

GROWTH FARMS AUSTRALIA

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Fast Tracking Self Sufficiency

How the Middle East shock is reshaping Australian farming for the better

The current fuel and fertiliser disruption is painful in the short term, but it is accelerating changes in domestic production, on farm practice and supply chain design that will leave Australian agriculture more resilient and self-sufficient than it was before.

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01 - WHAT IS HAPPENING

A fuel and fertiliser shock, driven by the Middle East.

The closure of the Strait of Hormuz following the outbreak of conflict in the Middle East has disrupted roughly 40% of global urea trade and a significant share of the crude oil that Asian refineries convert into Australian diesel. A strike on Qatar's Ras Laffan LNG terminal has taken an estimated 17% of global LNG capacity offline for what may be years, pushing up the natural gas prices that drive more than 60% of the cost of urea production.

The numbers tell a story:

Indicator	Current	12 months ago	Move
Urea (FOB Middle East)	USD 812/t	USD 381/t	+113%
Brent crude oil	USD 118/bbl	USD 75/bbl	+57%
Retail diesel (indicative)	>AUD 3.00/L	~AUD 1.85/L	+60%+
EYCI (beef)	858 c/kg cwt	588 c/kg cwt	+46%
Trade Lamb	1,105 c/kg cwt	809 c/kg cwt	+37%
AWEX EMI (wool)	1,716 c/kg	1,245 c/kg	+38%
ASX EC Wheat Track	AUD 342/t	AUD 331/t	+3%
RBA cash rate	4.10%	4.10%	flat (upside bias)

Sources: RaboResearch April 2026, AWEX, MLA, Bloomberg. Year on year change unless stated.

A critical point: **input costs and output prices are both moving up.** The commodities Australian broadacre farms produce - food and natural fibre - are non-discretionary. People keep eating and wearing clothes regardless of what is happening in the Persian Gulf. When supply tightens and demand holds, pricing power finds the producer. The table above shows the output side has moved more sharply than most input lines, especially in livestock.

02 - THE SILVER LINING: FAST TRACKING SELF SUFFICIENCY

This crisis is accelerating structural change that was overdue.

Australia has had **no significant domestic nitrogen fertiliser production** since Incitec Pivot closed its Gibson Island urea plant in Brisbane in early 2023. Further, Australia imports over 90% of its fuels. Until this year, the urgency to change was mostly theoretical, which is rapidly changing. Three areas are moving fast.

Domestic fertiliser production

The A\$6 billion Perdaman plant at Karratha (WA) is now under construction, backed by 20-year agreements with Woodside (feedstock) and Incitec Pivot (offtake). When fully operational (targeting operating commencement 2027), it will produce 2.3 million tonnes of urea per annum - one of the largest plants in the world. Separately, in Leigh Creek, South Australia, the proposed NeuRizer Urea Project (NRUP) on the Leigh Creek coalfield could add a further 500,000 tonnes of domestic urea supply using coal gasification rather than imported gas. For context, Australia imported more than 4 million tonnes of urea products last financial year. These two projects will secure local supply and replace more than half of the current imported urea demand alone.

Biofertiliser and biological nitrogen

The crisis is also accelerating adoption of biological alternatives. CSIRO research published this month highlights crop varieties with enhanced biological nitrification inhibition, cold plasma seed treatments, and nitrogen fixing inoculants. Many Australian farms are already using biological inputs and regenerative soil management to reduce their synthetic nitrogen requirement. With urea above USD 800 per tonne, the economics of doing so have sharpened considerably.

Pulse rotations - chickpeas, faba beans, lentils - remain the most established form of on farm biological nitrogen fixation. Legumes fix atmospheric nitrogen through rhizobia bacteria, leaving a nitrogen credit for the following cereal crop. Many Australian cropping operations are expanding pulse area in direct response to current pricing.

