ANZ Agri InFocus Commodity Insights

Winter 2026

Foreword

With the winter months facing producers, the cold weather often comes with a period of reflection on the year gone, and the year ahead. And what a year it's been – the US-Iran conflict sending shockwaves through oil and fertiliser markets, while the forecast for an increased possibility of an El Niño event has put a slight shudder through livestock markets. Looking ahead, producers will be reflecting on the trade-off between cost and yield and how to maximise margin in a volatile global market.

There is a definite shift across a range of global markets – most particularly in the cropping sectors, as the world moves from a high supply scenario to one which is more constrained. With global wheat production expected to decline in 2026/27 – for only the second time in the past decade – the prices of wheat and most of our major commodities are climbing. For Australian grains producers, many of whom have held over stocks from successive bumper crops, rising global prices may turn out to be a bonus. However, much depends on the Australian crop and the impact of a possible dry season – another good season may see prices remain subdued, while a poorer season will see grain producers looking to sell a lower yield into a higher price market.

For the livestock sector, cattle prices have rebounded as the flood of cattle to the saleyards has come off, while the sheep market remains very strong, but slightly different as the market moves towards restocking across much of the southeast. Wool continues to perform strongly as lower supply continues to boost demand.

Fertiliser remains the headline grabber for the industry with a restriction on supply – or significantly elevated prices – which, if they last, could lead to reductions in yield across the global production system. While the impact of lower fertiliser use would be mixed from crop to crop and nation to nation, it is clear that the longer its passage through the Strait of Hormuz is constrained, the greater the reduction in global production will be.

In this addition, we also take a look at the Australian egg industry, where supply disruptions pushed prices high, and the recovery from which has left production growth varying from state to state.

Winter is always an interesting season as people take stock and look forward – and this year raises lots of issues around season and supply. Having said that, perhaps the most consistent thing across agricultural markets in recent years has been some element of global instability, and this year appears no different.

Mark Bennett
Head of Agribusiness, Business and Private Bank

Fertiliser and its role in global agriculture

- Man-made fertiliser supports around half the global population – roughly four billion people.
- The Iran conflict lifted Australian urea prices from around A$850/t in February to A$1,250 - 1,340/t in March, with some spot purchases above A$1,400/t.
- Australia uses about 8-9 million tonnes (MT) of fertiliser each year, valued at A$5.5bn (based on 2024 estimates), with most supply imported and little domestic production.
- Fertiliser underpins production across cropping, livestock, dairy, horticulture, sugar and cotton.
- Reduced fertiliser availability could significantly lower global agricultural yields – particularly in import dependent regions – and tighten global food supply if shortages persist.
- Research suggests that a meaningful cut in nitrogen use could reduce Australia's wheat output by several million tonnes, depending on seasonal effects.

Few inputs in modern agriculture are as fundamental as fertiliser. The disruption to global supply chains following the outbreak of conflict in Iran in early 2026 brought renewed attention to a product that quietly underpins the global food system. The rapid rise in Australian urea (the most widely used fertiliser in crop production) prices over a matter of weeks and the resulting concerns over the 2026 winter cropping season re emphasised just how dependent agriculture has become on a supply chain that is geographically concentrated, energy intensive and increasingly exposed to geopolitical risk. It also reinforced a broader point: when fertiliser availability tightens, the issue is not simply higher costs – it is the potential for lower food production.

The foundation of modern food production

Over the past century, agriculture has evolved from largely a subsistence activity to the global supply system that feeds the world today. This shift has been driven by three main developments – improved plant genetics, mechanisation of farm equipment and the development of synthetic fertilisers.

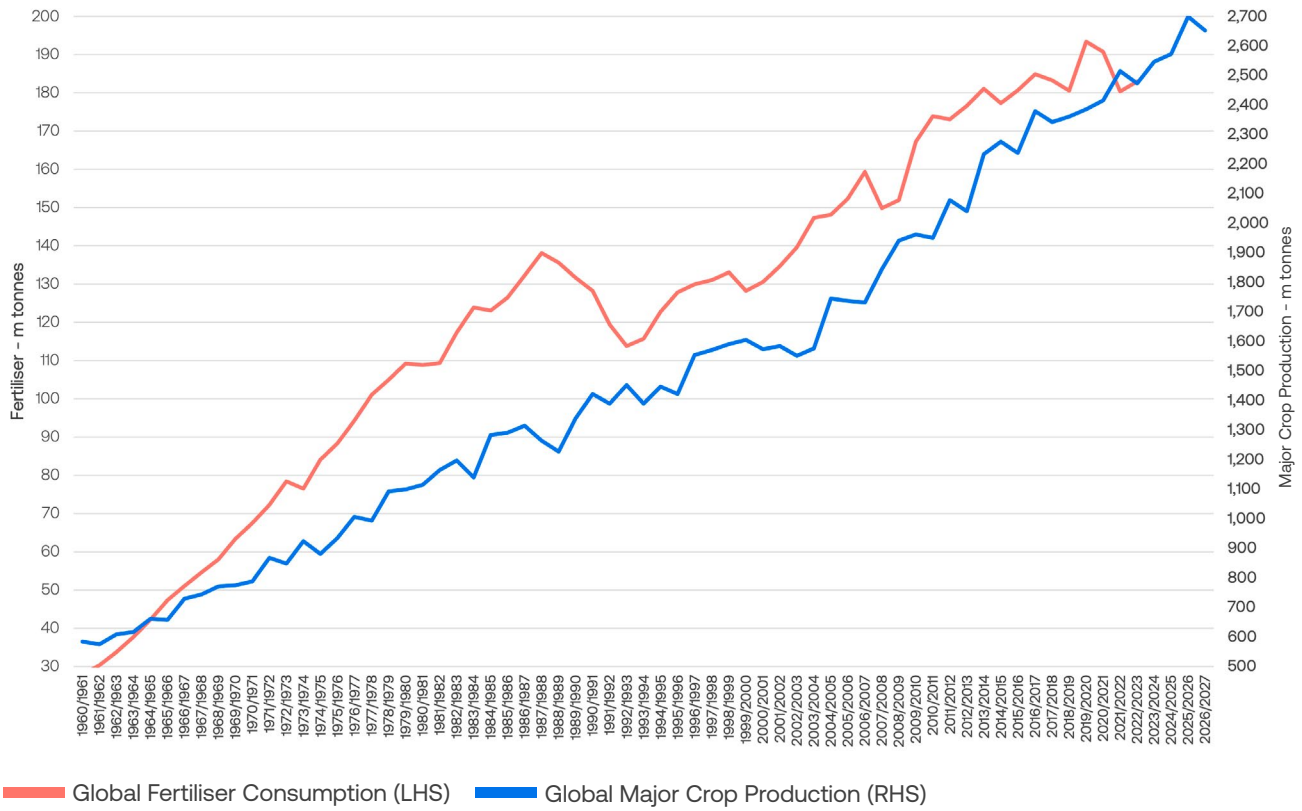
Until the early 1900s, farmers relied mainly on animal manure and crop rotations to maintain soil nutrients. For example, paddocks might be rotated between cereals and legumes, such as wheat and clover, to naturally restore nitrogen in the soil. Nitrogen is a naturally occurring gas in the air which is essential for plant growth. It helps crops and pasture develop leaves and biomass, which ultimately drives yield. These systems worked, but they limited how much could be produced.

That changed in 1909, when German scientists developed a process to convert nitrogen from the air into fertiliser. While the atmosphere is around 78 per cent nitrogen, plants cannot use it in that form. The process used natural gas to turn it into ammonia, which could then be used to produce fertilisers such as urea. This made it possible to apply nitrogen directly to paddocks, allowing crops and pasture to grow faster and produce higher yields.

Over the following decades, this ability to apply nitrogen at scale played a key role in lifting yields. Combined with improved crop varieties and machinery, it helped drive what became known as the Green Revolution – a period from the mid 20th century until around the 1980s, where global grain production increased rapidly, particularly across Asia and the Americas.

While estimates vary, a commonly cited conclusion is that modern food production is heavily dependent on synthetic fertiliser, with roughly half of the global population supported by food grown using industrial nitrogen. Without it, global food production would fall in the short term.

Global crop production vs fertiliser usage 1960/61 - 2026/27f



Source: FAO, USDA, ANZ
Note: Staple crops = wheat + maize + rice. Fertiliser refers to total use of the three main crop nutrients (nitrogen, phosphorus and potassium).

A reach that extends across the agricultural economy

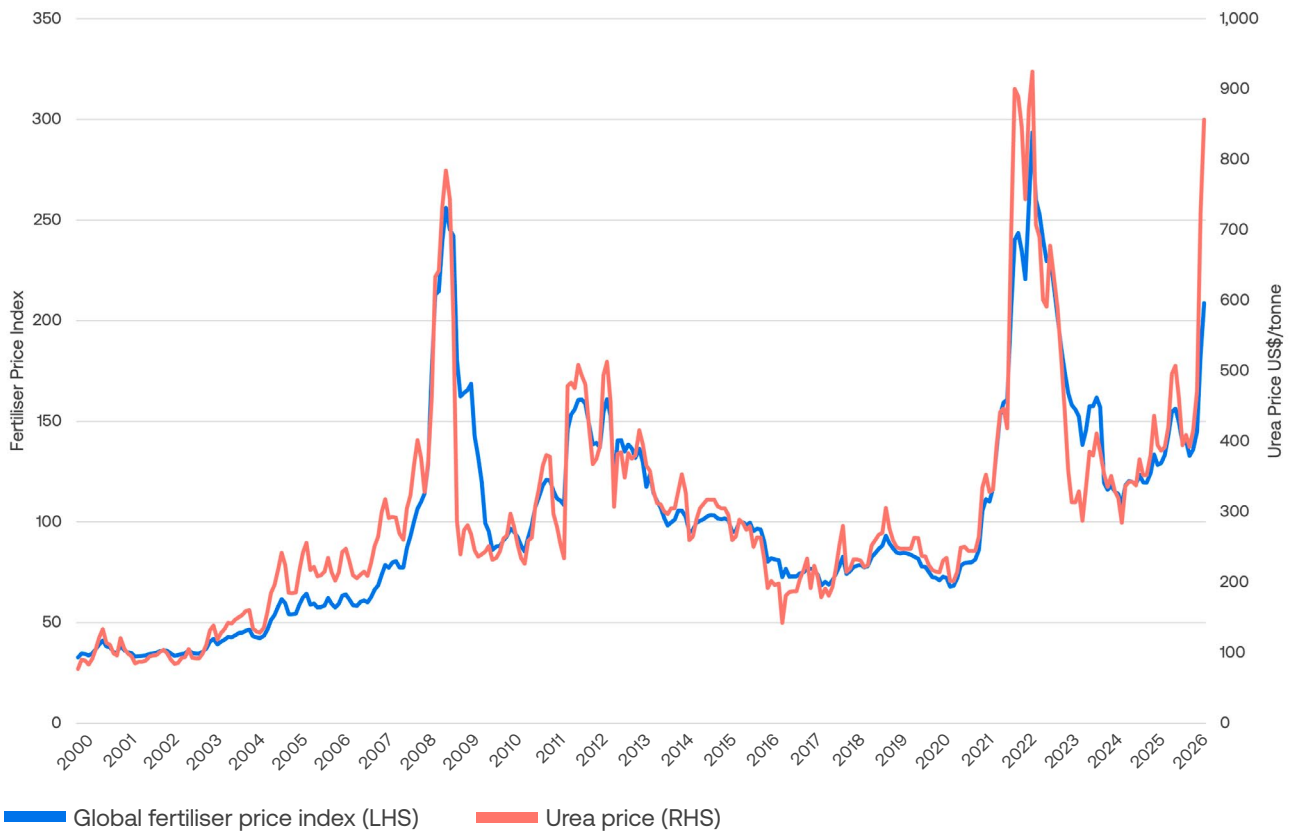
While fertiliser is used across almost every agricultural sector, it is most associated with cropping. Australian grain growers typically apply nitrogen at sowing and again through the season to lift both yield and grain quality. The impact of under fertilisation varies with soil and seasonal conditions, but field studies in Australia suggest nitrogen deficiency can contribute to yield gaps of up to around 30 per cent or more relative to water limited potential – the yield achievable in a given season based on available rainfall.

In terms of grain quality, nitrogen can also determine whether grain meets milling specifications for human food or is downgraded to lower value animal feed grade – a price gap that can make the difference between a profitable and an unprofitable season.

Beyond cropping, fertilisers' role extends across the wider agricultural system. Dairy production depends on fertilised pasture to maintain stocking rates and milk output per hectare. Beef and lamb production relies on fertilised grain and pasture to raise animals to market weight. Horticulture uses smaller but more targeted nutrient programs to control crop quality – such as size, colour and shelf life – to meet domestic and export specifications, while crops such as sugar and cotton are particularly nitrogen intensive and can see materially lower yields without adequate fertiliser.

The impact is not limited to a single crop or season. If less fertiliser is applied, pasture grows more slowly, fewer animals are carried, and crop yields fall, reducing output across livestock, grain and horticulture sectors. These effects can also carry into future seasons. If soils are not replenished, they produce less the following year – meaning lower production both now and later.

Global fertiliser index price vs global urea price 2000 - 2026



Australia's exposure to global supply

Australia consumed around 8.7 million tonnes of fertiliser in 2024, worth approximately A$5.5 billion, of which around 7.9 million tonnes were imported. With domestic urea production having effectively ceased at the end of 2022 following closure of the Gibson Island facility and no new capacity expected until 2027, Australia remains highly reliant on imports. In practice, this leaves limited ability to replace disrupted supply in the short term, as fertiliser supply is seasonal and storage is limited, with imports and distribution timed closely to periods of application rather than held in large reserves.

A large share of Australia's urea has historically been sourced from Middle Eastern producers, with shipments passing through the Strait of Hormuz, while alternatives such as ammonium sulphate also rely heavily on imports, particularly from China.

The disruption around the Iran conflict exposed this vulnerability. Urea prices rose from around A$850 per tonne in late February to A$1,250-1,340 per tonne by mid March, with trades reported above A$1,400 per tonne, reflecting reduced availability and supply uncertainty at a critical decision point for growers.

Higher fertiliser costs typically lead to lower application rates or shifts toward less nitrogen intensive crops, such as reduced canola area or increased use of pulses. Some industry commentary suggests the 2026/27 winter crop area could decline as a result, with sharper reductions in higher input crops. These responses could place pressure on food supply and, if sustained, contribute to broader inflationary pressures, although the extent of the impact depends on how long elevated input costs persist.

