



ANZ Agri InFocus Commodity Insights

Autumn 2026

Foreword

The new season. Exciting times. Bit like pre-season – everyone is in with a chance all over again. A reset. We hope that fires, floods and droughts are behind us, but of course this isn't true for all farm businesses and districts. And even where things have turned around, we are really looking for a prolonged period of recovery in order to shore up confidence and balance sheets.

In some places, conditions still feel a little tight. As we wind out of summer, of course we have hot and dry weather in the south, and hot and wet weather in the north. A hint of autumn is coming, but when and how substantially will it break? The key watch areas on this are across South Australia, Victoria, Tasmania, and parts of New South Wales, especially in the south. Not that these areas can't bounce back – they have before and will again. What has been really pleasing to see is the continuing strong conditions delivering profitable returns in northern NSW and more broadly throughout Queensland, that combines with the strong rebound we've seen in the cattle market, acknowledging some areas however bore the brunt of cyclones and flooding.

Given we can't be certain of the season in front of us, we budget for the average, hope for something better, and have a plan B or a downside scenario we hope you don't have to use.

We'll cover the commodities in detail with our report authors, but while grain prices are currently more subdued, beef, sheep – and even wool prices – are firm, with outlook and fundamentals encouraging. That is, global supply is our friend,

our supply chain is robust, demand is strong, and normal weather can deliver strong returns to these sectors. While grain prices aren't exciting, many of our cropping regions produced incredible crops last year from very low growing-season rainfall. This isn't the first time we've seen such outcomes in recent years, and highlights the role of technology, adoption and the adaptation that's playing out, supporting some big investments that have been made in the sector.

The world of tariffs, quotas and potential redirection of trade keeps us on notice. The more volatile the global political and trade environment is, the more circumspect we become knowing that things can change quickly. But so far, so good.

We still see the impact of interest rates settling at a higher level post-COVID, so this latest increase does hurt. The big question being will rates keep rising, or will this be enough to see inflation return to the RBA's target range. Time will tell and we explore this further in a full economics update in this edition.

So it's good luck to everyone as we embark on a new season – plenty of challenges to consider, as always – but at this stage, not enough to think we shouldn't be anything other than optimistic.



Mark Bennett

Head of Agribusiness, Business and Private Bank



China's beef tariffs: Temporary reset or new way of business

- China has introduced new beef import quotas with a 55 per cent tariff on out of quota imports effective 1 January 2026.
- The measures are aimed at supporting China's self-sufficiency targets, which include achieving 85 per cent self sufficiency in beef and mutton by 2025 compared with current levels of around 68 per cent.
- The domestic Chinese beef herd has been in long-term decline and is expected to decline again this year to levels not seen since 2011 – the second lowest since 1989.
- China is looking to slow the rise in beef consumption which has jumped 70 per cent in just 10 years, following the impact of African Swine Fever.

In light of the Chinese Government's announcements of new quotas and tariffs on out-of-quota beef imports, there are many questions facing Australian and international beef producers. While many producers are understandably looking at the impact of these quotas on their own margins and supply chain, perhaps the biggest question is whether this move by the Chinese Government is a temporary measure to adjust to changing dynamics in China's beef production and consumption, or is it expected to be a long-term move aimed at supporting domestic Chinese production into the future?

The Chinese Ministry of Commerce announced that beef imports exceeding new quota limits would face a 55% tariff from January 1, 2026. The total quota for imports to China for 2026 has been set at 2.6 million tonnes (mt), which will increase gradually to 2.8mt by 2028 with the quota set to cease in 2029. All countries exporting to China have been allocated fixed shares of that total quota, with Australia receiving 205,000 tonnes (7.9%) in 2026. Other key beef exporters' shares include Brazil (42.3% of the 2026 quota), Argentina (19.6%), Uruguay (12.5%) and the United States (6.3%).

The new total quota of 2.6 million tonnes would see a more than 1 million tonnes or 28 per cent reduction in imports from the latest United States Department of Agriculture forecasts for 2026 – but a just under 200,000 tonne reduction on total 2024 imports. Given this cut, which countries are most at risk from the new quotas? Based on the United Nations trade statistics for 2024, Australian

exports constituted 9.9 per cent of Chinese beef imports by tonnage – meaning a 7.9 per cent quota of a smaller market represents a 10,000 tonne reduction on 2024 levels, but significantly more on 2025 levels where Australian exports to China from January to November had already reached 295,000 tonnes.

Chinese beef imports by tonnage

	Share of Chinese imports beef in 2024 by quantity	2026 quota	2024 exports by tonnage	2026 import quota by tonnage
Total China imports			2,874,577	2,688,000
Brazil	46.6%	42.3%	1,339,987	1,106,000
Argentina	20.7%	19.6%	594,569	511,000
Uruguay	8.5%	12.5%	243,689	324,000
Australia	7.5%	7.9%	216,077	205,000
New Zealand	5.2%	7.2%	150,539	206,000
USA	4.8%	6.3%	138,167	164,000

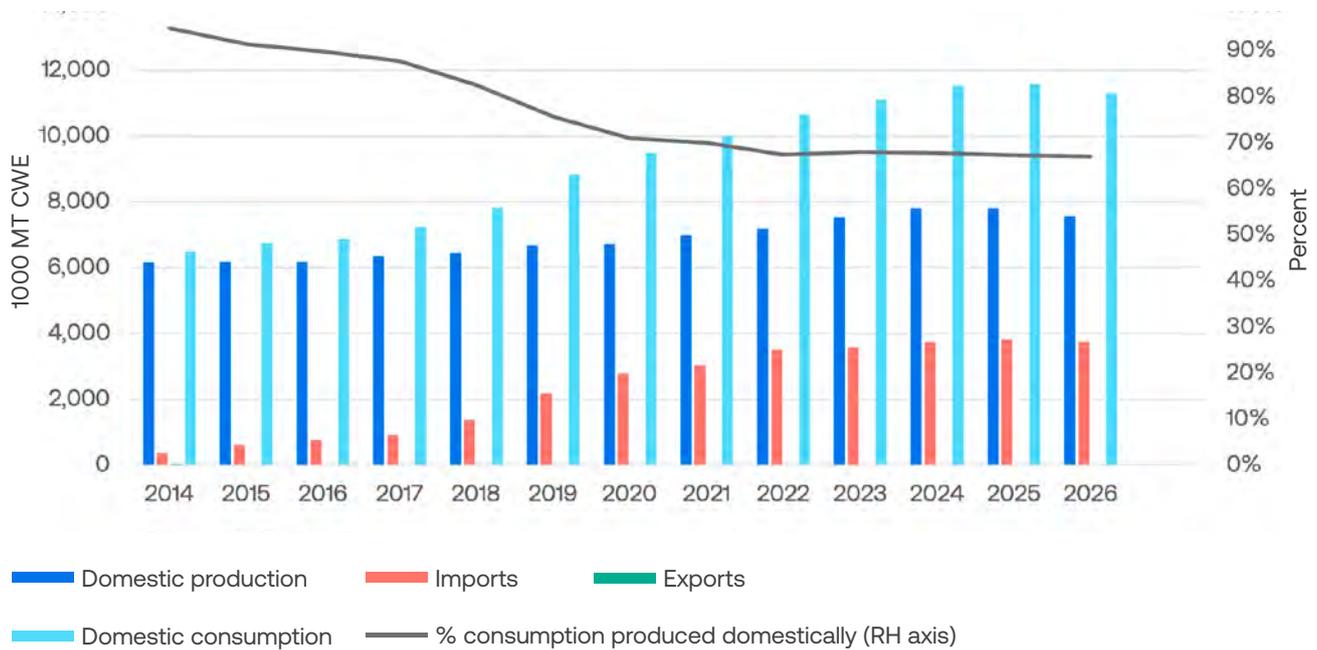
Source: Mofcom, ANZ

While the Chinese Government has announced that these quotas are designed to protect the domestic industry, a deeper look at the drivers and changes in production shows that the challenges facing the Chinese beef industry are significant – and unlikely to be addressed through these quotas alone.

Commentary on the Chinese beef industry must be understood in the context of China’s broader drive for self-sufficiency in agriculture. This aim is

core to President Xi Jinping’s agenda, stating that “the food of the Chinese people must be made by and remain in the hands of the Chinese” and self-sufficiency in food is a top national priority”. In that context, China’s Ministry of Agriculture and Rural Affairs’ Five-Year Plan, which was released in December 2021, sets out China’s new self-sufficiency targets by 2025. This includes full self-sufficiency for poultry and eggs, 95 per cent self-sufficiency for pork and key grains, 85 per cent for beef and mutton and 70 per cent for dairy.

China beef production and consumption



Source: USDA, PSD

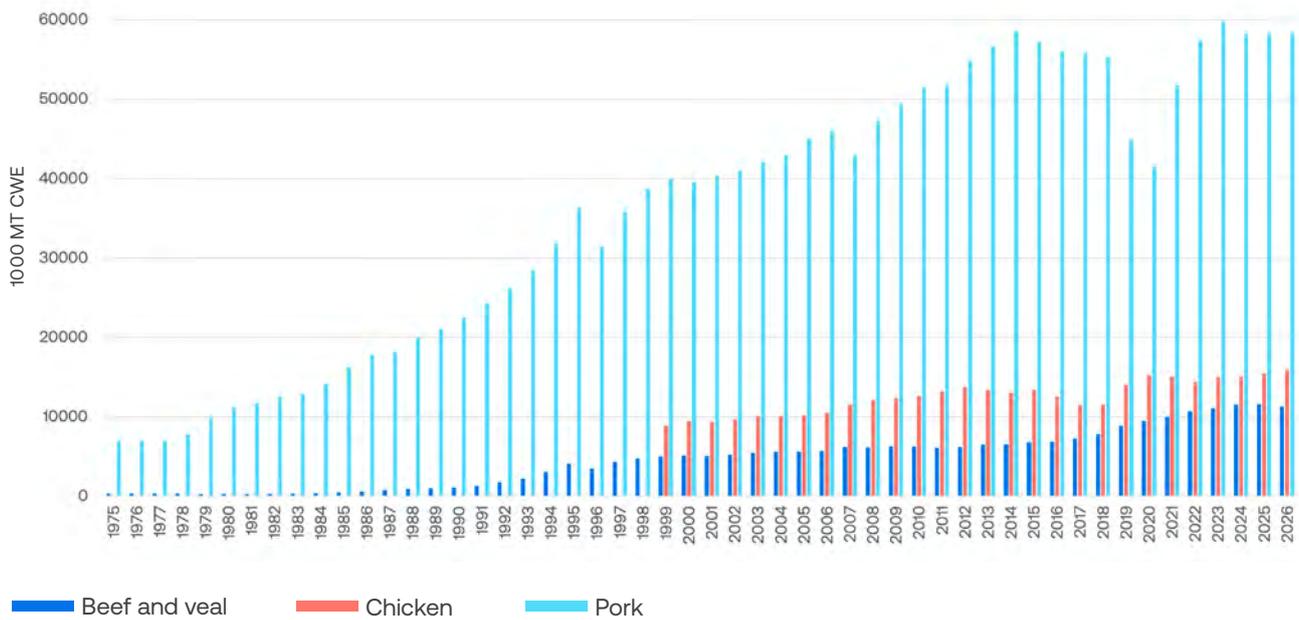
In just ten years since 2014, China's self-sufficiency in beef has declined from 95 per cent to just 68 per cent in 2024 – which has been driven by a remarkable 70 per cent increase in China's beef consumption as the much-discussed urbanisation and growing middle class leads to growing demand for red meat, as well as the impact of African Swine Fever on pork consumption.

Sitting behind the decline in self-sufficiency and domestic production has been a sharp decline in the Chinese beef herd according to the United States Department of Agriculture (USDA), which has declined by 15 per cent in just two years to 2024. Reports claim that low profitability of Chinese beef production has led to significant

culling in the past two years. USDA forecasts the beef herd to continue to decline again in 2026 to levels not seen since 2011, which was itself, the lowest level since 1989.

And while the introduction of quotas and tariffs are clearly about supporting domestic beef production – it is also aimed at supporting the Chinese pork industry as it recovers from African Swine Fever. Chinese pork production and consumption have grown more slowly than other proteins and over the ten years to 2024, pork consumption has declined two per cent while Chinese pork production has declined one per cent. Despite this, pork remains the most highly consumed meat by a big margin.

China meat consumption



Source: USDA PSD, ANZ

So, while the stated aim of the new quotas and tariffs has been to support Chinese beef producers, the Chinese Government also appears to be trying to use price increases for out-of-quota beef to meet domestic self-sufficiency targets by reducing overall beef consumption in favour of pork consumption. The larger question is whether Chinese consumers will move willingly away from their growing interest in beef – or whether the rise of hamburgers and high-end steak houses will continue. In this context, it is also worth noting that the introduction of this quota has happened at a time when USDA forecasts are

already predicting a reduction in domestic beef consumption of 2.5 per cent in 2026 as a result of lower economic growth and disposable income.

For Australian beef producers, while the quotas and tariffs as announced will cease after three years, it perhaps signals an end to the boom in Chinese beef imports for all major exporters, as the return to health of the Chinese pork industry and decline in domestic beef production has seen the Chinese Government refocus on meeting their self-sufficiency targets.



Beef insights

- The Australian female slaughter rate has dipped into herd rebuild territory, despite strong global demand and very solid prices.
- Slaughter numbers continue to grow strongly in Western Australia, South Australia and Victoria, but dipped slightly in Queensland and Tasmania.
- Production in the United States has yet to recover, and there are now indications that Brazil is also about to enter a herd rebuild.
- For producers, the trade-off between rebuilding the herd or taking advantage of limited global supply will be one of the main considerations through the year.

