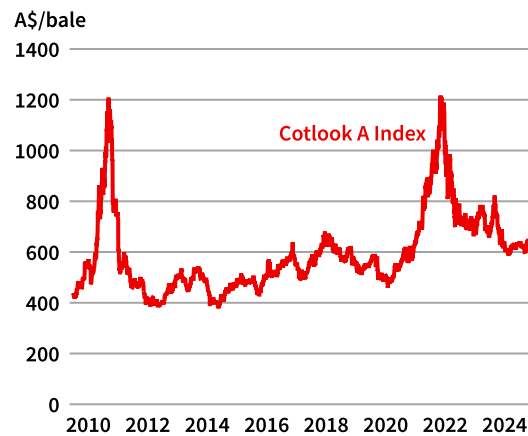
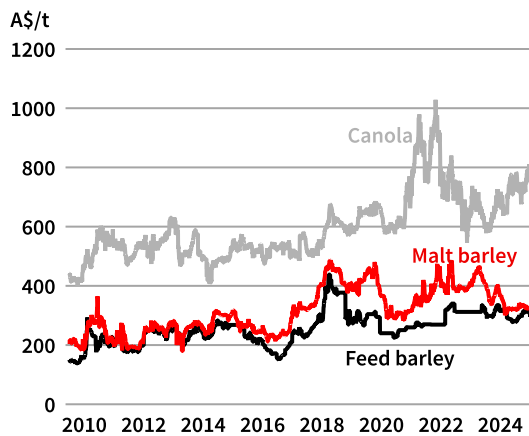
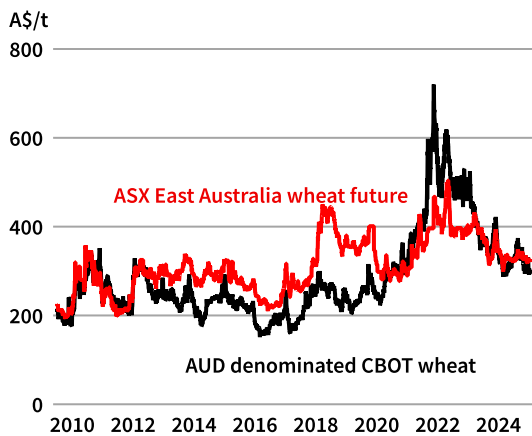
Given that wool demand tends to be driven by higher end discretionary products, it is likely to be more negatively impacted by the weaker global economic outlook and general uncertainty at present.



Dairy

The dairy price index peaked in mid-May and has subsequently eased – with the index down by around 5.6% in June. This reflects an expansion in dairy product supply – in line with seasonal trends – with the peak of northern hemisphere output. Global demand still appears robust – including China – which is likely to underpin dairy product prices at relatively high levels going forward.

Crops



Crop prices

The prices for most Australian crops have drifted lower or sideways in recent months – with wheat prices down to \$320/t, while barley has also eased and rice fallen rapidly. The exception to this trend has been canola, which tracked higher between early May and mid-June, before subsequently falling back to its starting point.

Crop production

ABARES expect the 2025-26 winter crop to fall by 7.7% to 55.6 million tonnes – having revised up its estimate of the 2024-25 crop to over 60 million tonnes. If this is to eventuate, it would still be the sixth highest output on record. The estimate for the 2024-25 summer crop has been revised – with ABARES now expecting a 2.1% increase, compared with previous expectations of a modest decline.

Cotton

Cotton prices – in AUD terms – have remained comparatively stable since the latter part of 2024 – with prices trending close to \$600/bale in recent months. Strong water availability in Queensland provided support for a boost in domestic output in 2024-25 but ABARES expect both Australian and global output to fall in 2025-26.

Sugar

Sugar prices have tracked lower in recent months – from around \$750/t in late February to around \$520/t in late June – before edging up a little in July. The downward pressure on prices reflects the easing of supply pressures, driven by Brazil (where output has recovered from last year's wildfires) and India (which benefited from improved seasonal conditions).



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