What the removal of fertiliser would mean

The clearest way to understand fertilisers' importance is to consider what global agriculture would look like with much less of them. A complete removal of synthetic nitrogen fertiliser is widely interpreted as incompatible with sustaining current food production levels, implying a loss of output equivalent to feeding billions of people. Some of that loss could be offset over time through more legume rotations, manure recycling and lower yielding systems, but only partially and only over decades.

More severe disruption scenarios highlight how dependent modern agriculture is on external inputs. One study of a severe global disruption to industrial agriculture estimated yield reductions for major staple crops such as wheat, maize and rice of 15 to 37 per cent in the first year, rising to 35 to 48 per cent once existing input stocks were depleted. In other words, even a partial disruption to fertiliser supply would not simply trim output at the margin – it could remove a large share of production from the global food system.

The experience of recent fertiliser price shocks also shows that impacts do not fall evenly. Global fertiliser demand tends to decline only modestly in aggregate, but the burden is uneven, with reductions concentrated in lower income regions where farmers have less capacity to absorb higher costs. In higher income agricultural systems, application rates tend to be maintained more consistently, particularly when supported by higher commodity prices.

What a reduction in fertiliser use would mean for Australia

Australia's position differs from both the global picture and the experience of lower income countries. While financial positions vary across the sector, many Australian growers have access to capital and a range of agronomic options. They also operate in one of the most variable rainfall environments in the world, so nitrogen decisions are already adjusted season by season based on

expected water availability. This means the impact of fertiliser constraints differs from that seen in more stable production systems in Europe or North America.

In Australia, crop yields are primarily shaped by two factors – water and nitrogen. Even in an average season, many wheat crops do not reach their full yield potential because nitrogen is applied conservatively to manage seasonal risk, as higher application rates only pay off if rainfall conditions are favourable. In simple terms, there is already a gap between what crops could produce under ideal conditions and what they actually produce. Reducing nitrogen use further would widen that gap and lower yields.

If fertiliser use were reduced, yields would be expected to fall markedly. As a guide, a reduction in nitrogen application of around 20 to 30 per cent could translate into a loss of three to five million tonnes of wheat production in a normal season – roughly equivalent to Australia's annual wheat exports to Indonesia.

There would also be a quality impact. Lower nitrogen application can reduce grain protein, increasing the share of wheat sold as lower value feed rather than milling grade. At the same time, some growers would reduce plantings of nitrogen intensive crops such as canola, or shift towards legumes such as lentils, chickpeas and faba beans, which require less fertiliser. While commercially rational, these changes do not increase overall grain supply, and any soil nitrogen benefit from legumes only materialises in future seasons.

These outcomes also assume an otherwise normal season. Australian agriculture remains highly exposed to rainfall variability, and the combination of lower fertiliser use and below average rainfall would amplify the impact on production. The broader point is that while farmers can adjust decisions at the margin, they have limited ability to offset a sustained reduction in fertiliser availability.

Resilience and the path forward

In time, the current disruption to fertiliser supply is likely to pass. Trade will return to something closer to normal, but the more important question is what may change as a result. One response is continued improvement in how fertiliser is used. Australian growers have already made significant gains in nitrogen use efficiency through practices such as variable rate application – adjusting fertiliser use within a paddock based on soil conditions – along with soil testing and more precise timing of inputs.

There is also progress in how fertiliser is both used and supplied. Research is underway to improve how efficiently crops convert nitrogen into grain, with current studies showing a significant share of the nitrogen is lost in the soil or the atmosphere, rather than going directly into the grain. At the same time, new domestic fertiliser production will add some depth to the supply base. Projects expected to begin production in 2027 will not meet full demand but will reduce reliance on imports at the margin.

In the near term, the response is more practical. Growers are likely to focus on managing input risk – forward purchasing their fertiliser where possible, using soil testing to refine application rates, and adjusting crop mix where fertiliser remains expensive or difficult to secure.

The broader shift is that fertiliser is no longer an invisible input. The events of 2026 showed how exposed food production is to disruptions in supply, particularly where that supply is concentrated. Similar shocks are likely to occur again, and while they cannot be avoided, their impact can be reduced through more efficient use, more diverse supply, and better preparedness across the system.

Grains and oilseeds insights

- Global grains and oilseed prices are trending higher, driven by concerns over the coming production season, rather than a response to the Iran conflict.
- 2026/27 IGC forecasts point to the second annual fall in global wheat production in the past decade.
- Global oilseed production is expected to grow to a record high in 2026/27 as increased demand for vegetable oil and biofuels increases plantings.
- Australian wheat prices have yet to follow global prices, perhaps weighed down by reports of large amounts in on-farm storage.
- Domestic concerns over a possible El Niño weather system have lowered forecasts for the total grains and oilseeds harvest in Australia, while high fertiliser and fuel prices are also impacting planting and management decisions.

A record global crop in 2025/26 has kept global grains prices low despite the trade and supply chain distributions. 2026/27 is looking like a different proposal on the global market – with concerns over wheat production in the US, Russia and Australia pushing global prices sharply higher. Domestically, the amount of grain in silos across the country appears to be keeping a lid on prices which have yet to follow global prices higher. The cloud of the fuel and fertiliser prices continues to hang over producers through sowing, however the stronger global demand for biofuels and alternative sources of fuel has led vegetable and canola oil prices higher again. For those producers with grain in the silos, concerns over possible dry winter conditions are leading to higher prices, however another strong crop in a string of strong production years may test storage capacity across the country.

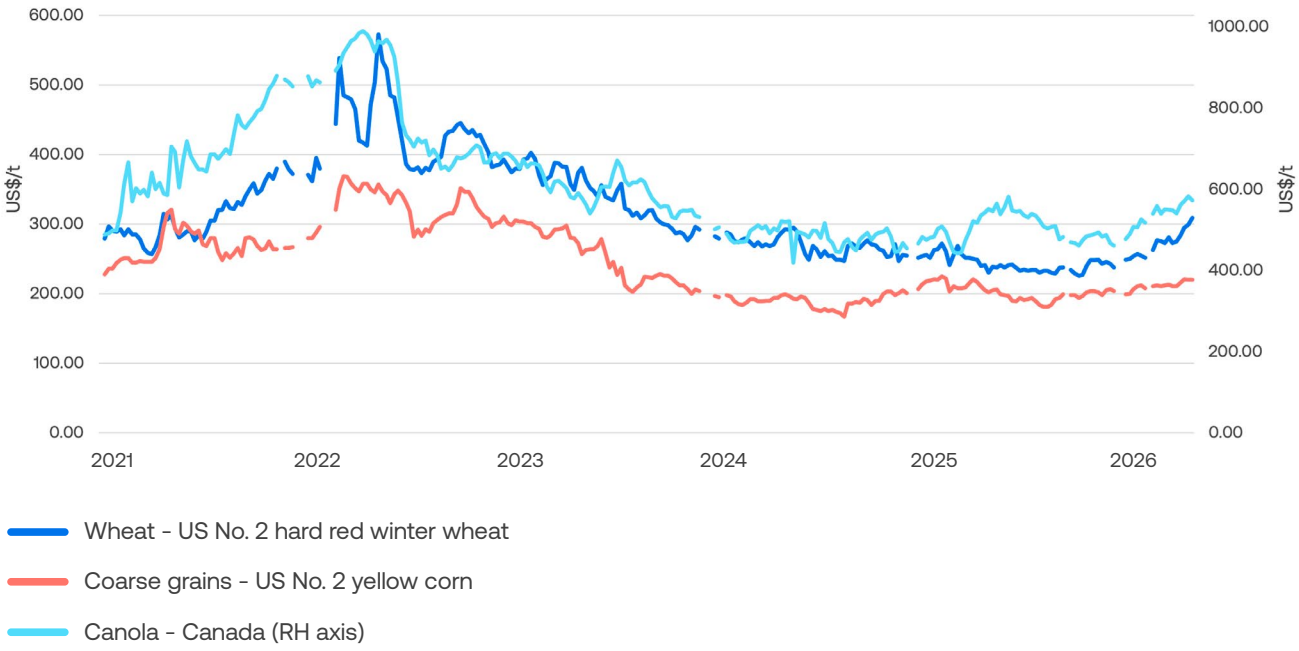
The United States Department of Agriculture (USDA) has forecast both record wheat production and consumption of wheat in 2025/26, however production growth has outstripped consumption leading to larger global ending stocks for the end of the year. As a result, grains and oilseeds prices have remained relatively subdued until quite recently. February saw global grain and oilseed prices rally – although the season provided more

of an impetus than the Iran conflict. Very cold conditions in the Northern Hemisphere, drought concerns in the US wheat belt, persistent dry and lower plantings in Russia, and early estimates of a decline in Australia's wheat harvest by nearly 20 per cent have led to increased prices as analysts almost universally expected a smaller global crop in 2026/27.

Like wheat markets, global barley prices have been subdued due to very strong production growth in 2025/26, however demand has also ticked up as a result not only of feedlot demand but increasing demand for use as a feedstuff in drought-hit areas. This has meant that global barley prices have performed slightly stronger than wheat over the past 24 months.

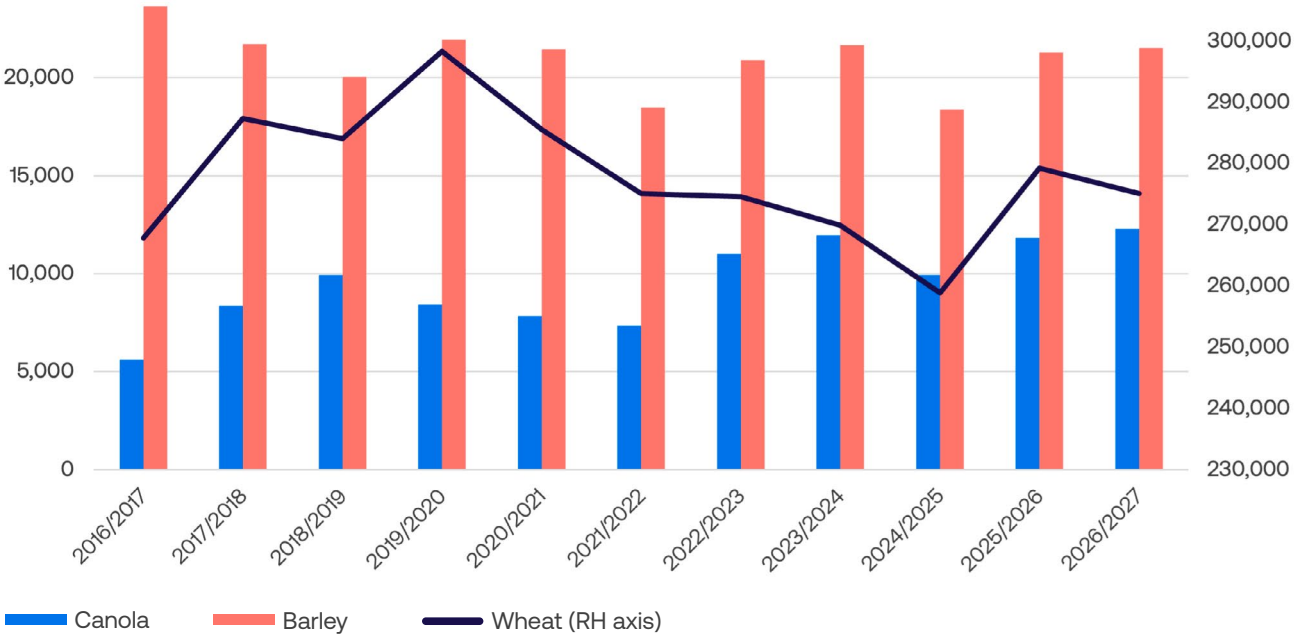
Global canola prices have trended up since late 2025 – prior to the US-Iran conflict – but are being pushed even higher by biofuel demand. In late 2025, canola prices rose, driven by a poor previous season and rundown of global stocks. Since the oil price shock stemming from the effective closure of the Strait of Hormuz, canola prices have continued to climb off the back of oil price increases as demand for vegetable oils for biofuel use has also climbed. This has seen the FAO Vegetable Oil Price Index up 5.9 per cent since March and hovering at its highest level since July 2022. Concerns over lower palm oil production in Southeast Asia and lack of supply of sunflower oil from the Black Sea region have all supported canola prices. However, a very strong EU rapeseed (canola) crop is likely to keep demand for exports from rising overly strongly.

Global grain prices



Source: ABARES, ANZ

Global ending stocks by commodity



Source: USDA PSD, ANZ

International Grains Council (IGC) forecasts for the 2026/27 cropping season have confirmed those concerns over next season's supply with the anticipated wheat crop declining two per cent – only the second time the global wheat crop has declined year-on-year in the past 10 years. The IGC is forecasting a fall in total grain production in 2026/27 of 60 million tonnes, of which 24 million tonnes is attributable to a fall in wheat production while another 24 million tonnes are due to the fall in corn production following its record harvest last year. By region, the IGC is forecasting a 7.2 million tonne fall in US production and a 5.8 million tonne decline in European Union production, while the harvest in Australia may be down 4.2 million tonnes.

The latest USDA forecasts have provided a similar production outlook, with Australian wheat production forecast to decline from 36 million tonnes to 30 million tonnes, while total global wheat production is forecast to fall by 25 million tonnes. Going forward, this should see both an immediate and medium-term increase in global – and Australian – wheat prices, with further declines in global stocks supporting prices.

Global barley production, however, is forecast to increase slightly in 2026/27, although production in the major barley exporting nations, particularly Australia, is expected to be down.

Australian domestic conditions

The 2025/26 cropping season has been an exceptionally good production season, with ABARES forecasting winter crop production across the country to be 13 per cent higher than the previous year and 15 per cent above the five-year average – making it the second largest winter crop on record. This was largely driven by a record area of land being planted across all crops. Wheat production is estimated to increase by five per cent as strong yields more than offset lower plantings. The national barley crop is estimated to increase by 23 per cent in 2025/26 while canola production is estimated to increase by 20 per cent. Lentil plantings were the strongest growth area with a 10 per cent increase in area planted and a huge 60 per cent increase in production driven by a 10 per cent increase in plantings and strong yields in South Australia and Victoria.