Following the scare for Australian beef producers with the announcement of quotas and out-of-quota tariffs for Australian exports to China, Queensland producers have also felt the brunt of flooding resulting in the loss of an estimated 50,000 head of cattle. In response, Australian cattle sales have entered the year with slight dips across most categories, but with slaughter rates climbing to multi-year highs. With volatility and trade issues continuing to dominate international demand, as well as the lethargic herd rebuild in

the United States impacting trade supply, the global position remains uncertain. For Australian producers there are two factors at play for prices and on-farm decision making – a forecast decline in global supply, particularly in the United States, supporting growing demand for exports, and a cyclical return to consolidation or herd rebuilding following years of record slaughter. Both scenarios bode well for cattle prices into 2026 as supply becomes tighter.

Saleyard cattle prices

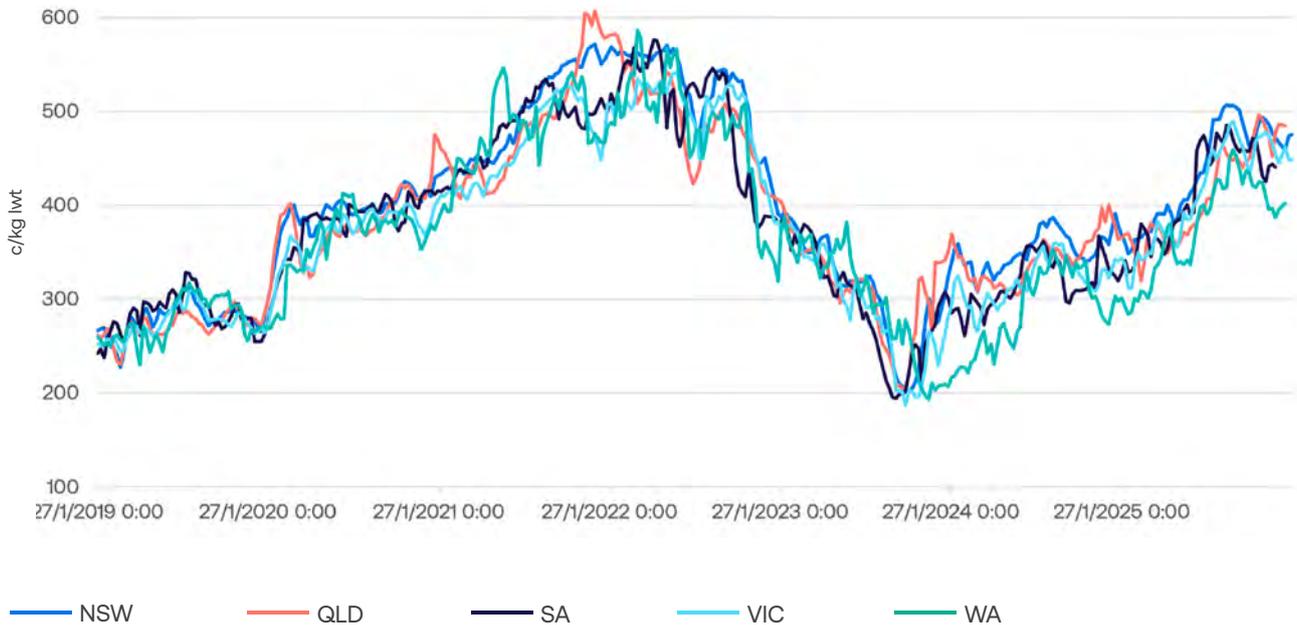


Source: MLA, ANZ

It's been a rocky start to 2026 for cattle producers as floods, bushfires and the announcement of new quotas for Chinese beef imports have sent shivers through the cattle markets. Despite this bumpy start to the year, saleyard cattle prices have remained relatively firm on the back of continuing strong slaughter and demand. Saleyard cattle prices ended last year dipping slightly across all categories, but particularly for restocker steers. The market rebounded into

the new year such that all saleyard categories are sitting around 110c-120c/kg live weight (lwt) higher than the same time last year. The strongest performing categories over the first months of 2026 have been those for restocker and feeder steers, primarily stemming from pasture growth in northern Australia and being reflected in the Queensland market showing the strongest yearling price growth for January 2026.

Saleyard yearling prices by state



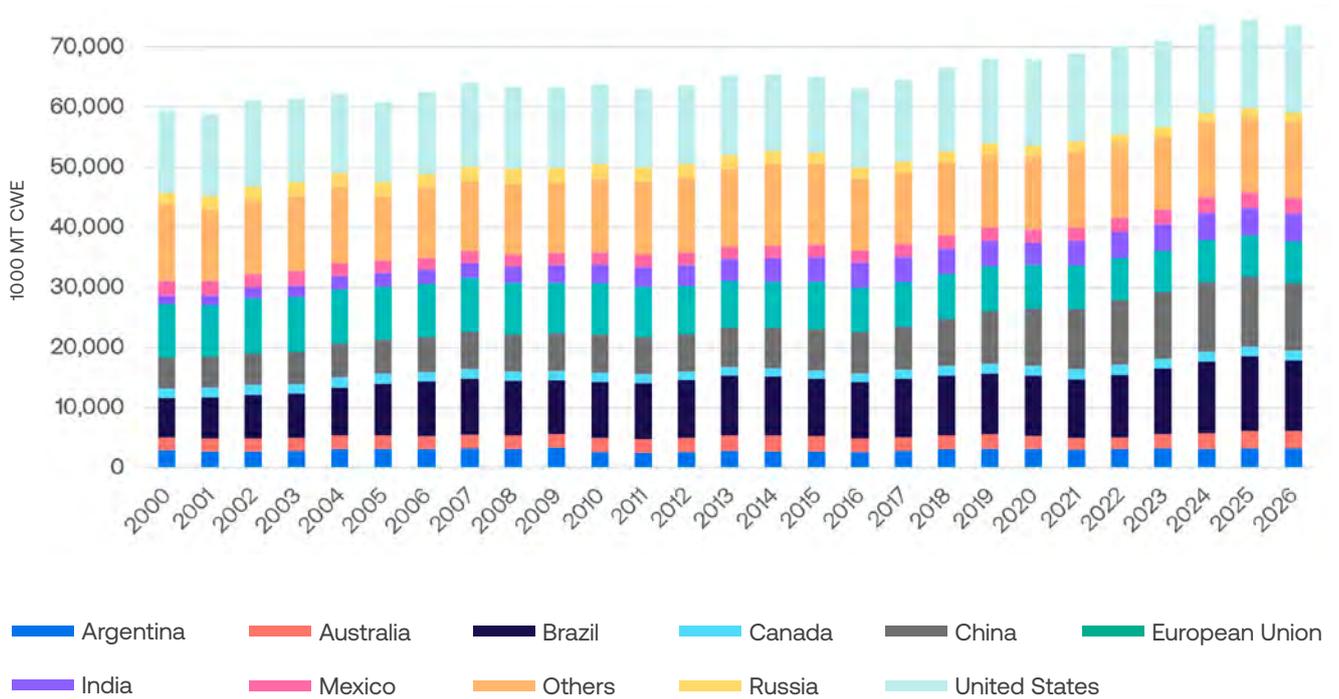
Source: MLA, ANZ

Cattle slaughter has started 2026 strongly, sitting around 2 per cent higher than both 2025 and 2024. Slaughter rates have grown significantly year-on-year in Western Australia, South Australia and Victoria but dipped slightly in Queensland and Tasmania, particularly as northern producers look to retain stock for fattening.

While production and slaughter continue at pace for the beginning of the year, many forecasts are predicting that total slaughter for 2026 will fall back to around 3 per cent, and total production

will fall 2.5 per cent, highlighting expectations for tighter supply in the latter part of the year. Supporting this are the most recent slaughter figures which have seen the female slaughter rate (FSR) dip below the widely quoted 47 per cent mark – under which the herd is considered to be in rebuild. This is a sharp turnaround from an FSR of around 54 per cent in 2025 but fits with many years of very strong slaughter rates across the country, which saw the national cattle herd decline slightly in 2025.

Global beef and veal production

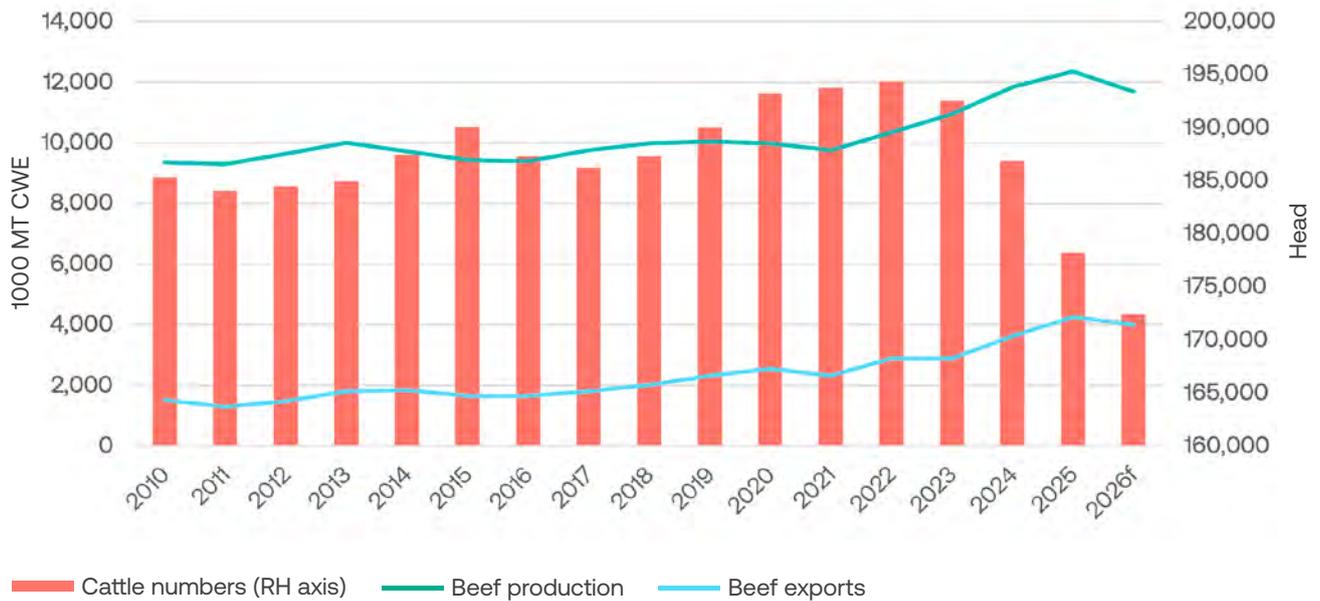


Source: USDA, ANZ

So while those figures would suggest 2026 will see cattle and beef supplies tightening, there is another factor in play – growing concerns over global beef supply from both the United States and possibly even the ever-expanding Brazilian beef sector. The latest figures from the United States Department of Agriculture (USDA) shows no end in sight for the decline in US beef production, forecast to fall another 0.4 per cent in 2026, while the US national herd numbers are forecast to continue to fall to 27.73 million at the same time.

The real question lies in whether the juggernaut production strength of Brazil will continue to grow – with the USDA and some analysts predicting a fall in Brazilian production of over 5 per cent. Much of that stems from the assumption that after multiple years of aggressive growth – 23 per cent in the past five years – a natural herd rebuild phase is due. On the flip side, other analysts are pointing to the Brazilian industry’s growing calving rates, carcass weights and fattening abilities, arguing that recent growth reflects structural gains rather than a temporary cycle.

Brazil cattle numbers and production



Source: USDA, ANZ

It is clear that for the moment, Brazil is the major power player in global beef – surpassing the US as the world’s largest exporter – and while its technology and industry have advanced significantly in recent years, there are signs of producers retaining females and moving towards a rebuild phase. The question is how big will that rebuild be and what impact will it have on global supply? Another factor impacting global prices will be the recently inked Free Trade Agreement between the United States and Argentina, which will allow Argentina to export 80,000 metric tons

of beef to the United States in 2026 tariff-free, allocated equally across quarters. The Agreement allows the US to export a reciprocal amount to Argentina, however given production in the US, they are unlikely to take advantage of this quota. President Trump has been clear that this measure is aimed at keeping US beef prices lower, as it is aimed at beef trimming for processing in burgers and similar products. This is expected to be in direct competition with Australian beef exports to the US – a large proportion of which are lean trimmings.