Domestic fuel production

The Australian Government has committed A\$1.1 billion to the Cleaner Fuels Program for domestic renewable diesel and Sustainable Aviation Fuel (SAF) production. Ampol's Brisbane Renewable Fuels project targets over 750 million litres annually using Australian feedstocks - canola oil, tallow and used cooking oil - by 2029. For farmland investors, this is interesting on two fronts: renewable diesel uses feedstocks our farms produce. ***A domestic renewable fuels industry turns our outputs into input cost hedges.***

03 - WHAT THIS MEANS FOR GROWTH FARMS

How the Growth Farms Australia (GFA) portfolio is positioned.

GFA currently manages 47 aggregations, approximately 72,000 operated hectares, across six states, 15 portfolios and a broad range of rainfall zones and enterprise types.

Enterprise	% of portfolio	Fuel/fertiliser intensity
Livestock (beef, lamb, wool)	46%	Lower - ~8 to 12% of cash cost of production
Dryland cropping	42%	Higher - ~30 to 40%, fertiliser dominant
Irrigated cropping	12%	Moderate - ~25 to 35%, plus pumping energy

Indicative ranges based on GFA operational data and ABARES farm survey benchmarks.

The 46% livestock weighting is doing its job in this cycle. Livestock enterprises are structurally less exposed to synthetic fertiliser than cropping, and output pricing has moved strongly: beef +46%, lamb +37%, wool +38% year on year. Geographic diversification across six states and multiple rainfall zones and commodities means input price spikes at one aggregation do not hit the other 46 cost curves identically.

Operational mitigations already in place

- Forward orders of urea, DAP and MAP placed at prices well below current spot.
- Diesel bulk storage on farms, enabling cost of diesel to be averaged out over 6-12 month periods.
- Rotations tilting toward pulses and canola, reducing synthetic nitrogen dependency.
- Variable rate fertiliser technology ensures nitrogen is only applied where it will move the needle, rather than blanket applications. At current urea prices, that discipline pays for itself.
- Twenty-five years of regenerative soil building means our soils continue to hold more natural nitrogen than they have historically.
- Every farm operates to a quarterly cashflow reforecast with management and capital plans constantly being reviewed.

Cropping margins in 2026/27 will be tighter than they would have been in a world where the Strait stayed open. But the combination of enterprise diversification, procurement discipline and agronomic flexibility means the portfolio is absorbing the shock, not being reshaped by it.

04 - THE LONG-TERM VIEW

A supply shock on essentials is not a reason to be less interested in the land that produces them.

Fuel and fertiliser shocks are both geopolitical and cyclical. The 1973 oil crisis, the 2008 commodity spike and the 2022 Ukraine disruption each lifted input costs sharply. Each time, prices normalised over a cycle. And each time, long term demand for food and fibre kept climbing through it.

What endures is the structural picture:

- The world will need approximately 50% more food and fibre by 2050.
- The supply of high-quality arable land and freshwater is constrained and, in some regions, shrinking.
- Australia exports 70% of its agricultural production, with low subsidy distortion (~2% of gross receipts vs the OECD average of ~20%).
- Australian farmland has delivered a 20-year compound annual growth rate of approximately 10%.

What this episode adds to the picture is clarity about self-sufficiency. The cost of import dependency has been abstract for years. It is now concrete. The investments being made today - Perdaman, NRUP, the Cleaner Fuels Program, CSIRO's nitrogen efficiency research, on farm biological adoption - will compound over the next decade and structurally reduce the input cost volatility that Australian farmland investors have been exposed to.

The farms that will be most valuable in 2035 are the ones that need the least from a shipping lane.

We believe this cycle sharpens, rather than weakens, the long-term case for Australian broadacre farmland as a real asset. And the structural shift toward domestic production and biological alternatives that it is accelerating will make the next shock easier to absorb.

About Growth Farms Australia

GFA is a privately owned Australian farmland investment manager, established in 1997. GFA manages in excess of AUD 1 billion of Australian farmland assets across 47 aggregations and six states on behalf of domestic and international private clients, family offices, and institutional investors.

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