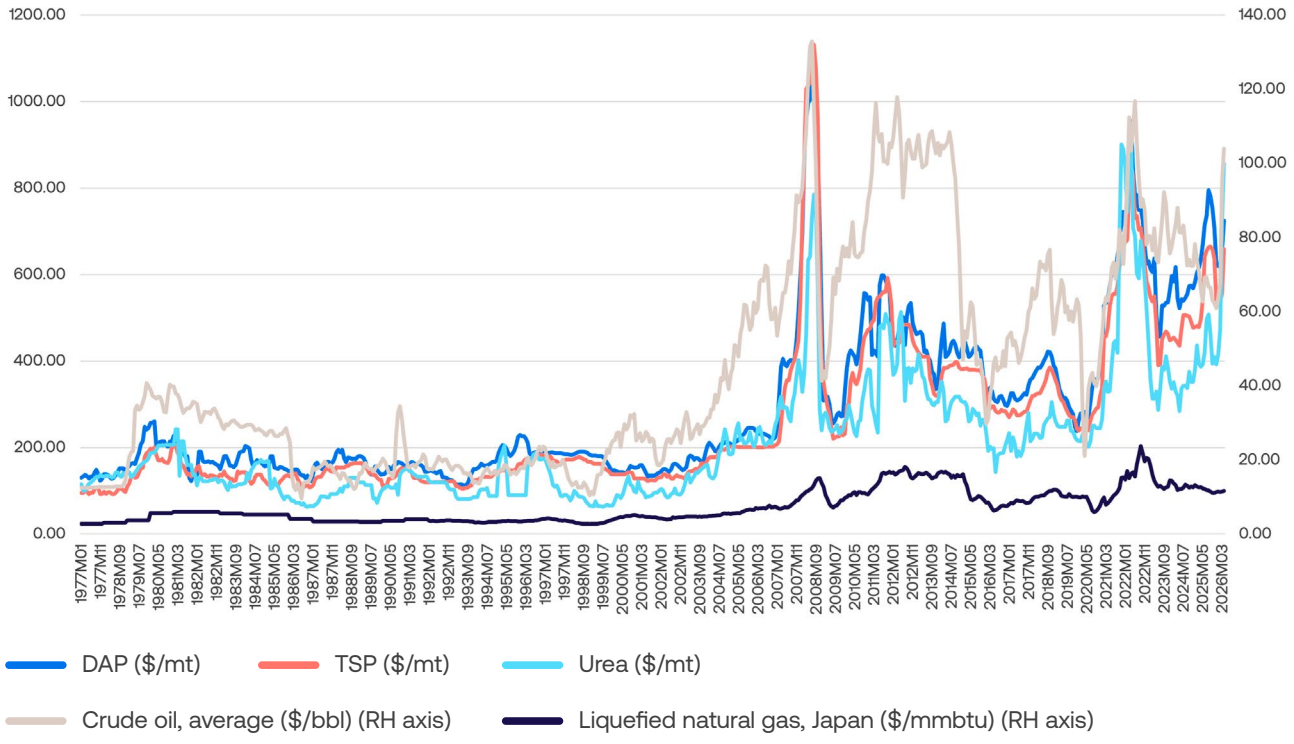
In Australia, the bumper crop is leading the USDA to forecast ending stocks of wheat to increase by almost 16 per cent in the 2025/26 year as producers hold grain back on farm in the hope of increasing global prices offsetting record domestic crops. This would see Australia's wheat stocks at their highest level since 2017 and almost doubling in two years. This trend toward building of stocks both on-farm and by grain handlers is also being replicated in canola and barley with canola stocks forecast to increase more than fourfold (albeit from a historic low base) while barley stocks are forecast to almost double (also from a very low base). While wheat and canola stocks are forecast to easily surpass 10-year averages, barley stocks are forecast to remain almost 22 per cent below that same average.

After successive bumper crops running up against lower global prices, the issue of storage capacity is raised again. While a report from the Grains Research and Development Council (GRDC) found that on-farm storage capacity increased threefold in the 15 years to 2024 and a significant improvement in the adoption of best practice storage, the question of exactly how much is stored on farms across the country remains unanswered, though some estimates put it at around 50 per cent of production remaining on farm in eastern states.

While the outlook for the 2026/27 season remains unclear, another bumper crop without a strong increase in domestic prices may leave some producers in a difficult decision when it comes to selling.

Should the season prove difficult domestically for varying seasonal reasons, or global prices pull domestic prices higher on the other hand, some producers may well be sitting on the grain equivalent of a gold mine.

Global fertiliser and fuel prices



Source: World Bank, ANZ

The strong Australian dollar is also driving the lower domestic prices as the AUD/USD consistently sits around USD0.72, although global and domestic demand and supply remain the key factors in determining domestic prices. Currently, successive bumper cropping seasons, strong stocks, and a world currently awash with grain are outweighing the prospects of a poorer 2026/27 for global grains and oilseed supply.

Australian barley has been in strong demand in China, as flooding in major barley-producing areas rendered large parts of the stockpile unusable. Looking forward, strong demand for barley, its relatively higher price than wheat, and lower fertiliser requirements are likely to see strong barley plantings in the coming year.

Beef insights

- Prices recovering after supply-driven decline: Cattle prices have found support entering the winter months following a sharp fall caused by very high supply through March and April.
- Cow market heavily impacted: Increased culling due to poor seasonal conditions pushed cow prices down significantly.
- Elevated slaughter rates driven by herd size and dry conditions: Year-to-date slaughter is tracking nine per cent above 2025 levels.
- Strong global demand supports prices, despite uncertainty: Beef exports are up 16 per cent year-on-year, with robust demand from the US and China, although upcoming tariffs and trade shifts – particularly involving China – add uncertainty.
- Feedlot and US demand critical to future pricing: High US beef prices and resilient consumption, along with feedlot demand, will be key drivers of cattle prices in the second half of the year.

Following a downward trend through late autumn off the back of very high cattle supply, cattle prices have again found support as Australia enters the cooler months. Large and in some cases record March and April yardings, online offerings, and processor throughput, particularly through southern Queensland and central to northern NSW, created a pressure point that saw prices across all categories come off their earlier peaks.

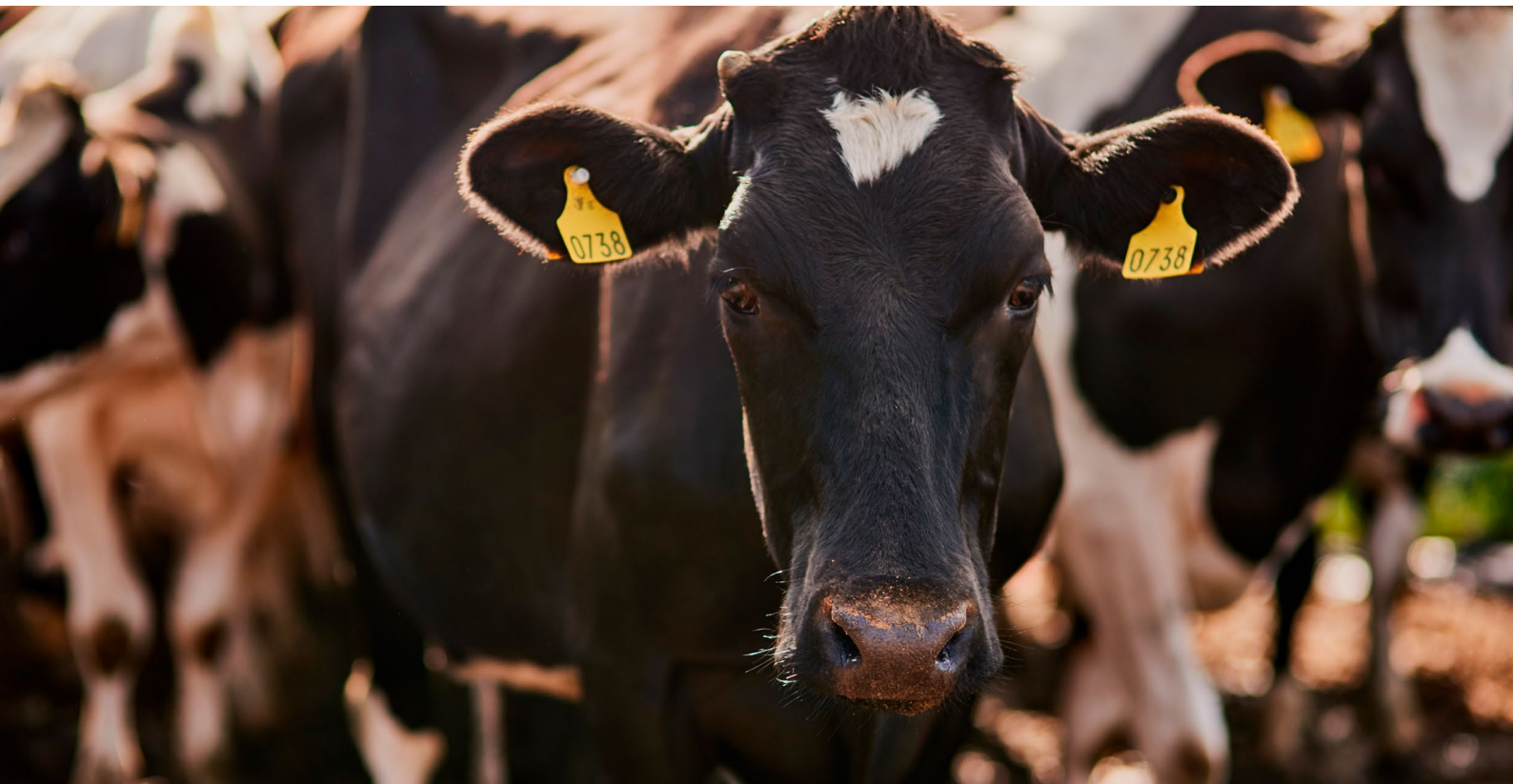
Cow markets were particularly impacted, as producers throughout central to northern NSW and southern Queensland made culling decisions based on the less than favourable conditions. Processor cow indicator prices at the saleyards dropped below 300 cents per kilogram liveweight (c/kg lwt) for the first time since July 2025, and over the hook prices through Queensland in particular saw sizable corrections with up to 70 cents per kilogram (carcase weight) dropping from grids over a short number of weeks.

Large offerings of young cattle also found their way to market through the New England region of NSW and southern Queensland, with significant price differentials opening between these markets

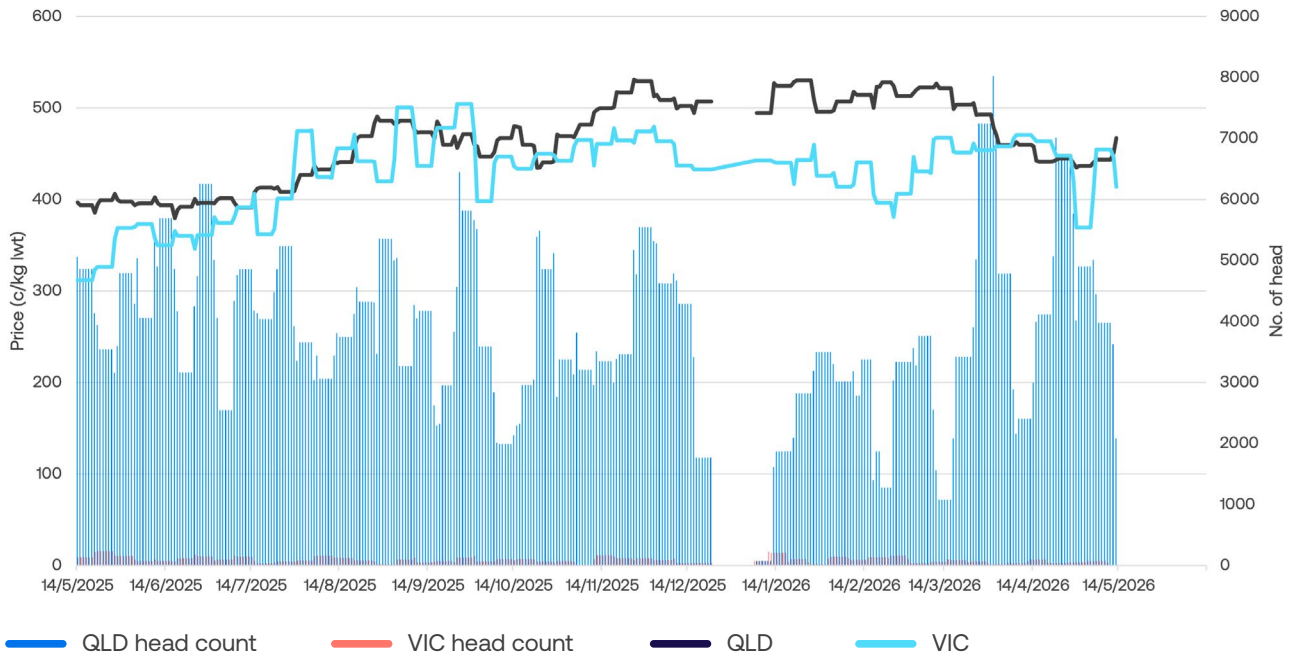
and those further south. This sharp increase in supply saw a reversal of the previous price advantage that Queensland restockers had held over Victoria in particular, as southern regions had been holding out for much needed rainfall to generate buying activity. The sharp drop in Queensland restocker prices however, created opportunities for southern producers banking on good autumn rain, which eventuated for many regions. This allowed increasing freight rates to be absorbed into trading margins.