Grains and oilseeds

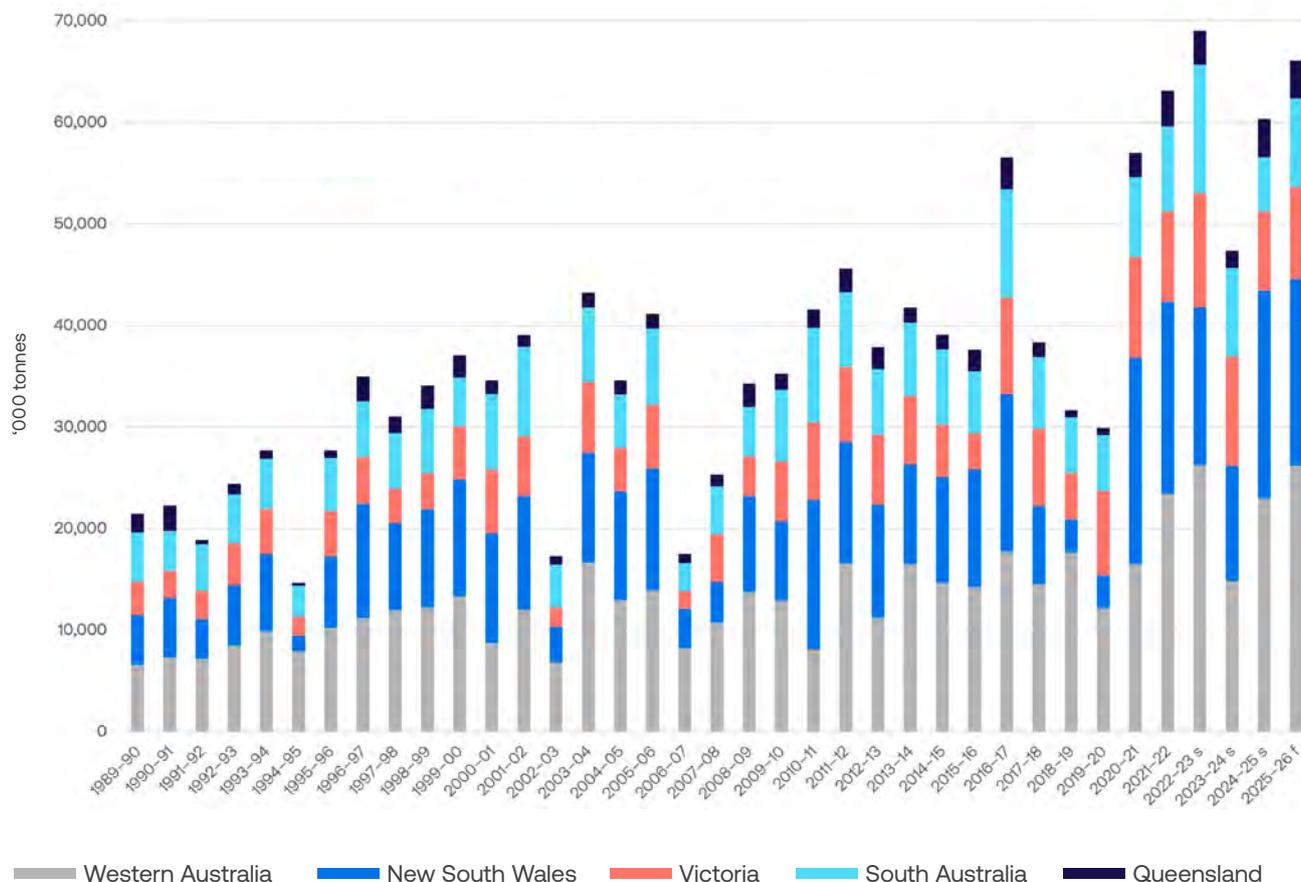
- Australia has delivered a bumper crop, with 2025/26 grains, oilseeds and pulses production around 70.7 million tonnes, the second highest on record.
- Wheat, barley and canola account for around 58.5 million tonnes, with strong volumes coinciding with softer prices as global production remains high.
- Western Australia recorded a particularly strong season, while eastern state outcomes were more variable due to rainfall timing.
- Globally, wheat, barley and canola production remains high across all major exporters, intensifying competition.
- As a result, export outcomes in 2026 are likely to be shaped less by production and more by currency, logistics, freight and market access.

With the 2025/26 harvest essentially complete, Australia's grains and oilseeds sector has delivered another bumper crop. While this has been welcome news for many growers - particularly after early season concerns about dry conditions in parts of the east and south - it has also occurred against a backdrop of strong global supply. As a result, the season is characterised by high volumes but more subdued prices, tightening margins even as production remains historically strong.

Australia – strong volumes, tighter margins

With harvest largely complete, the most recent ABARES forecasts put Australia's total grains, oilseeds and pulses production at around 70.7 million tonnes in 2025/26, the second highest on record, behind only 74.4 million tonnes in 2022/23. This is around eight per cent higher than 2024/25 and sits roughly one third above the decade average. Wheat, barley and canola account for approximately 58.5 million tonnes, or 83 per cent of the total, reinforcing their dominance within the national cropping system.

Winter crop production by state, 1989–90 to 2025–26



Source: ABARES, ANZ

(Note: ABARES publishes a range of different crop summaries, which vary by crops included. The above chart includes barley, canola, chickpeas, faba beans, field peas, lentils, linseed, lupins, oats, safflower, triticale and wheat.)

Western Australia remains the largest contributor to the national grain pool, accounting for around 40 per cent of Australia’s wheat exports and more than half of the national canola crop. In 2025/26, WA wheat production is estimated at around 13.4 million tonnes, up by around six per cent on the previous season. Barley output rose more sharply to around 7.2 million tonnes, an increase of around 20 per cent, while canola production lifted to around 3.9 million tonnes, up by more than one third year on year. The stronger outcome reflects both expanded area – including into previously sheep producing operations – and improved seasonal conditions.

In New South Wales, production eased from the previous season and remained uneven across

regions, reflecting differences in rainfall timing and soil moisture profiles. Wheat production was estimated at around 11.1 million tonnes, down around 14 per cent year on year from the very strong 2024/25 outcome. Barley production at around 3.3 million tonnes was slightly lower, while canola output of around 1.7 million tonnes declined by around 10 per cent, largely reflecting reduced yields rather than area. Northern NSW again performed relatively well, benefiting from more reliable in season rainfall and better spring finishes. By contrast, parts of southern and central NSW experienced a drier spring that constrained yields despite reasonable early-season establishment. This reinforced differences between northern and southern regions, affecting when crops were harvested and how grain moved into storage.

Victoria and South Australia both recorded improved results relative to the previous season, though the recovery was uneven across crops. In Victoria, wheat production lifted to around 4.3 million tonnes, an increase of around eight per cent year on year, while barley output rose to around 2.6 million tonnes, up by a similar margin. Canola production, at near 0.9 million tonnes, eased slightly from the previous season, reflecting reduced planted area rather than yield pressure.

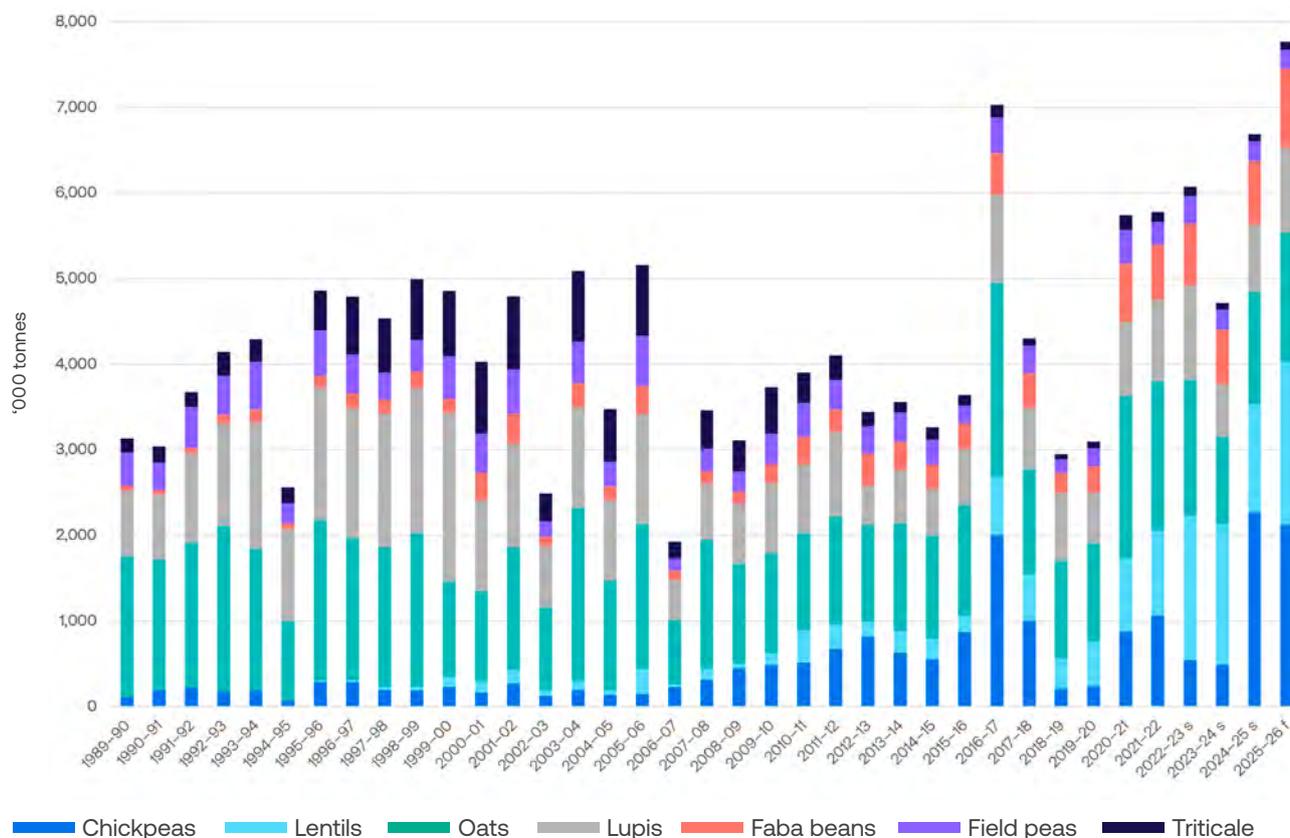
In South Australia, wheat production increased to around 4.4 million tonnes, up by around 10 per cent, while barley output rose to around 2.2 million tonnes, an increase of around eight per cent, despite early-season dryness concerns. Canola production, at around 0.8 million tonnes, was little changed year on year. Despite the recovery, yield volatility in both states remains higher than in Western Australia, leaving margins more sensitive to rainfall timing than total rainfall.

Queensland again delivered a solid winter crop outcome, with wheat production estimated at around 2.3 million tonnes, broadly in line with the previous season rather than materially higher.

Barley production eased slightly to around 0.5 million tonnes, while canola volumes remained small in absolute terms. Chickpeas continued to underpin Queensland's grain and pulse mix, with production estimated at around 0.9 million tonnes, down modestly from last season but still well above long-run averages. Queensland plays a smaller role in winter cropping but supplies wheat and pulses mainly into domestic feed markets and nearby exports.

Despite the size of the national harvest, price outcomes for growers were more subdued, given the increased levels of global production. Wheat export prices softened as large crops in the Black Sea, Europe and Australia coincided with stable global consumption, intensifying exporter competition. Barley prices remained under pressure as ample global feed grain supply capped premiums, particularly where barley competed directly with corn. Canola prices were more resilient, supported by food oil demand and biofuel mandates, but still eased from the highs of recent seasons as global oilseed supply expanded.

Australia winter crop production (minus wheat, barley, canola) 1989/90 – 2025/26f



Source: ABARES, ANZ

The global grain complex – replenished and competitive

Globally, grain and oilseed production has continued to grow strongly. Wheat production has risen from roughly 650 million tonnes in 2010/11 to a forecast 828 million tonnes in 2025/26, while consumption has grown alongside it to around 818 million tonnes. Global wheat ending stocks are projected near 274 million tonnes, lifting stocks to use above 33 per cent. While a large share of these stocks is held in China and India and not actively traded, supplies held by major exporting countries are currently sufficient to meet current global demand.

Global wheat exports for 2025/26 are forecast at around 213 million tonnes, with the Black Sea region continuing to dominate global trade. Russian production is projected near 86 million

tonnes, while Ukraine remains close to 23 million tonnes, keeping substantial volumes available to export markets. At the same time, the European Union is expected to increase shipments following a weaker 2024/25 season, while Argentina and the United States have also lifted export volumes. The combined effect is a crowded export market in which Australia competes more directly with multiple suppliers into key destinations across Southeast Asia, the Middle East and North Africa.

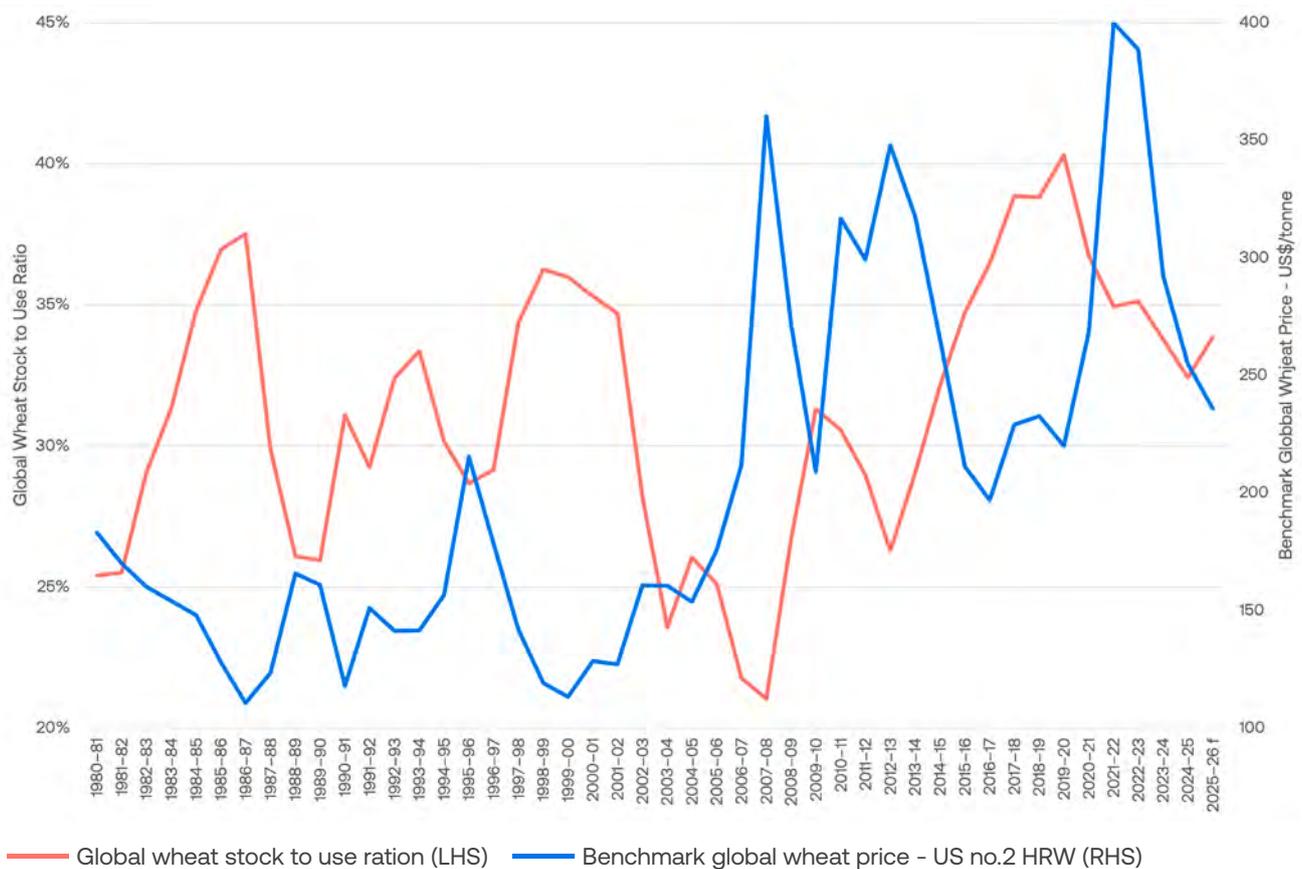
Barley is traded in a much smaller global market than wheat and carries a thinner stock buffer. Global production is forecast at around 154 million tonnes, with ending stocks near 21 million tonnes, implying a stocks-to-use ratio of about 14 per cent, well below that of wheat. With limited stock

cover, barley markets tend to respond more quickly to changes in seasonal conditions across major exporting regions, including Russia, Ukraine, the European Union and Australia. China remains the pivotal importer, with demand closely tied to livestock cycles and relative feed grain prices.