National cattle indicator prices

Source: MLA, ANZ



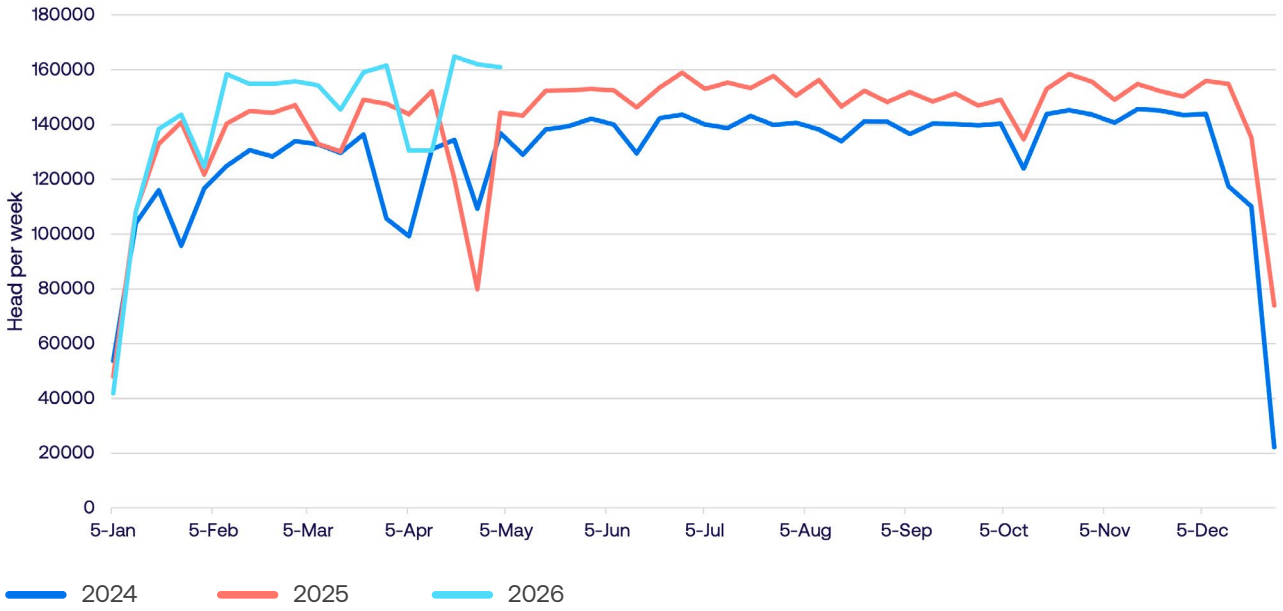
Restocker steers - Indicator prices - QLD and VIC



Source: MLA, ANZ

On supply, year to date cattle slaughter remains well above year ago levels, as the combination of high national herd numbers aligned with dry conditions in some key cattle regions to accelerate turn off. At the time of writing, 2026 cattle slaughter is tracking nine per cent higher than 2025 levels, with the most recent MLA forecasts suggesting slaughter will finish the year two per cent higher year on year at around 9.45 million head.

National cattle slaughter



Source: MLA, ANZ

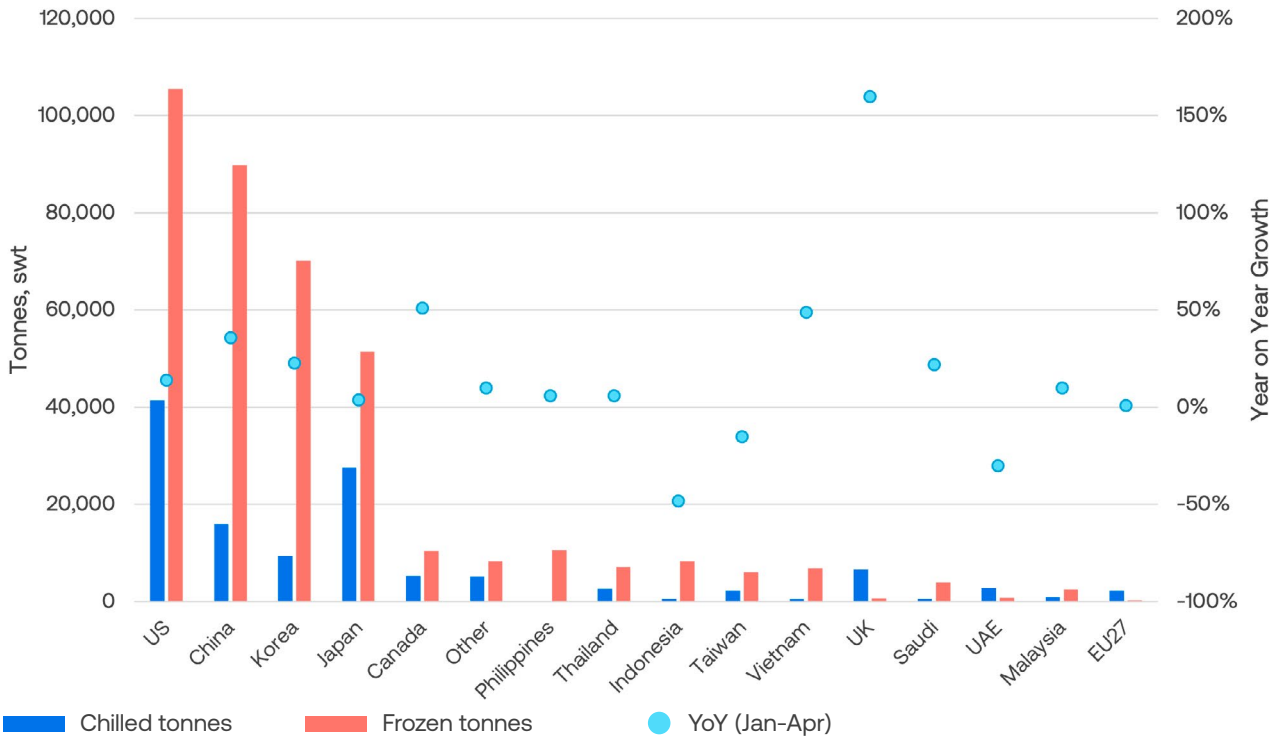
As the autumn surge of supply slows, producers are looking ahead for pricing signals amongst a volatile global backdrop. Export data for the period January through to April this year demonstrates global demand for Australian beef remains very strong, with overall exports for the period up 16 per cent year on year. Sales to the US and China, the two major markets for Australian beef, continue to perform strongly as US domestic supply remains heavily constrained.

China's new quota system – with tariffs applying once export volumes exceed those limits - and the expected redirection of Australian beef in the second half of the year, are creating uncertainty. However, strong demand across a diverse range of export markets should help absorb displaced volumes. Notably, exports to Japan and Korea are tracking well, up 4 and 23 per cent respectably year on year for the Jan-April period. Exports to the UK also continue to rapidly expand in volume. Exports to Canada for the year to April are also showing large volume increases, replacing US products that are in short supply.

A crucial factor over the short term for US demand will be the willingness of American consumers to continue to absorb high prices for beef, particularly while other cost-of-living pressures mount. At present, demand remains robust as retail prices surge, with the 90 chemical lean (90CL) indicator – a key reference point for Australian imported ground beef – currently priced at over 370 US cents per pound, up 23 per cent on this time last year.

A survey of over 4000 US consumers, undertaken by McKinsey & Company in early 2026, demonstrated that most respondents planned to spend the same amount or more on meat and dairy products this year. Notably, this survey was undertaken prior to the US-Iran conflict, and most consumers also expected that their total gasoline spend would remain the same or less than the year prior. With reports of growing negative sentiment toward the cost of living and daily essentials, the continued resilience of beef consumption in the US will be an important factor in Australian beef pricing through the latter half of this year.

Beef exports - Calendar year to April



Source: MLA, ANZ

Feedlot demand will be another crucial factor for producer prices, as Australia's feedlot industry looks to generate record grain-fed beef turnoff from the over 1.6 million head on feed across the country. In Queensland, where most of Australia's beef feedlots are located, utilisation rates of 94 per cent of almost one million head capacity were reached in the December quarter. Turn off is expected to further accelerate through the mid to latter half of 2026 as the most common 100–199-day feed cycle reaches completion.

Recent investment in Queensland lot feeding has been most concentrated in larger feedlots, with those with capacity of 1,001-10,000 head growing in numbers held on feed by 15 per cent between December 2024 and December 2025.

Feedlots with over 10,000 head grew by a more modest eight per cent for the same period; however, it is these operations that remain responsible for over 70 per cent of Queensland's cattle on feed.

So, what will impact the outlook for prices through to spring? Long-term ANZ analysis suggests young cattle prices are among the most volatile of all agricultural commodities, with the EYCI swinging more widely in the past five years than any other major indicator price across domestic livestock, grains and oilseeds. The large national beef inventory in Australia can exaggerate price volatility, particularly driven by peaks and troughs in cattle supply and slaughter. Continued strong export conditions support continuation of favourable heavy cattle prices, which would support the continuation of young cattle values at or around current levels.

Sheep and lamb insights

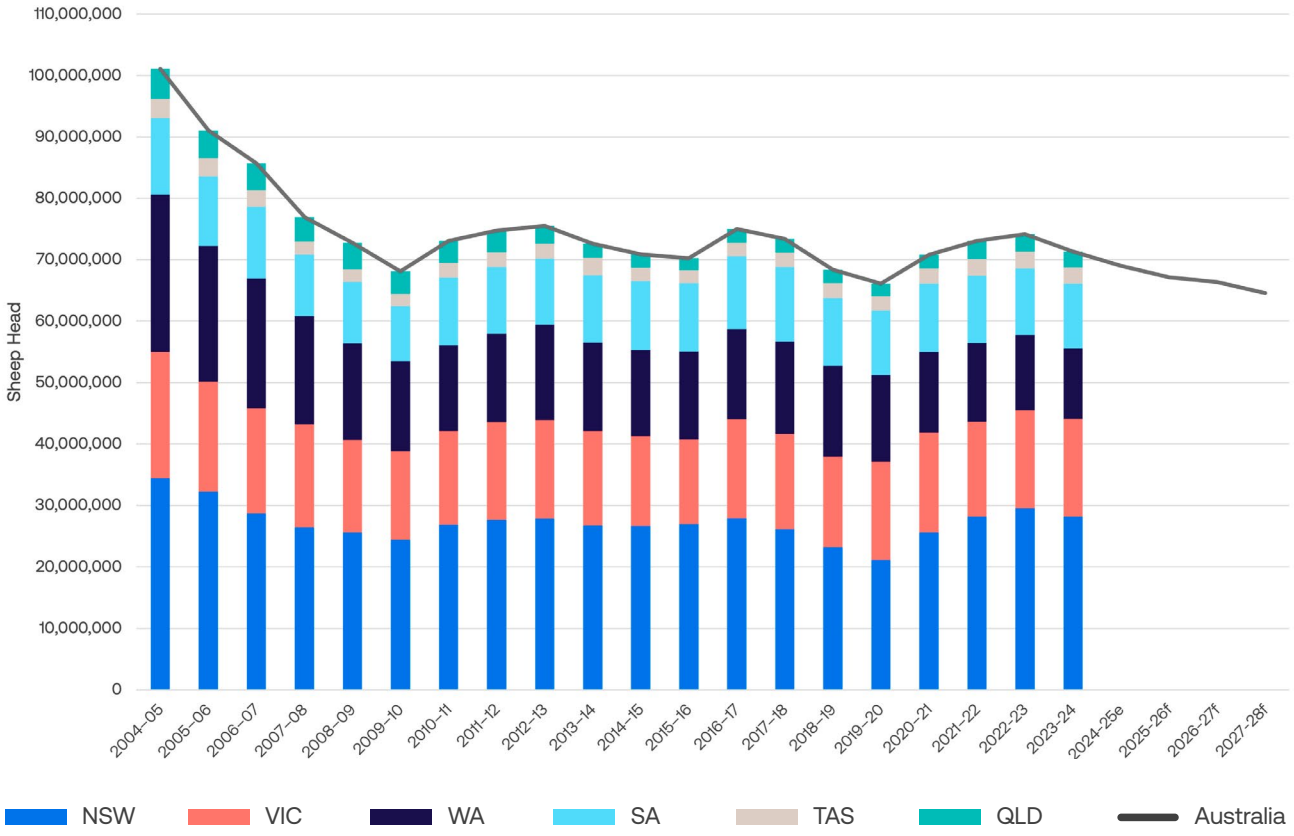
- The market has tightened through early 2026, with yardings around 14 per cent lower and reduced slaughter reflecting a smaller flock.
- Lower supply is supporting prices, with heavy lamb above 1,000 c/kg and mutton around 770 c/kg.
- Improved seasonal conditions are driving restocking and reduced turnoff, tightening availability.
- Price signals are shifting, with restocker and lighter lambs at times trading above finished lambs.
- Export volumes are lower overall, though strong demand from the US is offsetting weaker flows to other markets.

The Australian sheep and lamb market is heading into mid 2026 with lower animal availability, following two years of high ewe turn off and strong processing volumes. Lower availability of sheep and lambs is now shaping prices, production and trade flows across the sector.

The market has tightened through early 2026, with lower yardings and reduced slaughter telling signs of a decline in throughput. To mid May, total yardings are running around 14 per cent lower year on year, with lamb and sheep slaughter also tracking below last year's levels. This reduction in supply is keeping prices elevated, with heavy lamb prices holding above 1,000 c/kg cwt and mutton around 770 c/kg cwt, both well up on levels a year ago.

Lamb and sheep slaughter is also lower on a year to date basis. Improved seasonal conditions across parts of the southern region, particularly across Victoria and southern New South Wales, have supported pasture growth and restocking, while a smaller underlying flock following the contraction through 2024 and 2025 is limiting the volume of stock available to the market.

Australia's sheep flock 2004/05 - 2027/28



Source: ABS, MLA, ANZ. Note: State numbers are most recent ABS figures; flock forecast are MLA projections.

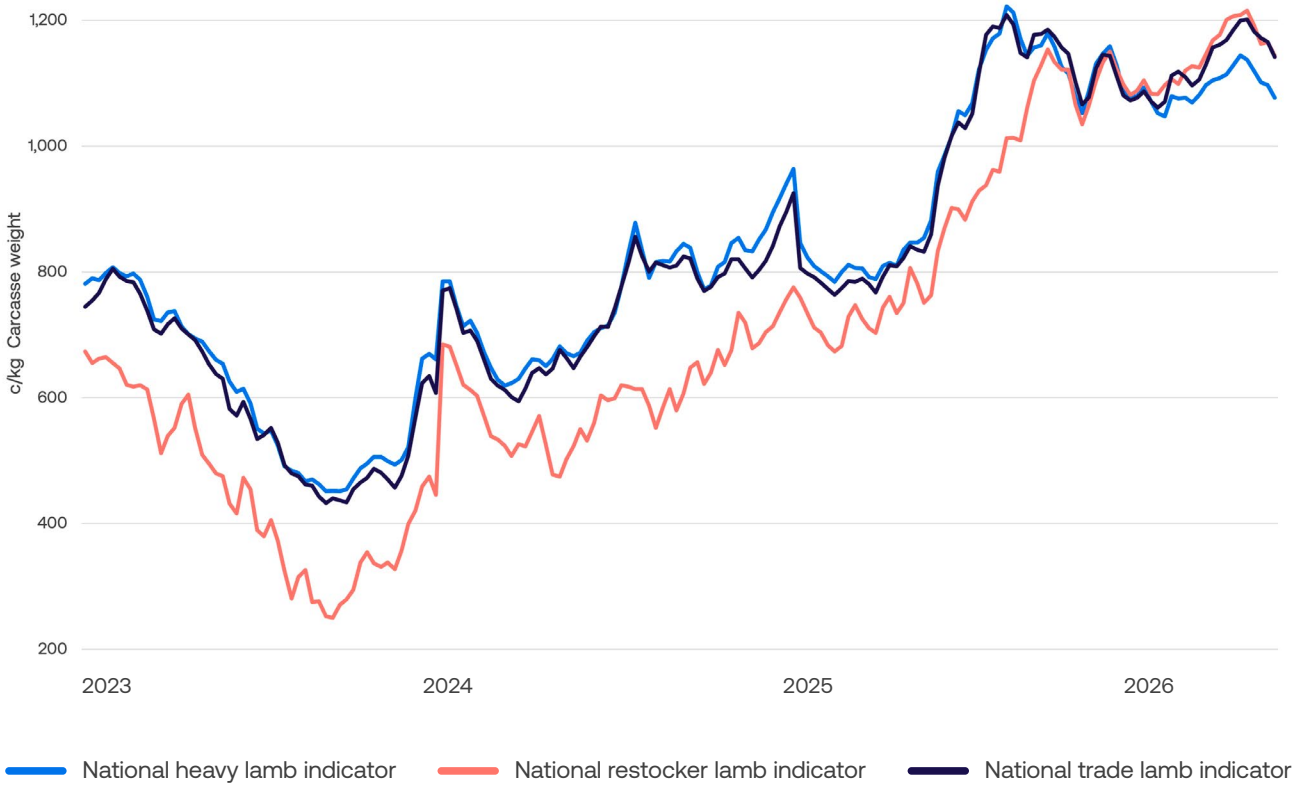
Slaughter is also running below last year, with both lamb and sheep throughput lower on a year to date basis. The decline in sheep slaughter is more pronounced, following the elevated turnoff seen through 2024 and 2025 when high mutton prices and seasonal pressure drove higher ewe offtake. More recently, improved seasonal conditions across southern Australia have reduced the need for turn off, lowering the volume of sheep available for processing. Overall slaughter remains solid, but the reduction is enough to tighten weekly supply and increase competition for stock.

Conditions are not uniform across the southern production regions, and this is evident in supply patterns. In Victoria and southern New South Wales, improved seasonal conditions have supported pasture growth and lifted confidence, encouraging producers to retain breeding ewes and hold lambs for further finishing. In contrast, parts of South Australia and Western Australia have seen more variable conditions, with periods of tighter feed availability leading to intermittent increases in turn off. The result is a tighter national supply position, largely driven by stronger seasonal conditions and increased retention across the main southern sheep regions.

Prices remain firm across all lamb categories, but the spread between them has shifted through early 2026.

At times, restocker and lighter lamb prices have moved above both trade and heavy lamb indicators, reversing the usual premium for finished stock. This indicates that demand for store stock is currently stronger relative to processor demand, consistent with fewer lambs being sold for immediate slaughter and more being retained or traded for further feeding.

Comparative lamb prices 2023 - 2026

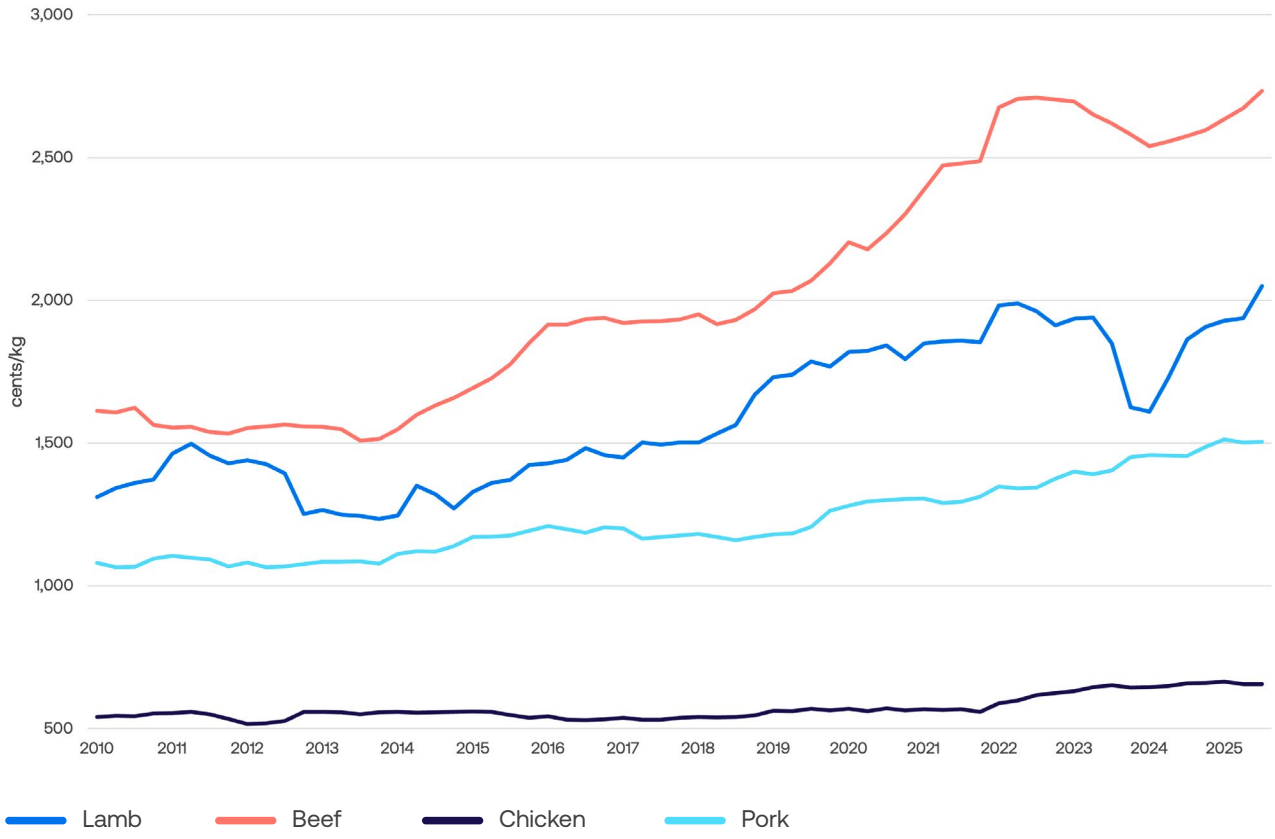


Source: MLA, ANZ
Note: Lamb prices have strengthened materially into 2026, with restocker prices lifting relative to trade and heavy lambs, indicating tightening supply and increased competition for stock.

Mutton prices remain elevated through early 2026, continuing to support ewe turn off, although this has eased from the higher slaughter rates seen over the past two years. Where seasonal conditions have improved, producers are retaining more breeding stock, reducing the number of sheep available to processors. In areas where conditions are tighter, higher turn off is still occurring, resulting in variability in yardings and pricing from week to week.

Retail lamb prices have lifted back toward the top of the historical range, reaching around 2,050 c/kg in late 2025 after falling earlier in the cycle. This reflects the earlier tightening in supply working through to consumers but also highlights that retail pricing tends to lag movements at the farmgate. While higher shelf prices may start to influence consumption at the margin - particularly relative to cheaper proteins like chicken - domestic demand is only one part of the picture. Australia exports the majority of its sheepmeat, so livestock prices are still driven primarily by export demand and global supply conditions, rather than shifts in local retail consumption alone.

Australian meat retail prices 2010 - 2025



Source: MLA, ANZ

Australia's sheepmeat export mix has shifted through early 2026, as disruption in some markets has been offset by strength in others. Total exports in April reached 38,866 tonnes, down 21 per cent on April 2025, reflecting weaker flows into the Middle East and North Africa, where shipping disruptions and reduced buying have weighed on lamb volumes. Year to date exports are also tracking below last year's levels. Exports for the year to April were also below the same period in 2025.

At the same time, the US has taken a larger share of exports. Shipments lifted through April, with the US now accounting for around 18-19 per cent of total exports, reflecting tight domestic supply in that market and strong pricing for imported lamb.

China remains the largest single destination by volume, although demand has been more variable from month to month. This reflects its role as a price sensitive market, where buying activity responds more directly to price and inventory levels than in higher value markets such as the US.

The export profile remains relatively broad across markets. China, the US, the MENA region and other Asian markets each account for a meaningful share of trade, so changes in any one region do not fully determine overall export performance. This has allowed exporters to redirect product into alternative markets where needed, particularly when access or demand weakens in parts of the Middle East.

Looking forward, how quickly ewe numbers are rebuilt – and how long producers continue to retain stock through 2026 – will determine how quickly slaughter volumes and export supply increase later in the year. Where seasonal conditions are strong and pasture availability and soil moisture hold, producers are more likely to retain breeding ewes and younger stock, reducing the number of lambs and sheep sold

into saleyards or sent for slaughter. This keeps fewer animals in the market and supports higher price levels. If seasonal conditions deteriorate – for example, through a return to dry conditions or tightening feed availability, turn off is likely to increase, lifting yardings and slaughter volumes and placing downward pressure on prices. For now, price direction is being driven primarily by livestock availability rather than changes in demand.

For processors, the issue is less about price levels and more about maintaining throughput. Processing costs are largely fixed, so when fewer sheep and lambs are available, plants run below capacity and costs per head increase. With slaughter volumes lower and livestock prices still firm, margins are under pressure, as processors are paying more for stock while processing fewer animals.

Looking ahead, market conditions through the remainder of 2026 will be shaped largely by seasonal conditions across southern Australia and how producers respond.

Wool insights

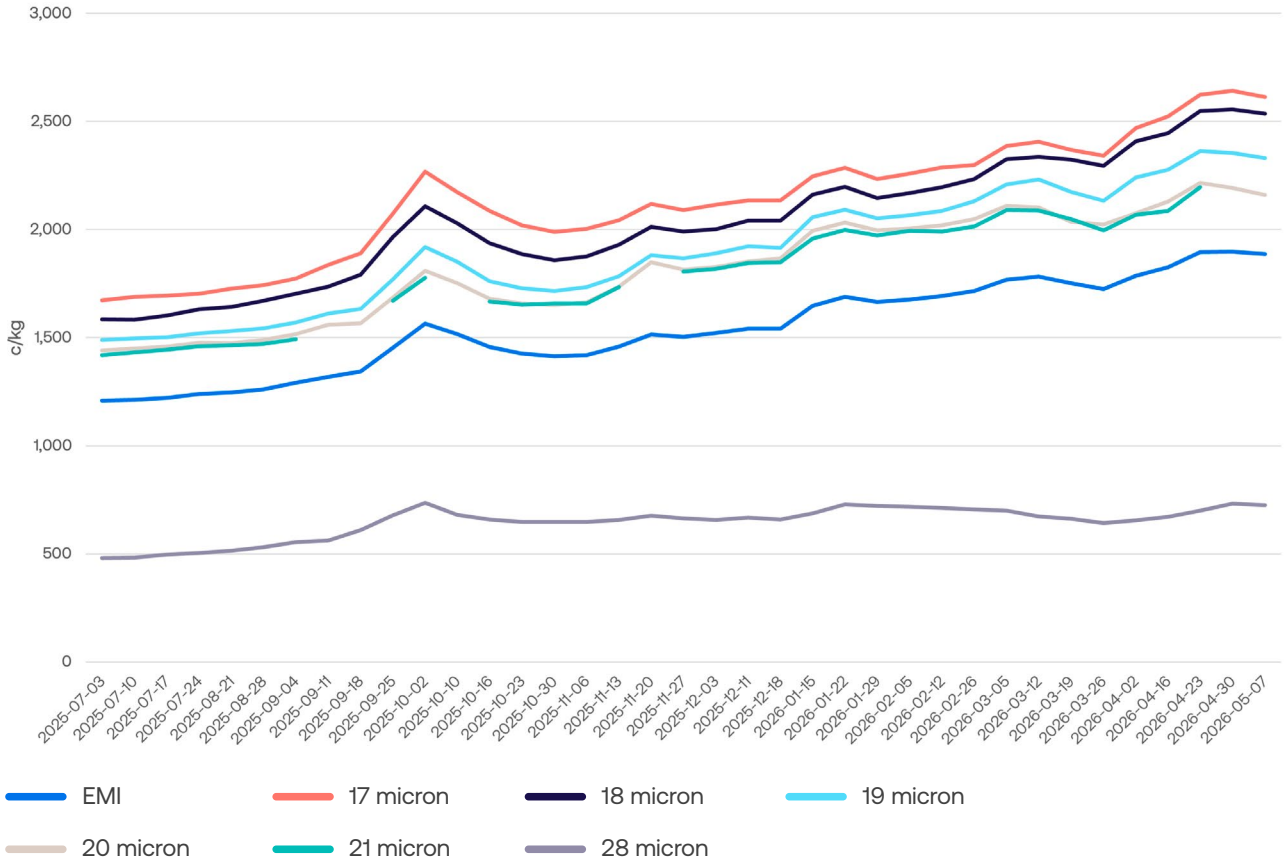
- Wool prices have stabilised through early to mid 2026, with the benchmark Eastern Market Indicator (EMI) near 1,900 c/kg, well above year earlier levels.
- Market outcomes are more variable, with currency and weekly offering mix driving price movements.
- Supply remains relatively tight, with low auction volumes supporting price levels.
- Strong premiums persist for quality, with fine Merino wool trading well above broader micron categories.
- The outlook is for firm but volatile prices, increasingly influenced by currency and clip quality.

The Australian wool market has stabilised through early to mid 2026, with prices holding at relatively high levels compared with recent years and confidence improving after the volatility of the past two seasons. Looking ahead, conditions could potentially remain broadly supportive, although further gains are likely to depend less on a simple recovery in demand and more on how tightly supply remains constrained and how external factors such as currency impact prices.

The more stable pricing environment seen through early to mid 2026 has been accompanied by greater variability from week to week. The EMI closed at around 1,886 c/kg clean in early May, easing slightly from recent highs as a stronger Australian dollar weighed on prices, while remaining well above levels seen a year earlier. Price movements continue to be somewhat volatile, with outcomes increasingly shaped by currency movements and the mix of wool offered at auction, rather than simply by any major shift in underlying demand.