Canola markets are shaped less by traditional grain balance sheets and more by the interaction between food, fuel and trade. Global production has expanded from around 61 million tonnes fifteen

years ago to approximately 95 million tonnes in 2025/26. Global ending stocks are estimated near 12 million tonnes, a stocks-to-use ratio of around 13 per cent, leaving relatively little buffer against supply disruption. Canada remains the dominant exporter, while the European Union is structurally import dependent, sourcing canola to meet both food oil demand and biofuel requirements. As a result, canola prices remain highly sensitive to weather outcomes and changes in energy and biofuel policy, rather than to crop rotations alone.

Global wheat stock to use vs wheat price 1980/81 - 2025/26f



Source: ABARES, ANZ

The broader picture

At this stage in 2026, global grain markets are defined less by shortages and more by competition, with high production across wheat, barley and canola among all major exporters. For Australia, strong production remains important but is no longer sufficient on its own to drive returns. Export outcomes are increasingly shaped by currency movements, freight efficiency, logistics and access to end markets, as well as quality differentiation. While the sector remains globally significant and commercially sound, the key challenge in 2026 is maintaining margins and managing volatility in a more competitive global environment.



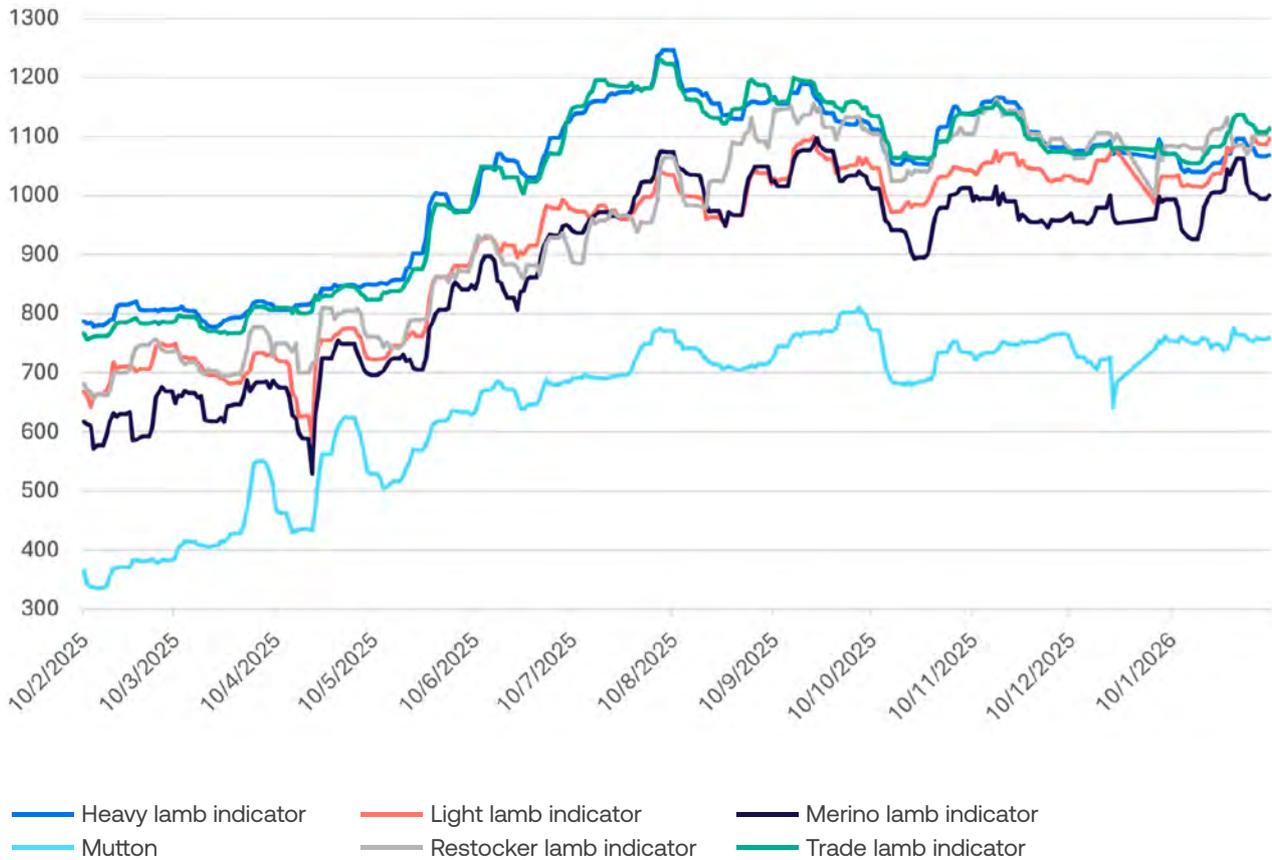
Sheep and lamb insights

- The decline in heavy lamb prices should be temporary only, and rebound as processors start to increase their buying activity.
- The convergence between heavy and lighter lamb categories will continue to be a feature of the saleyard as the flock rebuild gathers steam.
- Seasonal conditions will dictate the strength of the flock rebuild and should dry conditions continue, the strength in lighter weight categories may not be as pronounced.
- Despite a drop in the very early part of 2026, lamb and mutton exports are expected to stay strong despite high prices, and the US in particular should continue to demand Australian lamb in very good quantities.

Heavier lambs have somewhat fallen out of favour over the new year period, as restocker and light lamb prices surpassed heavy lambs, reversing the past few years' premium for heavy lambs. While this is perhaps unsurprising given the return to season in many of the southern sheep producing regions has seen a rebuild in producers' flocks, it

also speaks to the processor space and appetite, as slaughter rates have entered 2026 lower than the season-constrained 2025. While some moderation in price is to be expected following the stellar prices of 2025, the switch to a flock rebuilding phase is likely to see demand dynamics across categories change.

National saleyard lamb and mutton prices

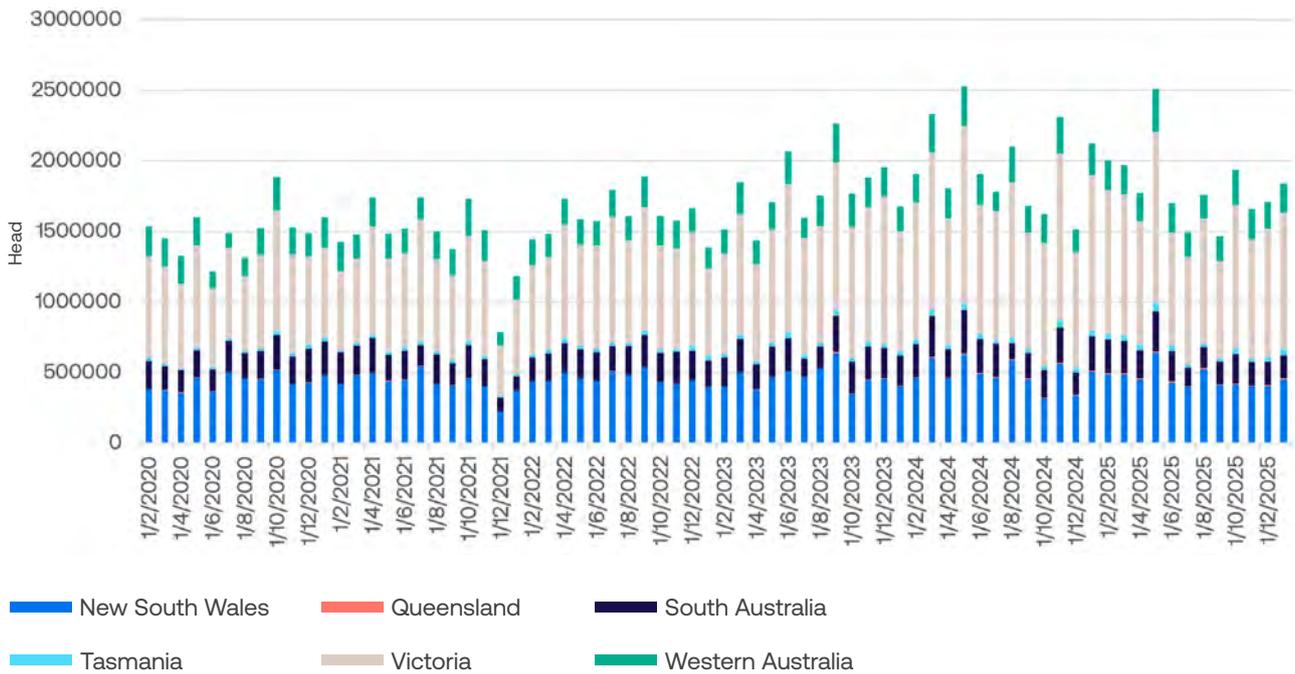


Source: MLA, ANZ

2026 has generally started well for the national lamb and sheep market, if not with the spectacular prices seen last year. Indeed, there seems to be some stability in the current market as last year's price spikes settle. The benchmark National Trade Lamb Indicator entered February just under three per cent higher than it rounded out 2025, while

most other categories also sit higher. Light and restocker lamb categories have shown very slight growth of around two per cent while merino lambs are up around five per cent. The outlier is heavy lambs, with the National Heavy Lamb Indicator now sitting around 15 per cent lower than the August 2025 highs and slightly lower than where it ended 2025.

National lamb slaughter by state

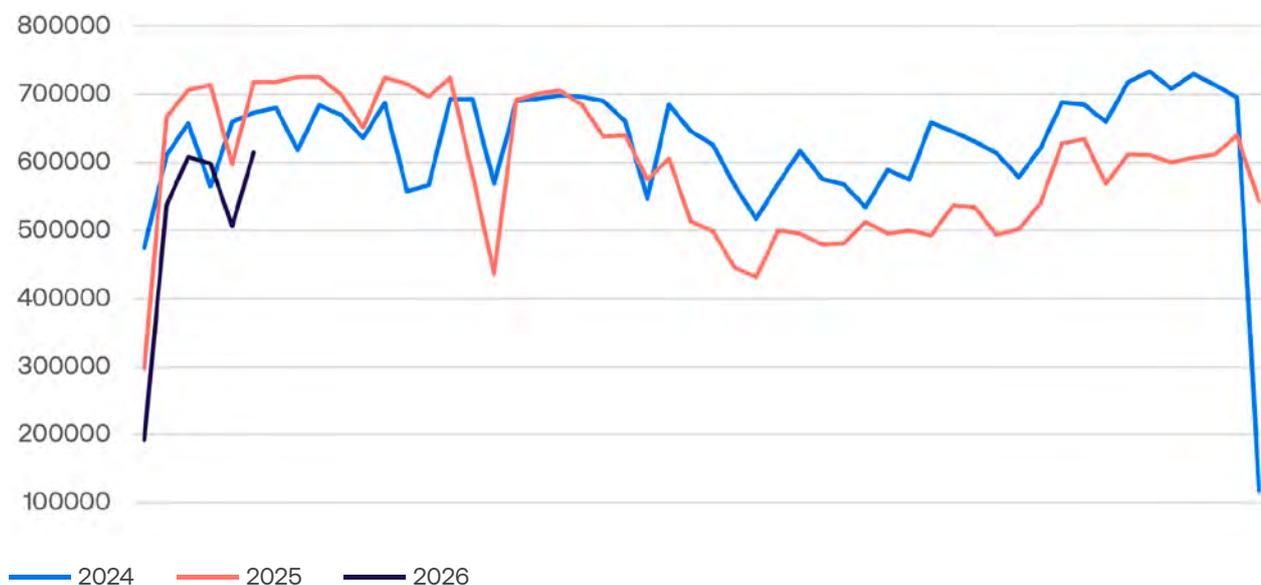


Source: MLA, ANZ

Overall, the ruling orthodoxy from the last few years – the heavier the better – may not hold as we enter the flock rebuild phase following improving seasonal conditions in major sheep producing areas. Instead, the start of 2026 has seen prices between categories converge and the premium for heavy lambs disappear. The key question is, is this temporary or the new normal? Have heavy lambs become less in demand, or found increased supply in these first weeks of 2026?

Slaughter figures have had an anaemic start to the year, with the final week of January sitting 15 per cent lower than the same time in 2025, which itself was lower than 2024. Those lower slaughter rates have been seen across the country in every state except Tasmania, with the largest drops in slaughterings in Queensland, South Australia and Victoria. While weather will have impacted livestock transport across Queensland, the drop in South Australia and Victoria can largely be attributed to the drive to rebuild the flock, as better seasonal conditions support the demand for lighter lambs.

Yardings by state



Source: MLA, ANZ

Yarding numbers are significantly down year-on-year with total January 2026 yardings down almost 17 per cent on the previous January – a trend which has continued into February, as natural disasters disrupt access to market and the retention of light lambs for restocking impacts saleyard supply.