Auction results through April and early May reflected this more balanced but uneven environment. The market firmed through late April, with the EMI holding near 1,895–1,900 c/kg and finer Merino prices lifting in Sydney and Fremantle, before easing in early May as a stronger Australian dollar reduced returns to exporters and limited buyers' willingness to pay higher prices in Australian dollar terms. The earlier rebound following the Easter recess saw prices rise sharply, despite a larger offering, as buyers competed for limited volumes, particularly of wool with low vegetable matter and reliable fibre specifications.

Australian wool price by micron 2025 - 2026



Source: Nutrien, AWEX, ANZ

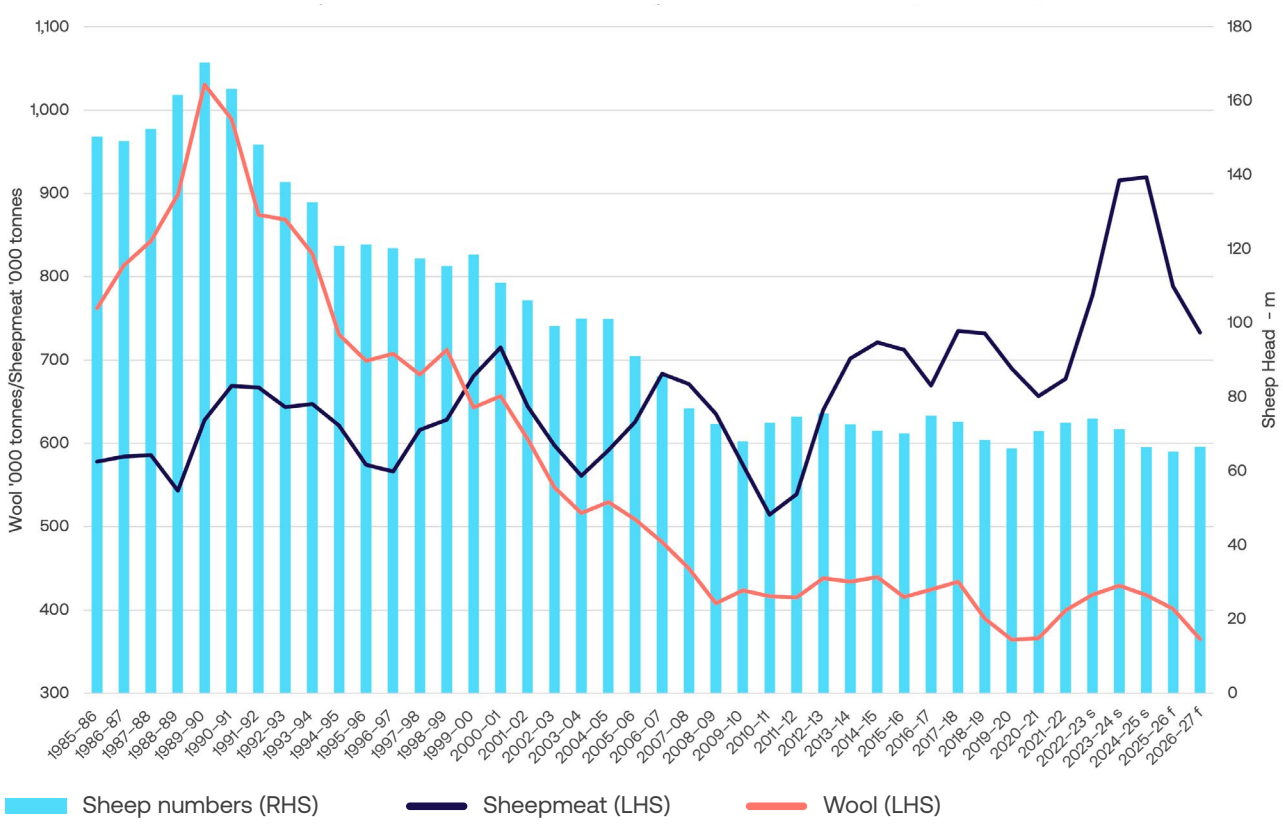
Auction volumes remained relatively low through April and early May, with weekly offerings around 30,000–35,000 bales and pass in rates generally below 10 per cent, limiting the amount of wool available to the market. This limited supply has contributed to greater variability in auction outcomes, with price movements increasingly influenced by the composition of each week's offering. As a result, sales have shown a wider spread in results, depending on wool quality and specifications, rather than a uniform movement across the market.

The difference in prices between finer and broader wool types is evident in recent auction results. Fine Merino indicators have remained well above broader categories, with prices around 2,600 c/kg for 17-micron wool, easing to just above 2,100 c/kg for 21-micron, while broader 28-micron wool has remained closer to 700 c/kg. This price spread reflects the continued importance of fibre diameter and quality, rather than a uniform lift across the market. It also explains why movements in the EMI can mask different outcomes within the same sale, with stronger crossbred and oddment markets at times offsetting softer Merino fleece prices.

Currency has continued to play a role in shaping weekly price movements as the market has moved higher. A stronger Australian dollar limited gains in local terms by reducing returns to exporters and tightening buyers' margins, even where underlying demand remained steady. This meant that prices eased at times in Australian dollar terms while holding firmer in US dollar terms. In practical terms, currency has acted as a constraint on further price increases, rather than signalling any weakening in demand.

At a broader level, the market continues to be supported by a relatively tight supply base. Wool production is expected to ease slightly through 2025–26, alongside a smaller national flock compared with recent years, limiting the potential for any significant lift in supply in the near term. This is consistent with conditions seen at auction, where limited volumes of higher quality wool continue to attract competition, even as overall results vary from week to week.

Australian sheep numbers vs wool and sheepmeat production 1985/86 - 2026/27



Source: ABARES, ANZ

Looking ahead, there is a likelihood that prices may remain at relatively high levels compared with recent years, but with greater variability from week to week. Periods of firming are likely when competition for available wool increases, particularly where quality is limited, while short term corrections could occur when the Australian dollar strengthens or when a broader mix of wool is offered. The interaction between supply, quality and currency will remain central to price direction over the remainder of 2026.

For producers, this points to a market where overall price levels could well be supportive, but where realised outcomes could depend increasingly on clip characteristics and preparation. The consistent premium for low vegetable matter, well grown fleece wool with good length and strength highlights the importance of on farm decisions and classing in determining returns. Even in a favourable market, differences in preparation and specification are continuing to translate directly into price outcomes at auction.

Dairy insights

- Global dairy prices continue to feel downward pressure due to significant global supply.
- Domestic production is growing strongly, although bearing the impact of increased input costs.
- Questions remain over the discovery of foot-and-mouth disease (FMD) in China, and its impact on China's import demand.
- Both globally and domestically, demand for milk appears to be growing strongly, in part due to the demand for protein-rich products.

The arrival of winter signals the pending announcement of opening farmgate prices for Australian milk producers. This year, the increased cost of inputs from fuel to fertiliser to the cost of packaging further up the supply chain is likely to be weighed heavily against a global abundance of milk and global prices showing some signs of decline. However, mixed signals from China, as well as a reported FMD outbreak, may give some support for global prices going forward. Domestically, the acquisition of Fonterra's assets by Lactalis will put a focus on the impact of fewer processors in the market and the need to support domestic milk production through opening prices.

Global dairy prices have been up and down throughout the first months of 2026. While the first quarter saw improving prices, late March and April saw the script flipped with consecutive price falls. Much of that growth and subsequent decline can be attributed to global butter prices, which saw a rally early in the year, but in general have been in decline since mid-2025. This decline is primarily due to the very strong production in milk and milk fat. Strong production in the European Union (EU) and the US has seen global production rise four per cent year-on-year to the end of February. That growth is expected to continue to the end of 2025-26 in all major milk-producing countries except Australia.

The United States Department of Agriculture (USDA) forecasts total global milk production for calendar year 2026 to rise 0.7 per cent – down from the 1.2 per cent lift in 2025, which may support prices somewhat. Globally, growth in

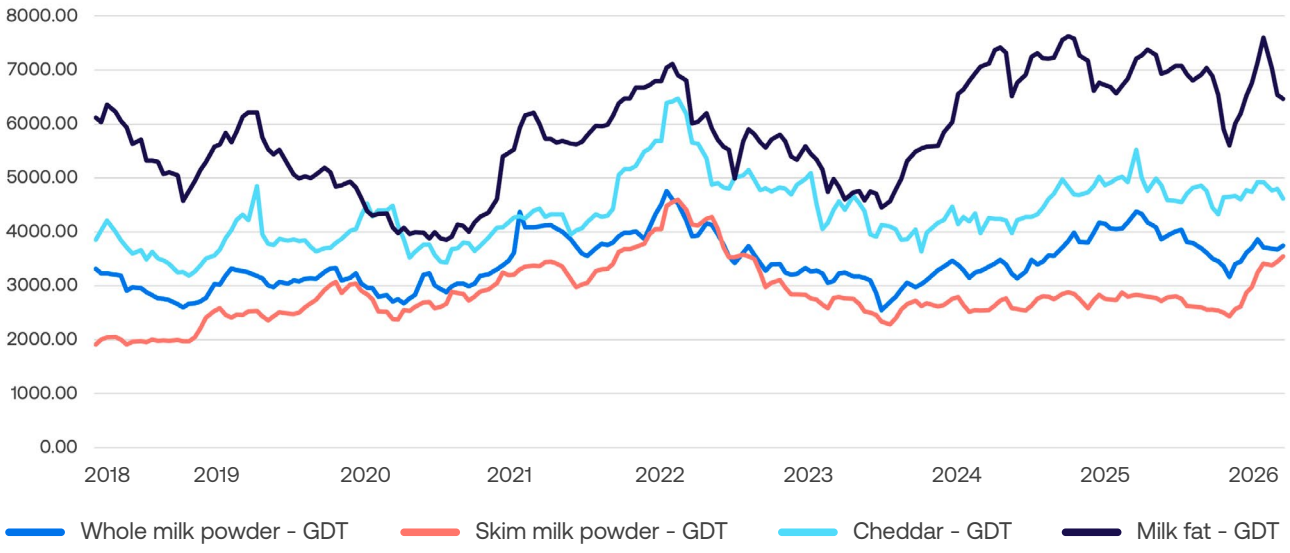
manufacturing use is expected to outstrip fluid milk consumption again, which continues the longer-term trend, only interrupted by Covid.

Looking forward, the growth seen in the first half of 2026 is expected to ease slightly coming into the second half of the year, as increased feed and input costs start to squeeze producers' margins and productivity. China's demand for imports remains a question for many in the industry, as the Chinese government reports low consumer demand stemming from weaker economic activity, and most notably the falling population growth rate, impacting demand for baby formula. Contrary to this, however, there has been strong buying activity earlier in 2026 from Chinese buyers, which has sparked theories that China is actively building milk powder stocks, which have been in decline in recent years. The final factor influencing Chinese demand is the confirmation of cases of FMD. In early April, China's Ministry of Agriculture and Rural Affairs confirmed the first-ever cases of a new strain of FMD in the provinces of Xinjiang and Gansu. Both regions feature in the top 10 milk-producing areas in China – and with both regions being separated by several thousand kilometres, there are concerns about how widespread the outbreak may be.

It is also interesting to note the increase in demand for milk protein which may be supporting prices slightly higher than otherwise expected. Across the globe, the demand for drinking milk per capita is forecast by the UN Food and Agriculture Organisation (FAO) to be growing, driven both by an increase in incomes, but also an increase in demand for protein as part of the new health trend towards high protein foods. In Australia, growth in drinking milk sales has been in positive monthly territory since September 2025 being driven heavily by the growth in "fresh flavoured" milks which is the category that includes most 'high protein' milkshakes or drinks.

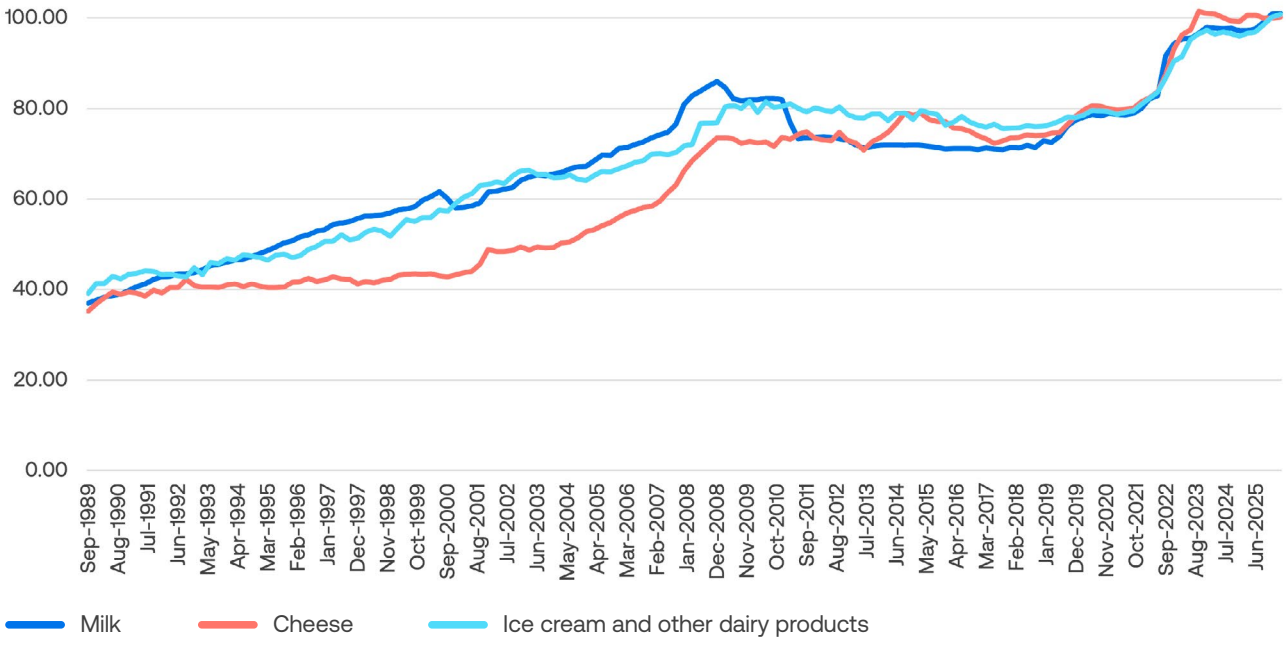
An improvement in season across the first quarter of 2026 has seen Australian milk production – and fat and protein content – improve strongly. While year-to-date production for March 2026 is still slightly down on the previous year, recent months have seen a strong increase in Victoria, Tasmania, Queensland and New South Wales – although production remains weak in both South and Western Australia. Milk fat and protein levels have also improved year-on-year due to the improving season and pasture growth.