Given that both slaughter numbers and yardings are down this year compared to the previous, we might expect that to flow through to saleyard prices, and that appears to be the case for most categories. The anomaly, however, is the heavy lamb price, which entered February 2026 lower than it rounded out 2025 – compared with every other saleyard category which has each improved into 2026. And while every saleyard category is slightly down on their August 2025 highs, heavy lambs are down over 14 per cent – compared with light lambs which are only down 0.4 per cent and restocker lambs down 4.12 per cent.

Why are heavy lambs not receiving the same prices when slaughter and supply are still low? The answer is most likely that processors, which finished 2025 in a flurry of activity with record level

slaughter numbers, have filled their freezers and have taken their foot off the pedal. This is reflected in the re-introduction of penalties for overweight lambs which many processors have recently announced. So what does this mean for heavy lamb prices? In short, the dip in prices should be temporary as the supply shortage that persisted recently remains, although the convergence in price across the categories is expected to persist as long as season supports flock rebuilding.

So, what other issues should producers be on the lookout for this year? Firstly, the ongoing issue of just how many sheep are in the national flock – how big will that rebuild be for the year? While ABARES is predicting an increase of just one per cent for the year, and MLA predicts an increase of two per cent, early indications from the yarding and slaughter figures as well as restocker lamb prices suggest the rebuild may be more pronounced. The continued strong mutton price, which is over 10 per cent higher now than the end of last year will obviously impact the pace of a rebuild, however the improved lambing rates stemming from recent sell offs of poorer ewes will also support a rebuild.

Season, as always, remains a factor and the dry summer across areas of the south-east may take the shine off any attempts at growing numbers.

Finally international, export and trade factors continue to impact the outlook for lamb and mutton prices – arguably being the driving force behind recent price spikes. Lamb and mutton exports have started off the year down 3.8 per cent and 37.5 per cent respectively, compared with the same time in 2025 – albeit from a very strong base. Mutton sales into China have taken the biggest hit, down almost 70 per cent, if only for that first month of the year. Total mutton exports to the Middle East were down 11 per cent at the same time, as markets start to adjust to the looming live sheep export ban set for 2028. Lamb sales to China, however, are up 18 per cent over the same period, perhaps raising the prospect that the new tariff on Australian beef imports to China may see some substitution towards lamb.

Perhaps the most important market for Australian exports is the US market. Early signs for 2026 show lamb exports to the US down 1.8 per cent on the first month in 2025. While these results for the start of 2026 are very early, it's worth noting that they all come off the second-highest lamb export year on record. Demand from the US is key to Australian lamb exports meaning that concerns over US economic growth are a focus of the industry. While most analysts are predicting

some improvement in the US economy in the coming year, there remain concerns that an early slowdown in consumer spending and a struggling labour market in 2026 are signs of a more pronounced decline in economic growth, although forecasters continue to be upbeat. In good news for US lamb demand however, indications are that US lamb supplies are running low, with frozen supplies sitting almost 30 per cent below the five-year average and total US production declining – all of which signals a stronger demand for Australian imports.

So, all in all, what does this mean for lamb prices going forward? Firstly, any decline in heavy lamb prices should be temporary only and rebound as processors start to increase their buying activity. Secondly, the convergence between heavy and lighter lamb categories will continue to be a feature of the saleyard as the flock rebuild builds steam and producers look for lightweight stock to finish. Thirdly, and almost a given caveat, seasonal conditions will dictate the strength of the flock rebuild and should dry conditions continue, the strength in lighter weight categories may not be as pronounced. Finally, despite a drop in the very early part of 2026, lamb and mutton exports are expected to stay strong despite high prices, and the US should continue to demand Australian lamb in very good quantities.





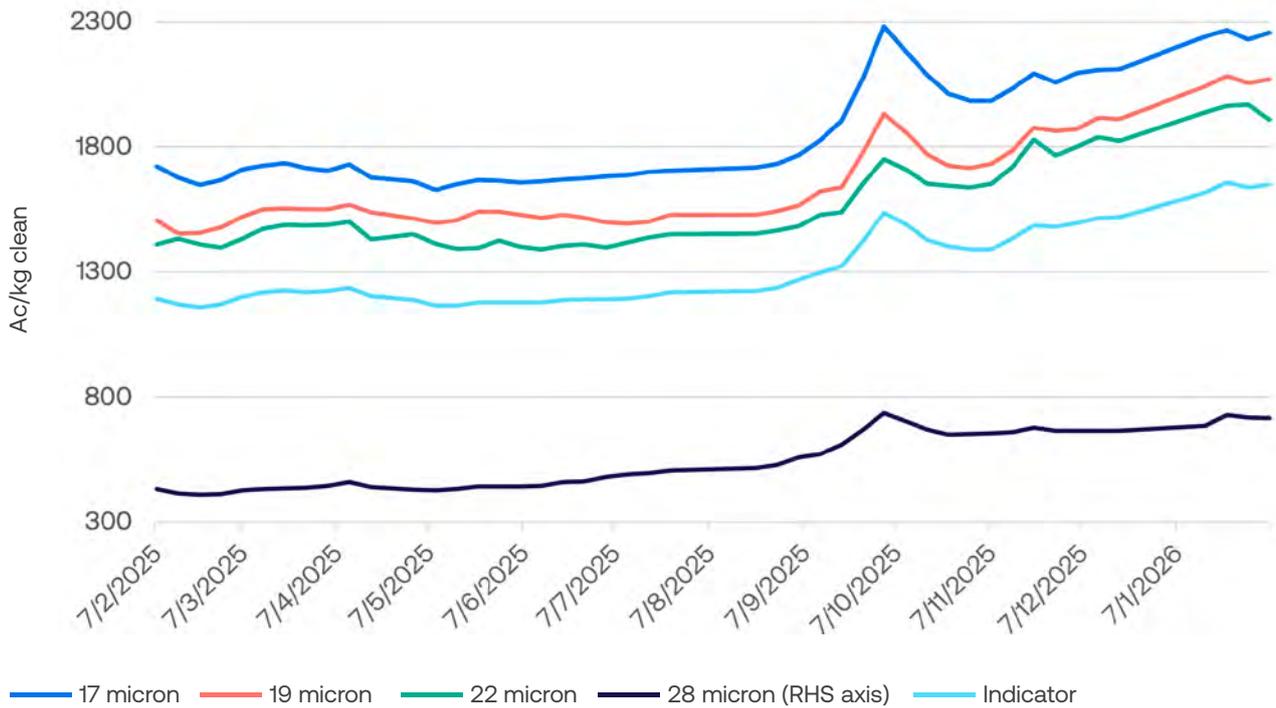
Wool insights

- The Eastern Market Indicator has **started the year strongly**, pushing up over 1,600c/kg.
- **Lack of supply is the key factor pushing prices higher**, and the latest forecast from late December which lowers the national clip further has led to this year's climb.
- The **most pronounced price increases have been for medium wool**, where supply has suffered most significantly.
- **Increasing diversification of export markets** for Australian wool is also supporting some sustainability in prices.

The Australian wool market has entered the year strongly, as the losses felt in the second half of 2025 have more than recovered. While the appreciating Australian dollar is driving much of that increase, the pervasive driver remains the lack of Australian, and therefore global, supply of wool. With shortages driving prices higher across

microns, the most pronounced growth has been in the mid-micron market which has been hit hardest by flock selloffs. In the longer term, while woollen suits sales continue to be anaemic, the wool industry is making the successful transition to blended, sustainable fabrics with excellent sustainability credentials.

Southern wool price by micron



Source: AWEX, ANZ

The strongest price rises have been for the mid-micron category, particularly between 19 and 22 microns. As at early February 2026, 19–21 micron wool was selling in the southern market for 25 per cent above the average for year-to-date, and between 7 – 12 per cent above the peak prices received in October 2025. To put this in context, 17 micron wool is now sitting one per cent below 2025 peaks, and 21 per cent above average while 23–26 micron wool is trading around 10 per cent below its peak and just seven per cent above average (for 23 micron). At the other end of the spectrum 32 micron wool is trading 32 per cent above the average and just two per cent above its peak, which indicates the long and slow improvement of coarse wool prices through the year from a very low base.

The underlying driver of these price increases has been the lack of global wool supply, particularly given dry conditions and the sell-off of ewes to take advantage of mutton prices. This year's rally has come as the Australian Wool Production Forecasting Committee released its forecasts just days prior to Christmas, which forecast a 12.6 per

cent reduction in wool production in 2025/26 and a 6.9 million kilograms (Mkg) greasy reduction on the previous forecast, with the greatest falls in production being felt in Victoria and New South Wales.

So why are price rises strongest in the mid-micron market? Not only has supply in that market taken the largest hit from turnoffs in the past year, as producers have retained their purer lines of meat or wool sheep, but buying activity has also shifted to mitigate higher fine and ultra-fine wool prices. Many manufacturers are looking to lower-value micron wool to blend with finer wool categories to mitigate increasing costs.

The other factor driving price increases has been the shift in wool consumption toward active wear, thermals and base layers with an emphasis on the sustainability and performance of wool in comparison to synthetics. While wool and other fibres such as cashmere and alpaca constitute a very small proportion of the market, that share is growing particularly as the fashion industry and consumer demand start to recognise the poor environmental impact of fast-fashion and synthetic fibres.



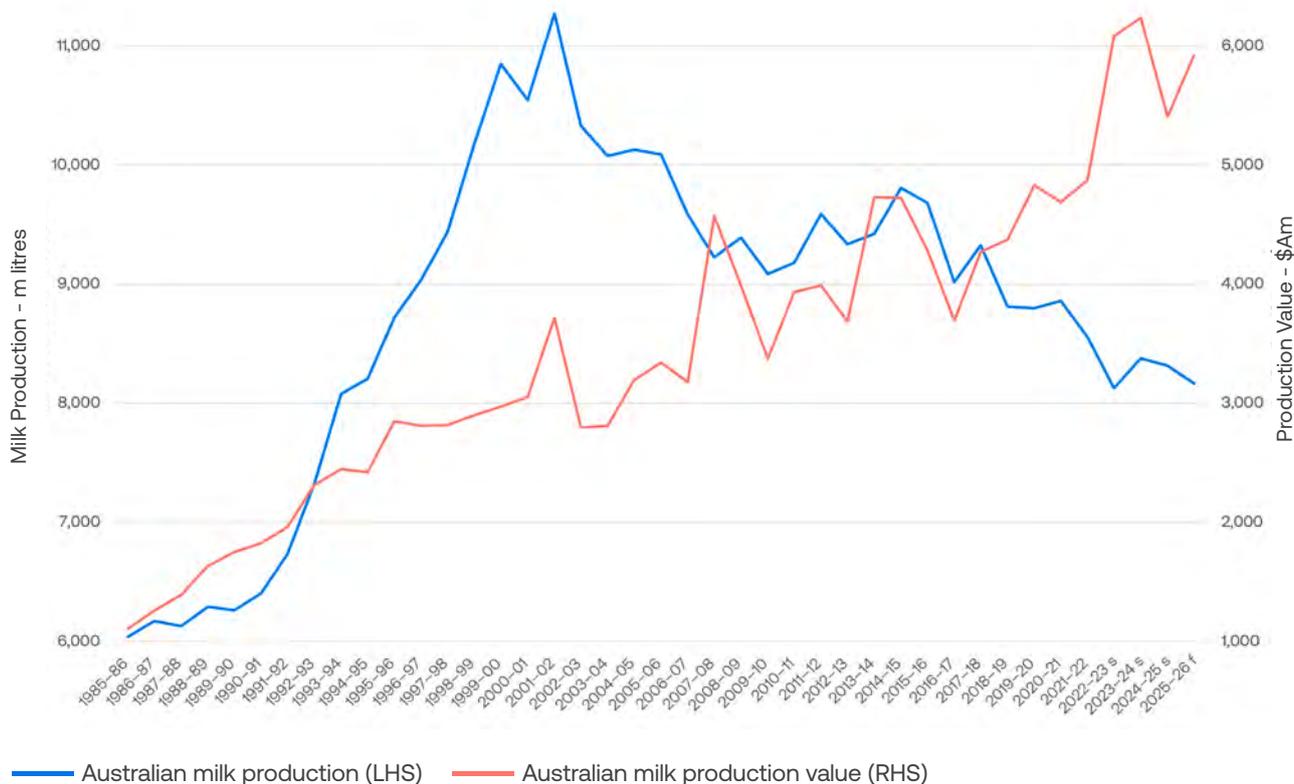
Dairy insights

- Australia's dairy sector remains structurally supply constrained, with milk production forecast to fall from around 8.3 billion litres to just over 8.1 billion litres.
- Despite lower volumes, total dairy gross value of production is forecast to rise from around \$5.4 billion in 2024/25 to about \$5.9 billion in 2025/26.
- The national milking herd is forecast to decline to around 1.29 million cows, partly offset by modest gains in yield per cow.
- Manufacturing volumes are expected to ease, with cheese output forecast to fall to approximately 418,000 tonnes as milk availability tightens.
- With expansion constrained, outcomes will increasingly be driven by price, allocation and efficiency, rather than volume growth.

Australia's dairy sector enters 2025/26 under structural supply constraint. Milk volumes are edging lower, the national herd remains materially smaller than historical levels, and yet the value of production continues to rise. This is not a cyclical downturn, but the outcome of an industry in which scarcity is increasingly shaping prices, production decisions and investment behaviour. At the same time, the Australian dairy industry remains highly adaptive, with innovation, productivity focus and capital discipline increasingly central to how producers respond to this tighter supply environment.

National milk production is forecast to decline from around 8.3 billion litres in 2024/25 to just over 8.1 billion litres in 2025/26, even as the gross value of milk production rises by close to \$500 million. Over the same period, the milking herd is forecast to contract by around two per cent, falling from approximately 1.31 million cows to about 1.29 million. Income growth is therefore being sustained by higher prices and rising yield per cow, rather than by expansion in cow numbers or milk volumes.