Global dairy trade auction results



Source: ABARES, GDT, ANZ

Australian dairy products retail prices



Source: ANZ, ABS

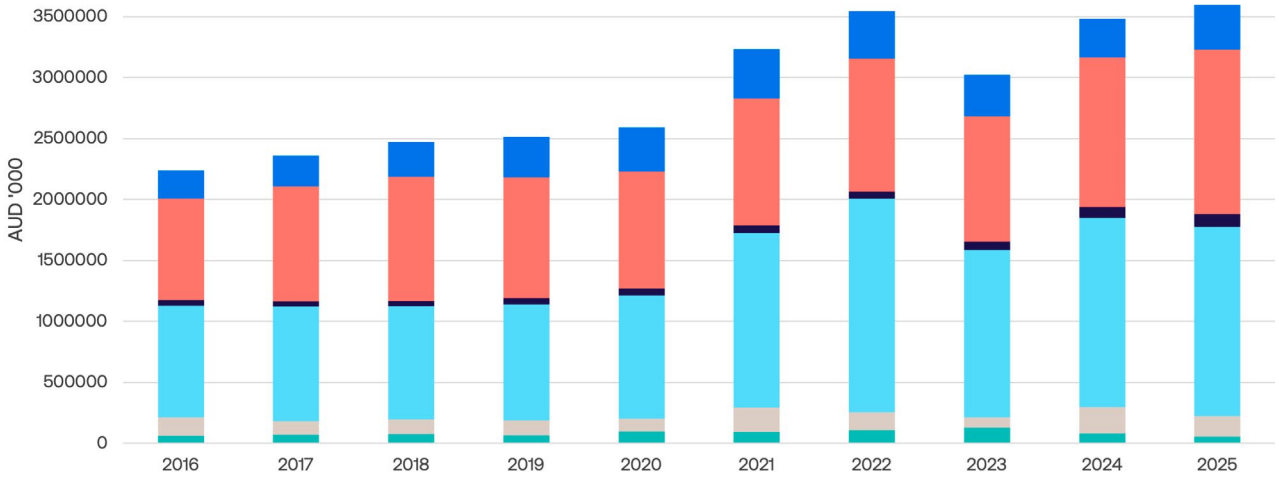
Exports of Australian dairy products continue to perform steadily across the board, with total exports for the year to March recording a slight uptick in total value. Milk and whey exports have increased strongly, slightly offsetting the value of the large decline in butter and cheese exports. The finalisation of negotiations on the EU-Australian Free Trade Agreement is leaving many in the industry considering the threat of an increase in EU imports, with claims that the quotas for exports to the EU of 5,000 tonnes for butter, 8,000 tonnes for skim milk powder and 2,000 tonnes for whey will not be sufficient to achieve a fair balance in market access. In return, Australian producers would gain access to the EU market, which to date has been largely inaccessible.

Finally, the state of the Australian dairy industry cannot be considered without also looking at the impact of rising input costs stemming from the US-Iran conflict. With the global oil price sitting above 100USc/bbl since early March, increased costs are clearly eating into margins. While there is hope that the conflict will reach a conclusion in the near term, a look at the margins of the average Australian dairy farmer shows the impact if it were to continue for the longer-term.

> According to 2024 financial results, the average dairy farm would see profits reduced by 48 per cent if the total annual fuel and fertiliser were to double, without considering the impact on the supply chain, including transport, packaging and other costs associated with milk production.

As a result, the pending announcement of opening farmgate prices will need to balance rising producer costs against a global market with ample milk supply, limiting the scope for higher price.

Dairy exports



Milk and cream, not concentrated nor containing added sugar or other sweetening matter

Cheese and curd

Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk

Milk and cream, concentrated or containing added sugar or other sweetening matter

Butter, including dehydrated butter and ghee and other fats and oils derived from milk

Whey, whether or not concentrated or containing added sugar or other sweetening matter

Source: TradeMap, ANZ

Cotton insights

- Growers have managed limited water and rising costs through the 2025/26 growing season, amid initially low price expectations.
- Harvest delivered generally strong quality and average to above average yields.
- Prices rebounded strongly through autumn, with the benchmark Cotlook ‘A’ Index rising over 25 per cent from seasonal lows.
- Demand improved due to stronger overseas retail sales.
- Global production is forecast to decline in 2026/27, including a significantly smaller Australian crop.
- Tighter supply outlook supports prices, however inflationary pressures globally are the biggest unknown factor in global demand.

With harvest completed in the north and nearing completion in the south, the 2025/26 production year for many growers has been a delicate balance of prioritising limited water supply and increasing costs, against what initially looked to be relatively low and flat price outlook. Quality reports have been generally good/fair, with fine weather assisting harvest in many regions, and yields coming in around average to slightly better than expected, given the variable nature of soil moisture and irrigation supplies across major growing regions this season.

Fortunately, cotton prices found some solid support through autumn, with prices recovering to levels not seen since the harvest of 2024. In fact, in early May, the benchmark global Cotlook ‘A’ index rose above 90 US cents per pound (USc/lb) for the first time since April 2024, staging a greater than 25 per cent recovery after bottoming out at 73 USc/lb for the growing season in December 2025.

The driver of the price rebound appears to be a combination of some production concerns due to dry conditions in key US growing regions as the new crop is planted, an increase in immediate demand from cotton mills, and improved consumer demand signals from large consuming nations such as the US and China.

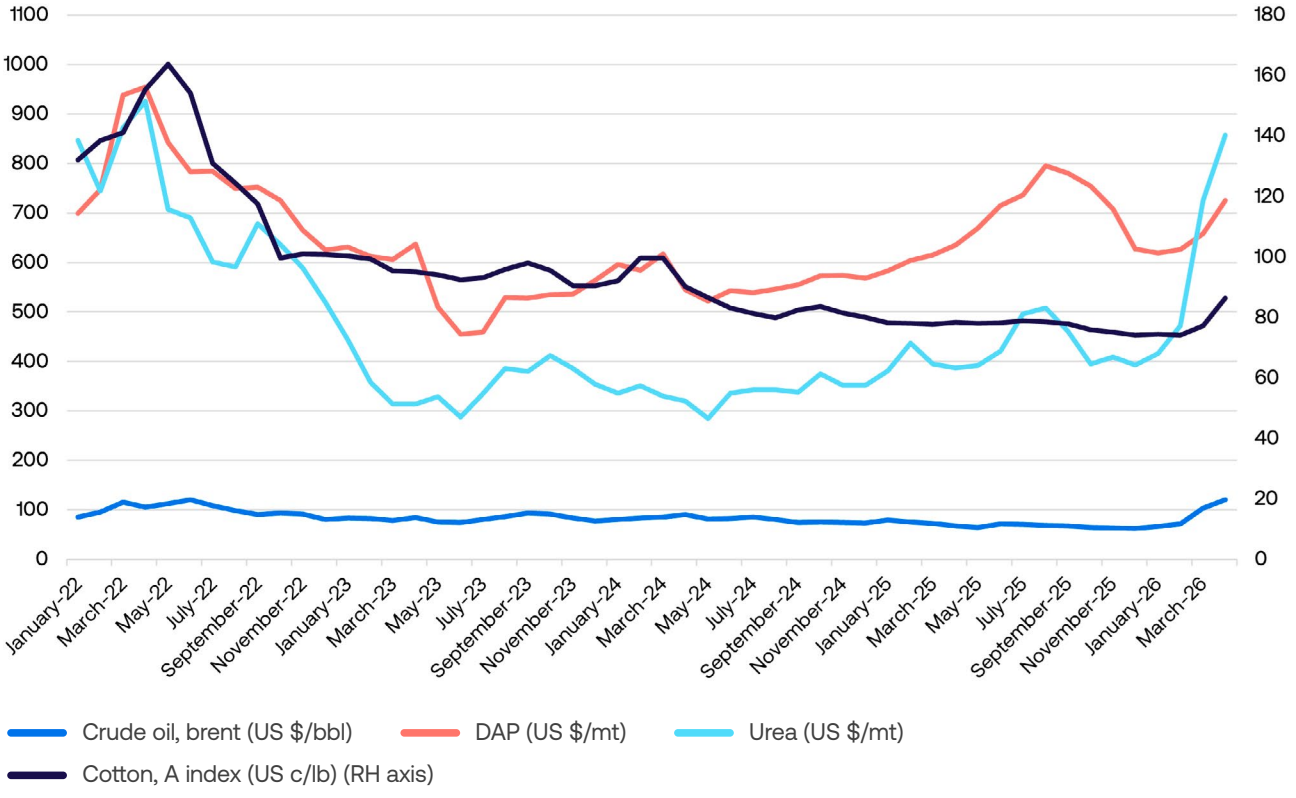
USDA reports that retail apparel sales in China finished 2025 strongly, as household spending was encouraged through government stimulus measures. The cotton-to-synthetic price differential may also be a factor in increasing demand for cotton, as the price and availability of oil pose threats to synthetic fibre production, supply and prices. The overall impact of increasing and prolonged global inflation on consumer demand for all textile and apparel products does, however, remain yet to be seen, and places great uncertainty over demand estimates for the year ahead.

Looking ahead to the 2026/2027 global crop, USDA's first official forecasts suggest a sizable 6.6 million bale reduction in global production, to around 116 million bales. Notably, this is off the back of a record global crop in 2025/26 of over 122 million bales. Declines in production in China, Brazil, the US and Australia are major contributors. Australia is forecast to see a further contraction from the current crop to just three million bales for 2026/27. Recent ABARES forecasts suggest planted area in Australia for the new season will reach just a little over 400,000 ha, the lowest since the drought-impacted 2020-2022 years.

With production forecast to retract, global consumption could outpace production by around five million bales, a reversal of the current situation and a generally positive signal for prices. Trade is, however, forecast to remain stable, as ample stocks held by major consuming nations can be drawn on to meet supply needs. A smaller Australian crop, amongst the backdrop of a smaller global supply, should increase competition for exports and, in theory, bode well for prices.

At the time of writing, Australian spot prices for 2025/26 crop are hovering around $600 per bale, with forward pricing for 2026/27 crop slightly more favourable, reflecting the adjusted supply outlook and are trading in the low $600/bale range.

Global cotton, fertiliser and oil prices



Source: Worldbank, ANZ

Sugar insights

- Rising uncertainty over sugar production in the coming year, and forecasts for a production deficit, are pushing prices higher, albeit off a low base.
- Oil prices are increasing demand for sugar as an ethanol feedstock.
- Forecasts of an increased chance of an El Niño season are impacting many of the world's biggest cane-growing regions.
- Global sugar prices have been subdued for many seasons as global production has outpaced consumption.
- Forecasts of a return to a normal season in Australia have seen domestic production projected to increase by almost 10 per cent.

While the prospect of an El Niño event impacts all agricultural commodities to some extent, quite often the global impact of drier conditions in Australia and other parts of the world is offset by improved conditions elsewhere. Global sugar production is not one of those commodities, with production in Southeast Asia being impacted by the dry, and production in South America being inundated. With global sugar prices being pushed down by a production surplus, the prospect of a decline in production also gives some hope for an improvement in prices. For Australia's cane growers who are struggling under the weight of low sugar prices and high input costs, it is a fine line to walk between the potential for lower production and higher prices.

Right now, the global sugar market is in a delicate balance with a surplus of production in 2025/26, the start of harvest season in Brazil, and reports of a strong crop in China and Thailand being weighed with the looming potential impact from El Niño. As a result, the FAO Sugar Price Index has dropped 4.7 per cent in April, which is over 20 per cent down on this time last year.

While global sugar prices have been on a solid downward trend since late 2023, based on very strong global production as well as an ongoing decline in sugar consumption in food, early forecasts for the 2026/27 season have seen sugar futures rally. Those forecasts are based on the impact of the oil price spike stemming from the

effective closure of the Strait of Hormuz, which has led to an increased focus on the use of sugar for ethanol, as well as forecasts of an El Niño season.

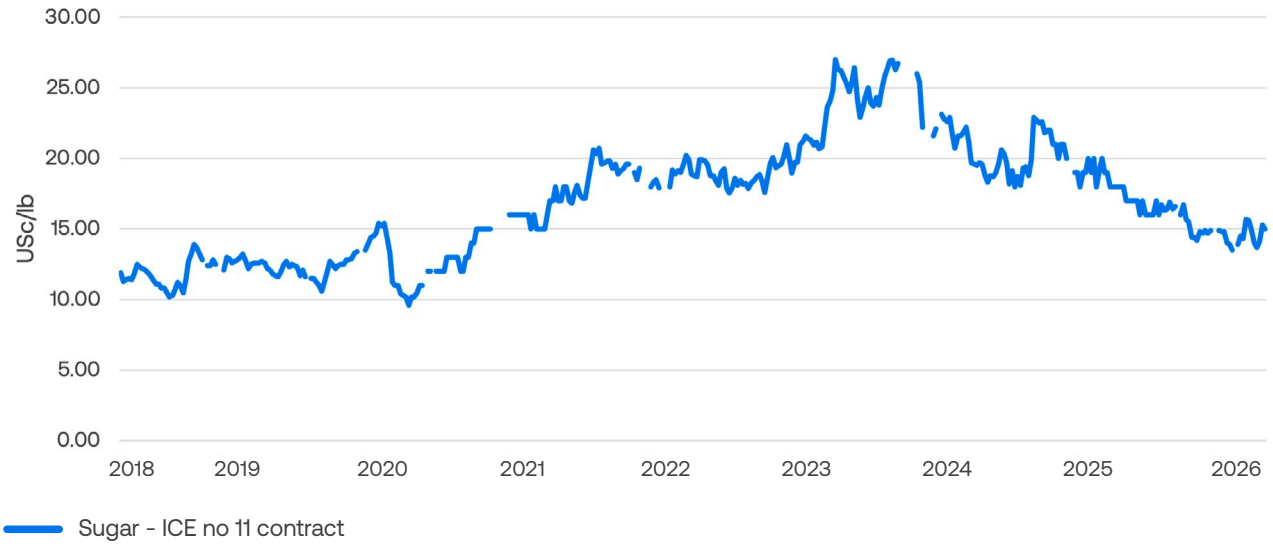
Outlooks for the coming 2026/27 season are mixed, but all are predicting a smaller harvest than 2025/26, with some predicting a smaller surplus, but the majority predicting global sugar production will fall behind consumption by around two to three million tonnes (MT). With global ending stocks predicted at around 44.5 MT, there is still considerable scope to deal with production deficits. This first real look at the coming season has seen sugar futures jump almost 10 per cent.