Australian milk production volume vs value 1985/86 - 2025/26f



Source: ABARES, ANZ

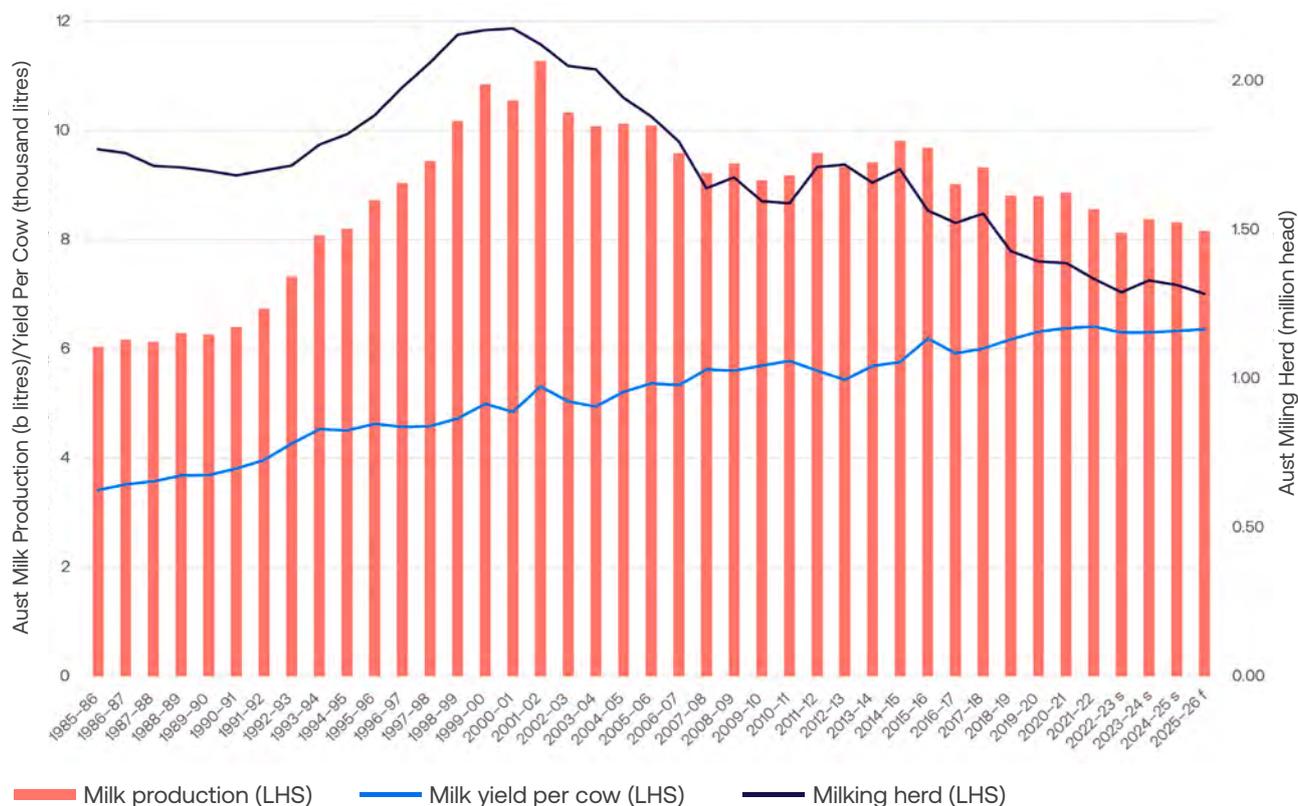
A key feature of the outlook is the inverse relationship between volume and value. A decline of roughly 150 million litres (around two per cent) coincides with an increase of almost 10 per cent in the gross value of milk production. On a per litre basis, this implies a forecast rise in the average unit value of milk from around 65 cents per litre in 2024/25 to more than 72 cents per litre in 2025/26, calculated by dividing projected total milk value by projected milk output. The increase in value per litre is sufficient to offset the reduction in litres sold, lifting total farm level milk revenue despite lower production.

This contrasts with earlier dairy cycles, particularly in the late 1990s and early to mid 2000s, when higher prices tended to prompt herd rebuilding and a relatively rapid increase in milk output.

In the current period, higher prices are instead supporting business continuity, allowing producers to absorb higher costs and make incremental improvements in efficiency, without leading to sustained growth in herd size or output.

Milk output has therefore not declined in proportion to the reduction in cow numbers, reflecting continued, if modest, gains in productivity. Average yield per cow is forecast to rise from around 6,280 litres in 2024/25 to approximately 6,350 litres in 2025/26, an improvement of just over one per cent. While sufficient to cushion the impact of a smaller herd, this rate of productivity growth is not large enough to generate growth in national output, indicating that efficiency gains are moderating decline rather than driving expansion.

Australian milk production - milking herd vs cow milk yield 1985/86 - 2025/26f



Source: ABARES, ANZ

A similar pattern is evident internationally. Global cows in milk are projected to fall by around 1.3 per cent between 2025 and 2026, even as global milk production rises by roughly 1.4 per cent, reflecting the growing role of genetics, feed systems and management intensity. Australia shows the same reliance on productivity to sustain supply, but unlike the United States, this is occurring without herd expansion, limiting the ability to respond to favourable price signals through higher output.

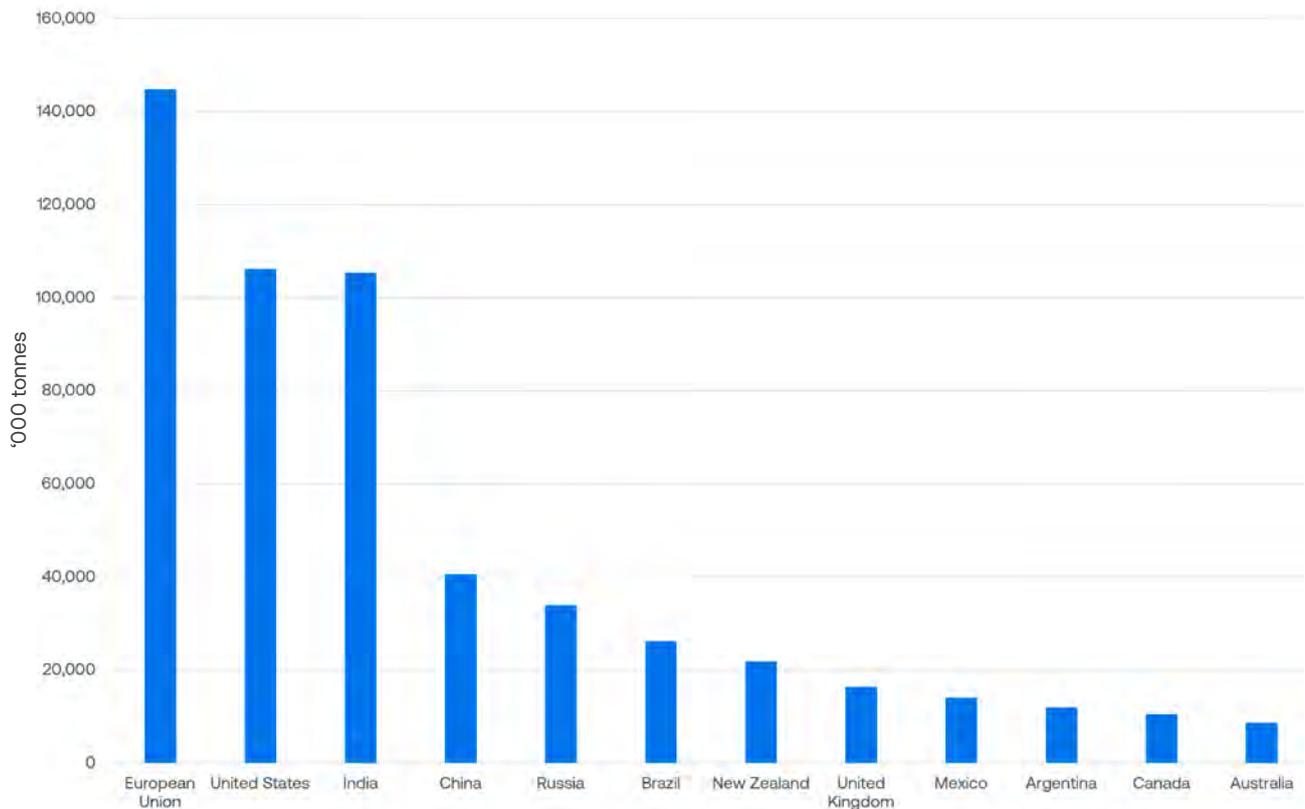
Manufacturing volumes are easing across most major dairy categories. Cheese production is forecast to fall from around 431,000 tonnes to 418,000 tonnes, skim milk powder by roughly 6,000 tonnes, and whole milk powder remains structurally low at around 26,000 tonnes, while butter output is broadly flat. This pattern is consistent with tight milk availability rather than weaker demand. As supply tightens, production is first redirected away from bulk powders, but once constraints become binding, even cheese volumes

soften, leaving total manufacturing output lower despite continued demand.

Australian dairy export value is forecast to decline from around \$3.7 billion in 2024/25 to approximately \$3.5 billion in 2025/26, even as the value of domestic milk production increases. With limited milk available, a greater share of value is captured domestically, where prices respond directly to supply tightness, while export volumes ease simply because fewer tonnes are available for offshore markets.

Globally, milk supply growth is uneven, with production in the United States forecast to increase by nearly 2.5 million tonnes between 2025 and 2026, while output in the European Union and New Zealand is flat to slightly lower. This places the US at the centre of incremental global supply growth and associated price pressure. For Australia, where milk supply is constrained, adjustment occurs through where limited product is sold rather than through higher production.

Major global cows milk producers 2026f



Source: USDA, ANZ

Regional supply conditions are also diverging as the industry heads into 2026. Recent declines have been concentrated in southern regions affected by dry conditions and higher reliance on purchased feed, while Gippsland, Northern Victoria and Southern New South Wales have been more resilient due to better control over feed and water. Southern Victoria remains a major production region but is highly sensitive to rainfall outcomes, while coastal New South Wales and Queensland remain exposed to episodic extreme weather events. Tasmania continues as an efficient export-oriented region, though increasingly constrained by rising costs and competition for land.

As regional differences widen, competition for milk intensifies in deficit areas, supporting farmgate prices even as national volumes edge lower. In a cheese-focused manufacturing system, income from all components of milk helps processors

manage higher farmgate prices when supply is tight, reducing pressure to cut payments to farmers even when some global dairy prices soften.

With limited scope to expand output, higher prices are now supporting continuity and resilience rather than growth, helping producers absorb higher costs and fund targeted efficiency gains without lifting cow numbers or milk volumes. This has reduced the risk of sharp contraction, but also left supply relatively inflexible, with the same factors that underpin prices - a smaller herd and high barriers to expansion - constraining the ability to respond quickly when global demand strengthens. Viewed in this light, the outlook into 2026 is best characterised as continued adjustment, with outcomes increasingly shaped by prices, productivity and how scarce milk is allocated, rather than by expansion in herd size or production volumes.



Sugar insights

- Australia's 2025 sugar crush was lower than the previous year, reaching 3.9 million tonnes (down five per cent), largely due to reduced planting area.
- Global sugar prices remain low, influenced by major producers Brazil, India, and Thailand, all of which recorded, or are expected to record large harvests.
- Brazil continues to dominate global sugar markets, producing over 44 million tonnes in 2025, of which 80 per cent will be exported, and early signs point to another large crop in 2026.
- High global supply and a high Australian dollar are expected to keep Australian grower prices steady, with little upside anticipated in the near term.
- Bioenergy opportunities from sugarcane residues are gaining attention in Queensland, with an ongoing inquiry largely holding the support of industry, provided supportive policy and adequate producer compensation are in place.

After enjoying a timely finish to the 2025 crush, Australia's cane growers are setting up for a year of solid production, albeit against a backdrop of low global prices.

Australia's 2025 crush is estimated by ABARES to have reached a volume of 3.9 million tonnes, down five per cent year on year, with around 3.2 million tonnes to find its way onto global export markets through the 2025/26 marketing year. The slightly reduced crush is largely a result of reduced planting area, with around 327 thousand hectares harvested last year.

Sugar production powerhouses of Brazil, India and in part, Thailand are expected to continue to influence global pricing over the year ahead. Thailand, as at the start of February, had harvested over 51 million tonnes of cane to produce over five million tonnes of sugar to date, with USDA forecasts for a 10 million tonne crop from that country getting closer to reality. India is expected to record a large jump in production this year, to around 35 million tonnes on the back of a 28 million tonne crop in 2024/25. Whilst the current crush is well ahead year on year, some reports suggest that forecasts may have been

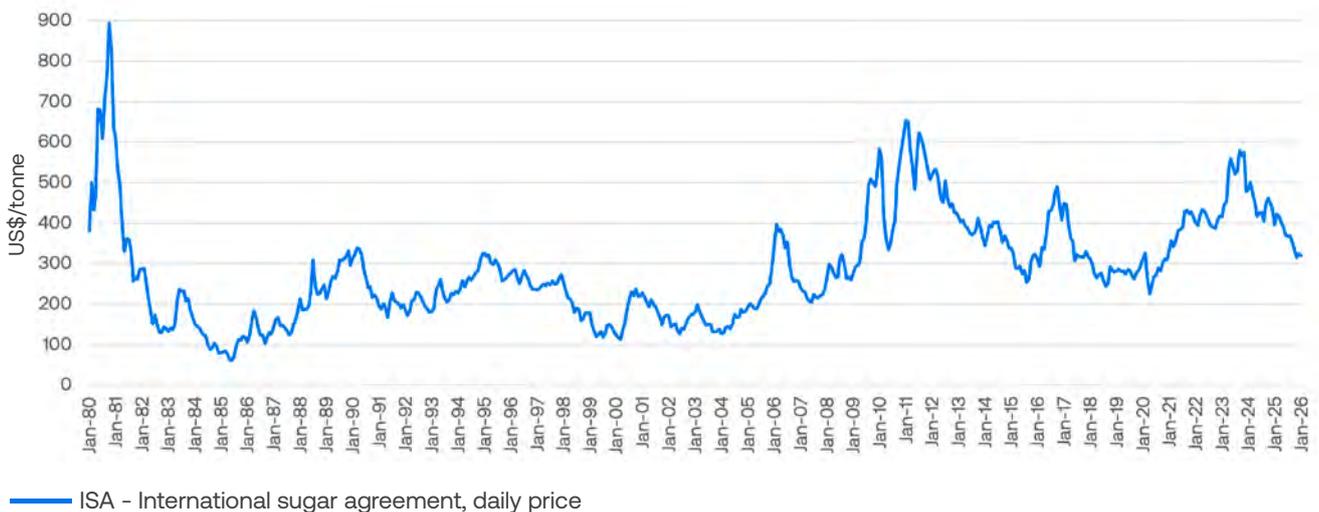
slightly optimistic, which could see lower exports from India this year, particularly given domestic consumption in that country is expected to rise to 31 million tonnes.

Brazil, by far the world’s biggest producer and exporter, completed a massive harvest in late 2025, estimated at over 44 million tonnes, of which approximately 80 per cent will enter global export markets. Rain for the new cane crop has been beneficial in Brazil, and therefore at this early stage of the new season, signs are pointing toward another large harvest later this year.

A global sugar surplus, along with a high Australian dollar, adds weight to the argument that sugar prices may stay at or near current levels, with current spot prices for Australian growers of around \$430-\$440 per tonne not widely expected to see any significant upside in the near term.

With global prices stagnant, opportunities for value creation in the Queensland sugar supply chain are topical, particularly through the expanded use of sugarcane as a feed source for bioenergy production. A current Inquiry into Sugarcane Bioenergy Opportunities in Queensland, which closed for submissions in October 2025 and has a final report due in March 2026, explores opportunities and complexities along the supply chain. Many submissions to the enquiry from industry participants note significant scope for the use of sugarcane residues (tops and trash etc) without compromising domestic food security or exportable raw sugar value. The support from industry comes with clear caveats around agreeable policy settings that compensate the producer adequately.

Global sugar prices



Source: World Bank, ANZ



Cotton insights

- Global cotton oversupply is pressuring prices, with USDA forecasting global production of 119.4 million bales - slightly above consumption.
- Brazil is driving the global surplus, tipped to produce 18.75 million bales and export 75 per cent of its crop, cementing its place as the world's largest exporter.
- Australian cotton plantings are down, with national area falling more than 100,000 hectares; Queensland plantings specifically dropped 14 per cent to 140,000 ha.
- High production costs are lifting break-even yields for irrigated cotton, with some regions facing lower water allocations that could limit yield.
- Queensland hosts some of Australia's largest and most productive cotton farms, especially in the Macintyre Balonne region, where farms averaged 1,973 ha of cotton in 2024/25.
- Despite price pressures, strong grower efficiencies delivered high yields last season, and the industry still sees potential for solid performance in 2026.

Cotton prices have been under increasing pressure throughout the early months of 2026, with global supply remaining the downward force. Latest USDA forecasts continue to predict global oversupply with production of 119.4 million bales expected to outpace consumption, in what remains a relatively subdued demand environment.

Brazil's anticipated 18.75 million bale crop is now in the ground and growing conditions and yield forecasts will be closely watched by global

markets, given over 75 per cent or 14.5 million bales of this bumper production is expected to find its way onto export markets this year. The US is expected to settle into number two position on the export ladder and ship over 12 million bales. Imported volumes to the major spinning mill markets across Vietnam, Bangladesh and Pakistan are all expected to remain flat for the 2025/26 season, as consumption of cotton remains steady year on year.

The rise of Brazil as a major cotton producer and now the world's largest exporter remains quite spectacular, with yields doubling over the past 20 years and forecast to reach their highest ever this season at an average of 8.5 bales per hectare. Significant productivity gains through technology and on the ground farming systems have brought production in line with other major producing nations. Over 90 per cent of Brazil's cotton production is rainfed, with average annual rainfall of well over 1500mm in the major production region, which is more than ample for cotton production.

On Australian shores, the latest ABARES crop report suggests well over 100,000 hectares less cotton has been planted this season compared to last year, with price, input costs, water availability and dry seasonal conditions all playing a role. In Queensland, the planted area has reduced by around 14 per cent to 140,000 hectares, with producers in some cases favouring sorghum where possible following a record crop in 2024/25.

Irrigated cotton's production costs, which can be over \$4,500 per hectare before accounting for overhead expenses, combined with the current low-price environment, are pushing break-even yields higher, putting more at risk for producers and increasing the emphasis on production efficiency across the industry. Lower available water allocations are also expected to challenge the number of waterings possible for some regions which would likely lead to yield limitations.

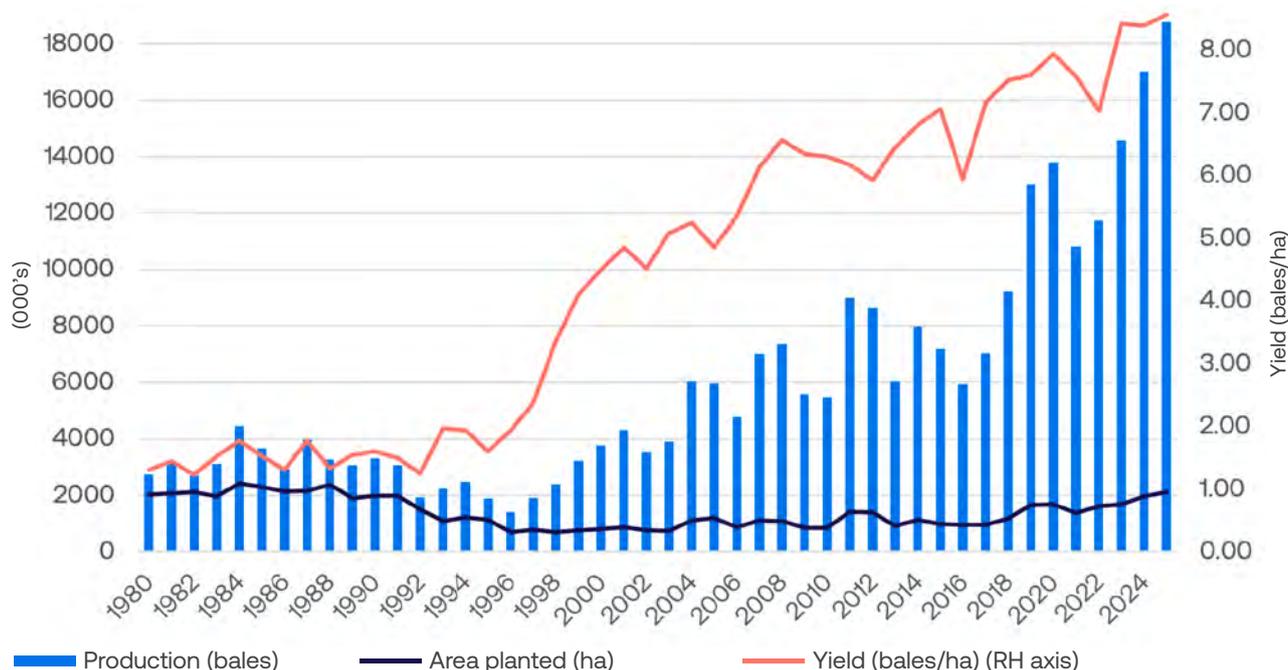
That being said, Australian cotton producers have invested significantly in irrigation infrastructure

across large-scale operations, and these investments demand a high-performing crop to reap the rewards anticipated. Results from the 2024/2025 Cotton Research and Development Corporation (CRDC) grower survey demonstrate that of the participating growers, 39 per cent of total farm area has on average been fully developed for irrigated broadacre cropping, across an average farm size of over 7,000 hectares. For the 2024/25 season, these producers harvested, on average, 1,077 hectares of cotton. Queensland cotton producers in the Macintyre Balonne region operate some of Australia's largest cotton farms with an average of 1,973 hectares of cotton grown last season.

Across both Queensland and NSW production zones, the largest scale farmers, defined as those with over 5,000 hectares under crop, achieved the highest yields last season, averaging 12.72 bales per hectare. Across all farm sizes, it was the Macquarie region of NSW performing the strongest overall, with an impressive average yield of 14.07 bales per hectare. The average of all producers surveyed of 12.35 bales per hectare (irrigated) and 4.05 bales per hectare (dryland) demonstrates 2024/25 was a favourable year for many producers from a yield perspective.

As for the current season, while a Cotlook 'A' index of around 73 cents per pound and cash prices in the low \$520-\$540 per bale territory are historically unexciting, there is still room for overall solid performance by the industry.

Brazil cotton production and yield



Source: USDA, ANZ

Australian cotton farm profile, by region

	Central QLD	Darling Downs	Macintyre Balonne	Northern NSW	Macquarie	Southern NSW	Small	Medium	Large
Total area (ha)	3825	1912	13851	8314	7183	7964	957	4431	21091
Full irrigation %	37	40	32	36	26	65	59	31	28
Raingrown/Dryland %	24	40	26	47	47	7	15	39	41
Grazing %	30	11	24	15	19	15	13	20	18
Native vegetation %	7	4	10	6	6	6	7	5	8
Other %	1	3	5	6	2	7	6	4	4

Source: CRDC Cotton Grower Survey 2024/2025. (Small = <1000 ha, medium = 1000 - 5000 ha, large >5000 - based on cropping area)

Irrigated cotton yield, by region, 2024/25

	Central QLD	Darling Downs	Macintyre Balonne	Northern NSW	Macquarie	Southern NSW	Small	Medium	Large
Average Yield 2024/25	11.47	11.28	12.31	11.98	14.07	13.38	11.89	12.47	12.72
Average Yield 2023/24	11.21	10.73	11.92	12.15	13.58	12.22	11.39	12.05	12.52

Source: CRDC Cotton Grower Survey 2024/2025. Fully irrigated crops only. (Small = <1000 ha, medium = 1000 - 5000 ha, large >5000 - based on cropping area)



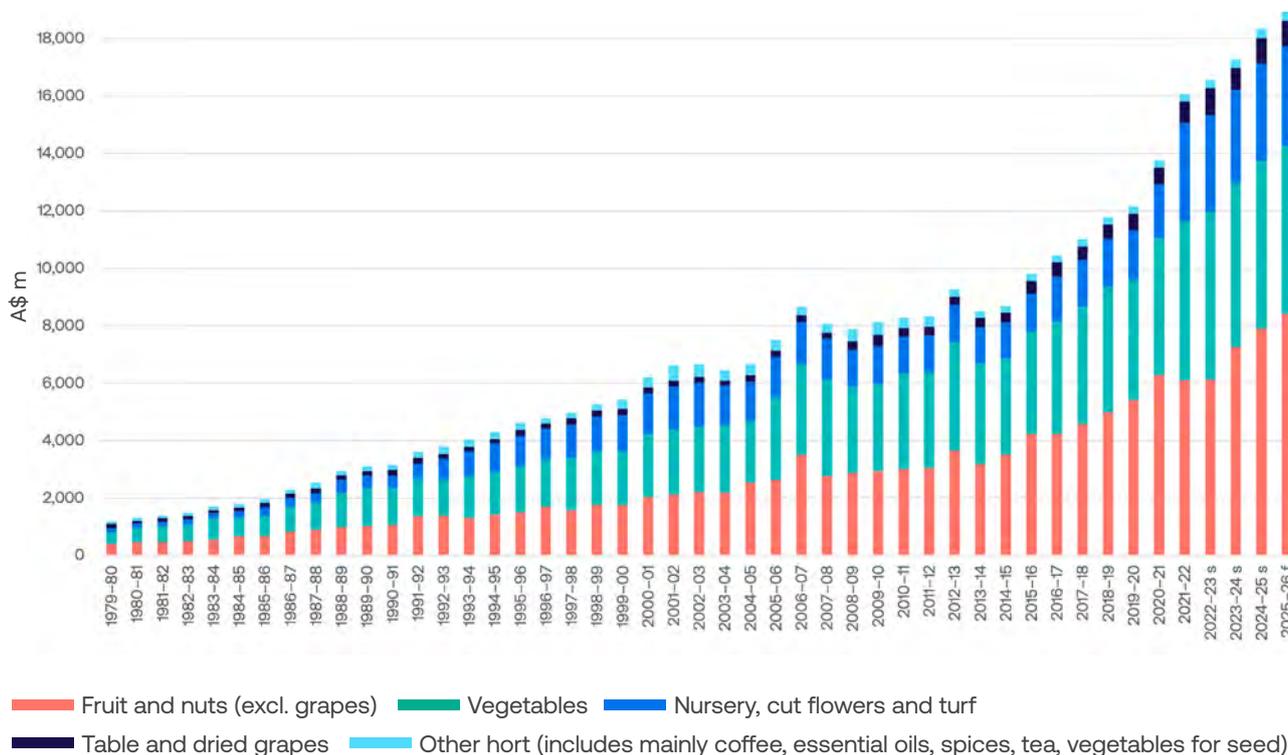
Horticulture insights

- Horticulture remains one of Australian agriculture's strongest value performers, with production value approaching \$19 billion despite rising cost, labour and climate pressures.
- Growth is increasingly driven by fruit and nuts, particularly almonds, macadamias and citrus, while vegetables provide a stable domestic base.
- Export earnings are forecast to exceed \$4.4 billion, supported by Asian demand and the maturation of plantings rather than price cycles.
- Rising production has largely been absorbed in export oriented crops, though domestically focused categories continue to experience greater price volatility.
- The outlook is increasingly shaped by execution risks - labour, water, biosecurity and logistics - rather than demand constraints.

Australia's horticulture sector enters 2025/26 as one of the most valuable and diverse components of the agricultural economy, with production value continuing to rise despite growing cost, labour and climate pressures. Unlike the broadacre and livestock industries, horticulture outcomes are being shaped less by short-term price cycles and more by the interaction between plantings reaching maturity, yield variability and market access.

ABARES forecasts the gross value of horticulture production to approach \$19 billion in 2025/26, continuing a long upward trend that has seen total sector value more than triple since the early 2000s. Fruit and nuts now account for the largest share of value, followed by vegetables, with nursery, turf and floriculture contributing a smaller but increasingly stable component. This growth reflects both higher physical output across several major crops and a sustained lift in unit values, particularly for export oriented categories.

Australian horticulture industry production value 1979/80 - 2025/26f



Source: ABARES, ANZ

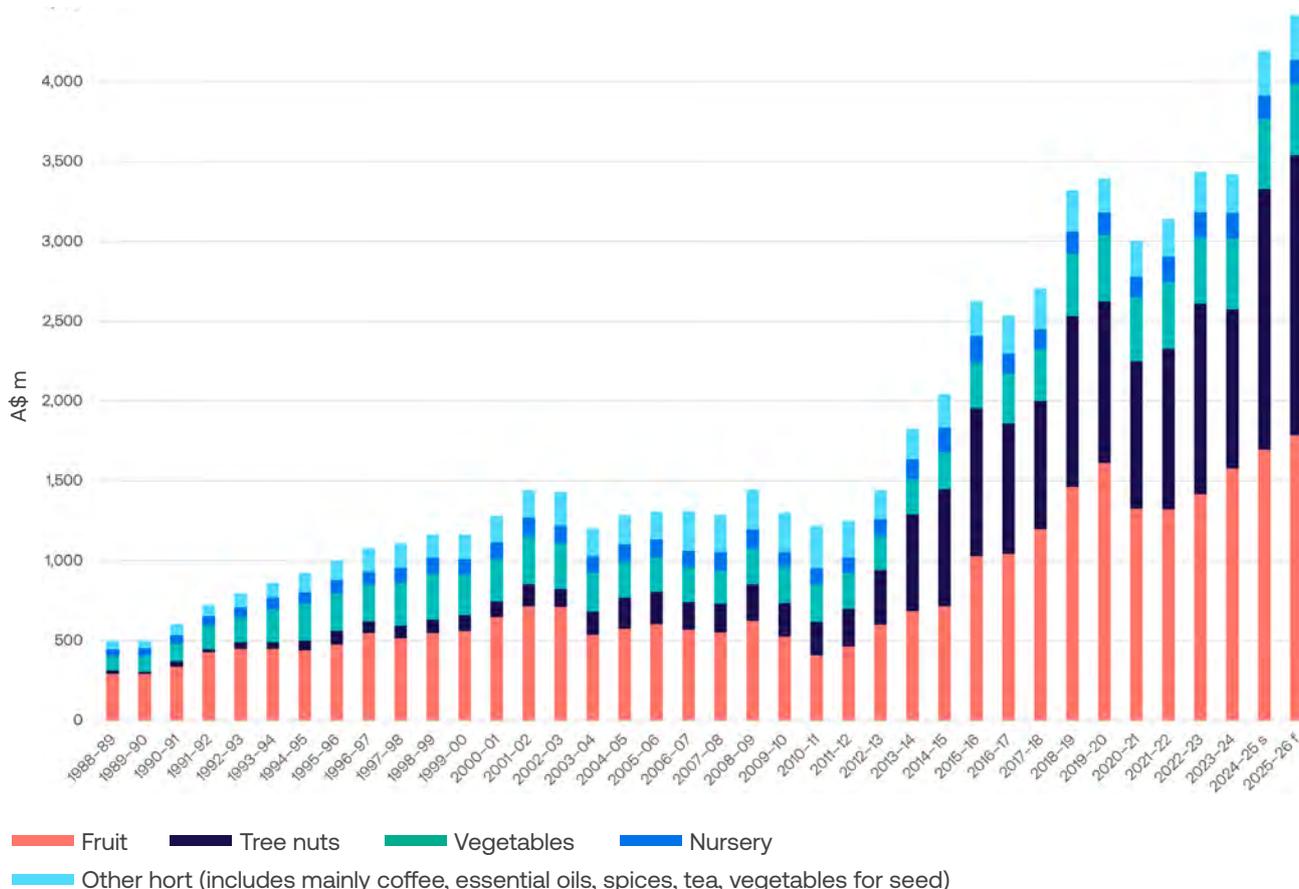
Production volumes across major fruit and vegetable lines highlight the sector’s underlying scale and resilience. Orange production is forecast to rise above 600,000 tonnes, supported by strong yields and export demand, while bananas remain near 370,000 tonnes following a period of recovery from earlier volatility. Apples, carrots, onions and tomatoes all show relatively stable long-run output, underscoring their role as core domestic staples rather than growth crops. Potatoes remain the largest vegetable by volume, with production exceeding 1.5 million tonnes, supplying fresh, processed and foodservice markets.

The more important shift is occurring on the value side. Since the mid 2000s, the gross value of fruit and nuts (excluding grapes) has risen from around \$2 billion to more than \$8 billion, reflecting the expansion of almonds, macadamias, citrus and

berries into higher value domestic and export channels. Vegetable values have also increased steadily, now exceeding \$5.8 billion, driven by both volume growth and gradual improvements in pricing for reliable, year round supply.

Exports remain central to horticulture’s growth trajectory. Total horticulture export earnings are forecast to exceed \$4.4 billion in 2025/26, extending a multi year run of record outcomes. Fruit exports account for the largest share, led by citrus, table grapes, cherries and avocados, while tree nuts - dominated by almonds and macadamias - have become the fastest growing export category over the past decade. Vegetable exports remain smaller in absolute terms but have expanded steadily into Southeast Asian markets, supported by Australia’s proximity, food safety reputation and shorter shipping times.

Australian horticulture export value 1988/89 – 2025/26f



Source: ABARES, ANZ

Unlike dairy, the relationship between volume and value in horticulture is not uniformly inverse. In several export-focused crops, rising production has coincided with firmer prices, reflecting global demand growth that has broadly kept pace with new supply. This is particularly evident in almonds, citrus and table grapes, where expanding plantings and improving yields have been absorbed by demand from China, India, Japan and Southeast Asia. In contrast, crops more reliant on domestic consumption – such as some vegetables and avocados – have experienced greater price volatility when supply has outpaced short term demand.

Regional performance continues to diverge. Irrigated production zones in the Murray–Darling Basin have supported stable output for citrus, grapes and nuts, although water availability remains a binding medium term constraint. Northern Queensland benefits from early season windows for bananas, mangoes and lychees but

remains exposed to extreme weather events.

Western Australia has strengthened its position in vegetables such as carrots and onions, leveraging proximity to Asian markets, while Tasmania continues to build value in premium fruit categories, including cherries and berries, despite rising costs and biosecurity risks.

Input pressures remain the sector’s primary constraint as it moves into 2026. Labour availability has improved compared with the pandemic period, supported by migration and seasonal worker programs, but wage costs remain structurally higher than a decade ago. Fertiliser and energy prices have eased from recent peaks yet continue to weigh on margins, particularly for protected cropping and cold-chain-intensive operations. These pressures are accelerating investment in automation, protected cropping and post-farmgate infrastructure rather than large-scale greenfield expansion.

The structure of investment is therefore shifting. Capital is increasingly directed toward yield stability, logistics, varietal improvement and branding, rather than additional hectares. Crops with established export systems, strong market access and consistent demand - such as citrus, table grapes and nuts - continue to attract the bulk of investment attention, while more speculative or domestically exposed plantings face greater scrutiny.

Looking ahead, the main risks to the horticulture outlook lie less in demand and more in execution. Biosecurity threats, climate variability, water market uncertainty and intensifying competition from Chile, Peru, South Africa and the United States all pose challenges as volumes rise. At the same

time, the sector's long-term growth in value reflects a shift away from volume-led expansion toward making more from reliable supply, product differentiation and access to higher value markets.

Taken together, the outlook into 2026 points to continued growth in production value, underpinned by exports and the lift in output from maturing plantings, although gains will vary depending on crop mix and regional growing conditions. Horticulture remains one of Australian agriculture's strongest value performers, with its future increasingly shaped by how effectively the sector lifts productivity, manages risk and converts scale into higher value outcomes.





Australian economic industry

An extended cash rate hold by the RBA in 2026

The RBA's preferred measure of underlying inflation (trimmed mean inflation) came in at 3.4% y/y in Q4 2025. This was above the RBA's forecast of 3.2% y/y from the November Statement on Monetary Policy and above the RBA's 2-3% target band. The recent strength in inflation led the RBA to increase the cash rate by 25bp to 3.85% in February. ANZ Research sees this as an "insurance" tightening against inflation persistence, rather than the start of a new hiking cycle.

The RBA described the labour market as "a little tight", as the unemployment rate unexpectedly dropped to 4.1% in December after trending higher over most of 2025. But ANZ Research sees the labour market as broadly balanced, as the participation rate is no longer rising and yearly growth in employment and hours worked is soft at around 1%. ANZ Research expects the unemployment rate to drift higher to peak at 4.4% (quarterly average) by the end of 2026 before easing in late 2027.

Given the recent rate hike, ANZ Research expects slightly lower economic growth of 1.8% in 2026. Consumer spending strengthened through 2025, supported by robust growth in real income from the Stage 3 tax cuts, declining inflation over the first half of the year, solid labour market conditions and 75bp of RBA rate cuts. With these factors

waning and consumer confidence likely to decline following the recent rate hike, ANZ Research expects household spending growth to slow in 2026 from the strong pace seen over the second half of 2025.

With the cash rate not far from neutral - the cash rate that neither stimulates nor restricts economic growth - and modest tax cuts in 2026 and 2027, ANZ Research expects a pick-up in GDP growth to 2.2% in 2027, close to potential - the rate of economic growth that does not generate inflationary pressures.

ANZ Research expects the cash rate to remain on an extended hold at 3.85% over the near term, although the risks are skewed to an additional cash rate hike in May. The likely softening in activity following the rate increase, supported by a labour market around balance and no sign of sustained inflation in business surveys should see underlying inflation return to the 2-3% target band by June 2027.

The AUD/USD has been resilient in 2026 so far, exceeding 0.71 in January. ANZ Research expects the AUD/USD to appreciate to 0.73 by the end of 2026. Interest rate differentials should support the AUD - we expect 50bp of cuts from the US Fed, while the RBA is likely to keep the cash rate steady. Policy uncertainty may also lead to a softer USD.

Contacts

Mark Bennett

Head of Agribusiness & Specialised Commercial,
Commercial Banking

T: +61 3 8655 4097

E: mark.bennett@anz.com

Sherrie Banks

Head of FBA International – Institutional

T: +44 7841 784840

E: sherrie.banks@anz.com

Gerry Karam

Head of Food, Beverage & Agribusiness,
Australia – Institutional Banking

T: +61 466 931 569

E: gerius.karam@anz.com

Authors

Madeleine Swan

Associate Director Agribusiness Research,
Commercial Banking

T: +61 419 897 483

E: madeleine.swan@anz.com

Alanna Barrett

Associate Director – Agribusiness

T: +61 417 356 573

E: alanna.barrett@anz.com

Michael Whitehead

Executive Director, Food, Beverage and
Agribusiness Insights, Institutional

T: +61 401 097 382

E: michael.whitehead@anz.com

Preeti Rani

Associate Institutional Client Insights & Solutions

E: preeti.rani@anz.com

Madeline Dunk

Economist, ANZ Research

T: +61 403 697 180

E: madeline.dunk@anz.com

Important information

The distribution of this document or streaming of this video broadcast (as applicable, “publication”) may be restricted by law in certain jurisdictions. Persons who receive this publication must inform themselves about and observe all relevant restrictions.

1. Disclaimer for all jurisdictions, where content is authored by ANZ Research:

Except if otherwise specified in section 2 below, this publication is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (“ANZ”), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, “recipient”). This publication may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this publication is intended to be an offer to sell, or a solicitation of an offer to buy, any product, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If despite the foregoing, any services or products referred to in this publication are deemed to be offered in the jurisdiction in which this publication is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with the non-exclusive jurisdiction of local courts. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this publication are the authors. They are based on information known by the author and on sources that the author believes to be reliable but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or proven to be correct. Indications of past performance in this publication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

Additionally, this publication may contain ‘forward-looking statements’. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this publication. The products and services described in this publication are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the

officers, employees, contractors and agents of each of them (including the author) (“Affiliates”), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this publication. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this publication.

Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this publication or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (“Liability”) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this publication.

If this publication has been distributed by electronic transmissions such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any liability as a result of electronic transmission of this publication.

ANZ and its Affiliates may have an interest in the subject matter of this publication as follows:

- They may receive fees from customers for dealing in the products or services described in this publication, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- They or their customers may have or have had interests or long or short positions in the products or services described in this publication, and may at any time make purchases and/or sales in them as principal or agent.
- They may act or have acted as market-maker in products described in this publication.

ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates.

Please contact your ANZ point of contact with any questions about this publication including for further information on these disclosures of interest.

2. Country/region specific information:

Australia. This publication is distributed in Australia by ANZ. ANZ holds an Australian Financial Services Licence no. 234527. A copy of ANZ’s Financial Services Guide is available at <http://www.anz.com/documents/AU/aboutANZ/FinancialServicesGuide.pdf> and is available upon request from your ANZ point of contact. If trading strategies or recommendations are included in this publication, they are solely for the information of ‘wholesale clients’ (as defined in section 761G of the Corporations Act 2001 Cth). Persons who receive this publication must inform themselves about and observe all relevant restrictions.