The recent announcement by Brazil that it will increase its mandatory ethanol blend mandate for gasoline to 32 per cent from 30 per cent, while the biodiesel blend is set to be raised to 16 per cent from 15 per cent, will also impact the market. While much of Brazil's ethanol feedstuff comes from corn, estimates have reckoned that the percentage of sugar diverted to ethanol would hit 54 per cent of production – up from 51 per cent the previous season.

Australian producers are facing the possibility of a dry season combined with the impact of the spike in fuel and fertiliser costs, low domestic prices and ongoing volatility, with representative bodies raising concerns that continued low margins may lead to exits from the industry. Despite this, the most recent USDA report on Australian sugar production reported strong plantings and forecasts of improved yield and sugar content. As a result, the USDA is forecasting that Australia's sugar production will increase by nine per cent, as the industry returns to a normal season following the shortened 2025/26 season.

The recent announcement by the Queensland Crisafulli Government, investing $25 million in biodiesel production at Ampol's Lytton Refinery in Brisbane, has also advanced the move to diversify demand.

Sugar prices (ICE contract)



Source: ANZ, Intercontinental exchange

Egg insights

- Australian egg production has recovered to around 365–366 million dozen, following rebuilding of the flock after recent disruptions.
- The rapid recovery has led to a more uneven egg market, with regional oversupply emerging as product shifts across states.
- Unit values have eased from recent highs to around 380 c/dozen in 2025–26 but remain well above earlier levels.
- Consumption remains stable at around 250–260 eggs per person, supporting demand despite price increases.
- The outlook is shaped by cage free transition, higher input costs and biosecurity, leading to more variable pricing.

Scrambled, fried, poached or boiled, eggs remain one of Australia's most familiar and widely consumed food staples, but the industry behind them has looked anything but steady over the past two years. As Australia's egg industry heads into mid 2026, it is in a markedly different position to that seen through 2024 and early 2025, when avian influenza outbreaks, large scale culling of laying hens and supply shortages drove sharp increases in wholesale and retail prices, leaving supermarket shelves intermittently short of eggs. Egg production has since recovered relatively quickly, but the speed of that recovery has created a more uneven market, with supply in some regions at times exceeding local demand as eggs have been redirected across state boundaries following the rebuilding of production.

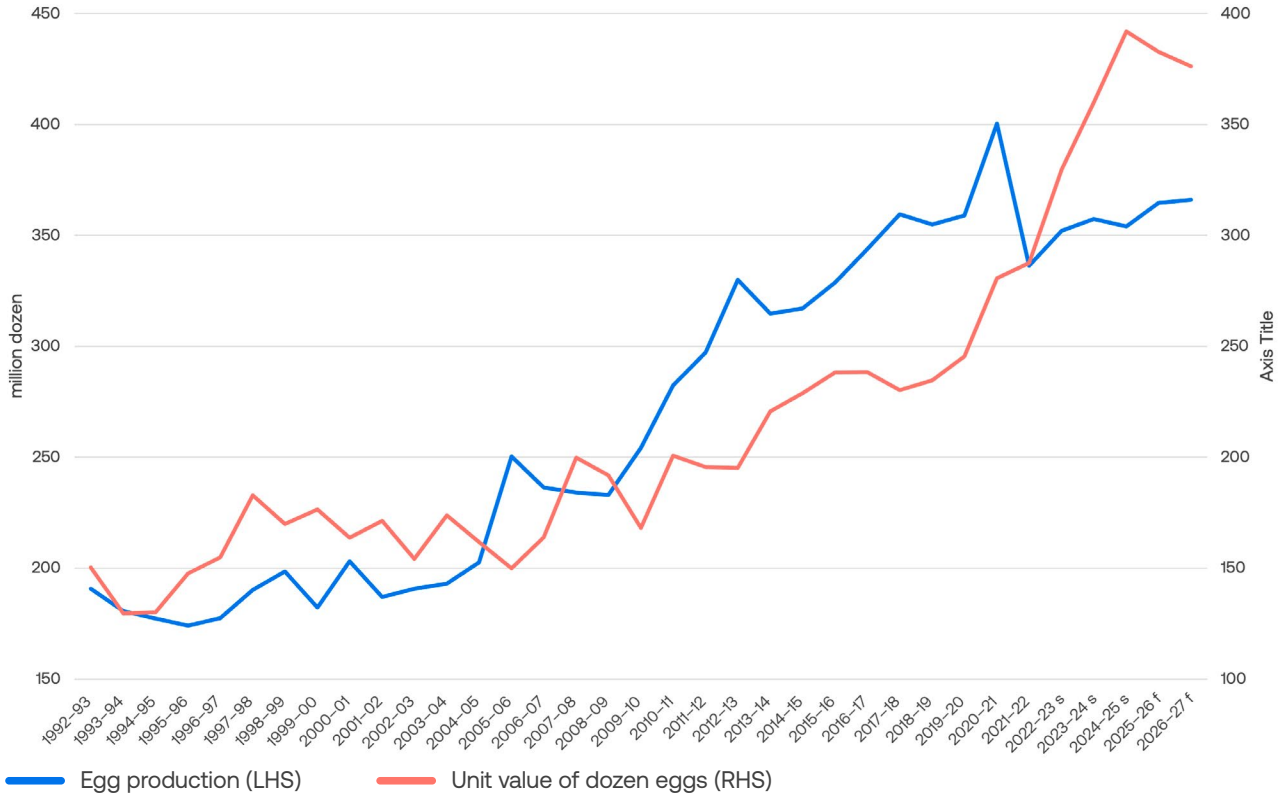
This recovery reflects the short biological cycle of egg production, where new laying hens can be brought into production within a matter of months, allowing the industry to rebuild output more rapidly than in other livestock sectors. National egg output is estimated at around 365-366 million dozen in 2025-26, broadly in line with recent levels and indicating that overall production capacity has largely been restored after the culling of more than one million hens during the avian

flu outbreak period, which reduced the national flock by approximately seven to ten per cent. As farms in the eastern states restocked and returned to production, product was increasingly moved across state borders to secure market access, and in some cases, this resulted in excess supply in secondary markets such as South Australia, where producers reported declining orders and downward pressure on prices. The adjustment reflects the fact that production can be re established relatively quickly, while consumption patterns change more gradually, particularly within supermarket supply chains where volumes are largely contracted. While national production has recovered, constraints remain around sourcing sufficient replacement pullets, securing approvals for new or expanded housing, and managing the transition to cage free systems.

Egg unit values – the average price received per dozen once eggs are sold into the market – have eased from the highs recorded during the 2024-25 shortage period but remain well above earlier levels in the decade. ABARES data show unit values rising from around 329 c/dozen in 2022-23 to approximately 391 c/dozen in 2024-25, before declining to an estimated 382 c/dozen in 2025-26 and a forecast 376 c/dozen in 2026-27.

This easing reflects the recovery in production following the rebuilding of the national laying flock, although price movements have varied across regions. Retail prices have also eased from their peak but remain elevated due to higher input costs. Importantly, total egg industry value has remained close to $1.4 billion, indicating that production volumes have held broadly steady despite lower unit values.

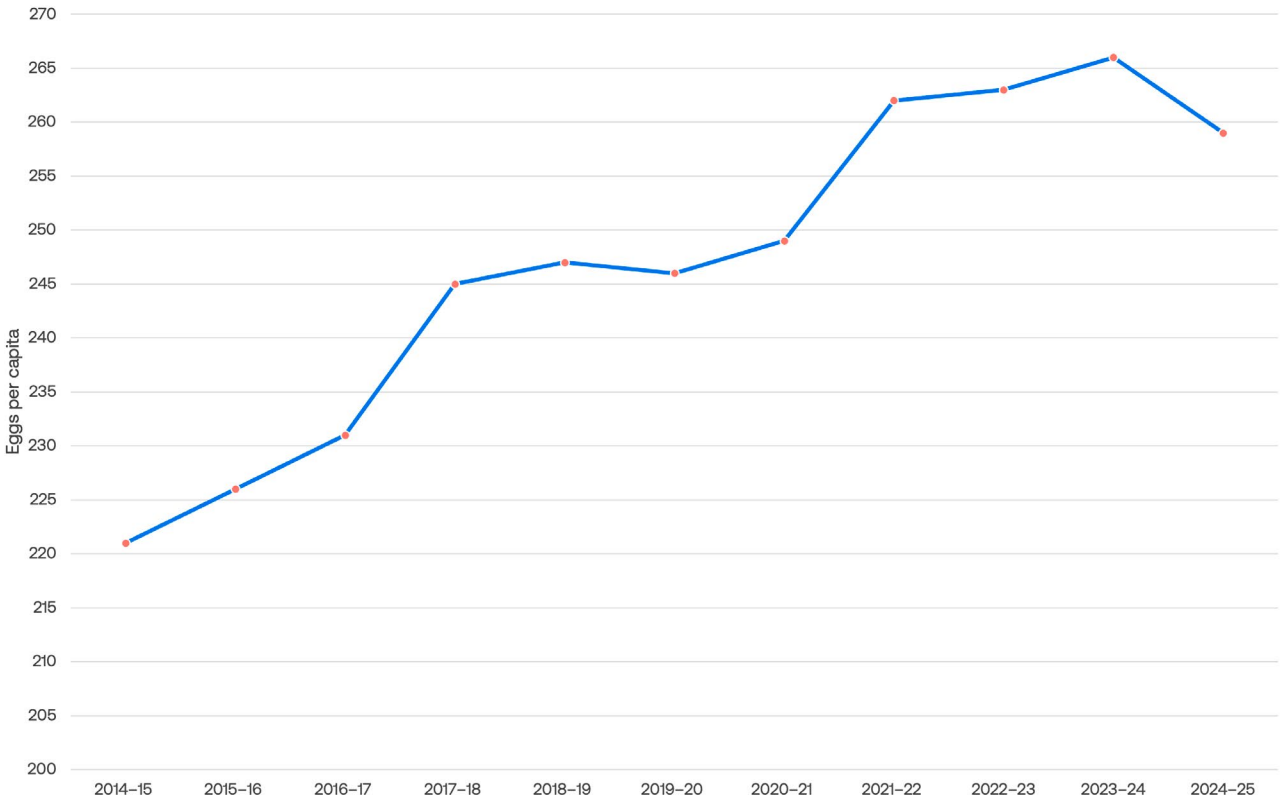
Australian egg production vs unit value 1992/93 - 2026/27



Source: ABARES, ANZ
Note: Unit value reflects the average price received by producers per dozen eggs at the farmgate, calculated as the total value of production divided by total volume.

Demand from Australian consumers remains firm, as reflected in consistently high levels of per capita consumption. Consumption is around 259 eggs per person per year, broadly within the 250-260 range seen in recent years and following a steady increase over the past decade. Eggs are widely used across Australian households, supporting their position as a staple food item. Industry data also indicate that eggs continue to be priced competitively on a per-serve basis relative to other animal proteins, even after recent price increases. While higher prices and periodic shortages during 2024-25 affected availability at the retail level, there is no clear evidence of a sustained decline in consumption, with demand supported by population growth and longer term consumption trends.

Australian average annual egg consumption - per person 2014/15 - 2025/25



Source: Australian Eggs, ANZ

The structure of the Australian egg industry continues to change, with several factors affecting both production decisions and pricing outcomes. An important development is the agreed phase out of conventional cage egg production by 2036, endorsed by Australian agriculture ministers and being implemented by states and territories, which is influencing investment across the sector. New sheds and upgrades are increasingly designed for barn or free range systems, which require more space per bird and involve higher capital and operating costs than conventional cage production. At the same time, input costs, particularly for feed, energy and labour, remain elevated compared with pre COVID levels, despite some easing in feed grain prices. Biosecurity remains a critical issue, as demonstrated by the avian influenza outbreaks in 2024 and 2025, which led to the culling of more than one million hens. The supply chain is also shaped by the dominant role of major supermarkets, which account for most egg sales and influence production systems

through sourcing policies, including commitments to increase the share of cage free eggs. These factors affect pricing, producer contracts and incentives for further investment.

Over the near term, the industry is expected to continue adjusting following the disruption caused by avian influenza in 2024 and 2025, rather than returning to pre outbreak supply conditions. Production is likely to increase gradually as farms that were previously de stocked return to full production and new cage free sheds are completed, although expansion will be limited by the time and cost involved in building new housing and raising replacement flocks.

Prices are expected to remain above pre 2022 levels, reflecting the higher cost of production, but are likely to move more frequently as supply levels change and producers respond to earlier shortages by increasing output.

Overall, the industry is moving into a period in which relatively small changes in supply or demand result in larger movements in prices than in the past.

Australian economy insights

Australian economy to slow in 2026

The escalation of the conflict in the Middle East has a range of implications for the global economy, including unprecedented disruptions to oil supply. Oil production from the Persian Gulf has fallen by over 10 million barrels a day, and cumulative supply losses are approaching a billion barrels. As supply losses persist with the closure of the Strait of Hormuz, oil prices are likely to remain structurally higher. ANZ Research expects oil prices to remain above 90 USD/bbl through 2026.

For Australia, the clearest impact of the conflict is higher inflation. According to Australian Institute of Petroleum data, metropolitan petrol prices are around 11 per cent higher than the 2025 average (even after the reduction of the petrol excise tax).

So far, the RBA has been more focused on inflation risks rather than the conflict's impact on economic activity. ANZ Research expects headline inflation to peak around 5 per cent y/y in Q2, largely due to the impact of higher petrol prices. Inflation expectations (which have a strong relationship with petrol prices) are currently near record highs in the ANZ-Roy Morgan Consumer Confidence survey.

Prior to the escalation of conflict, inflation was already above the RBA's 2-3 per cent target band, having accelerated in the second half of 2025. This saw the RBA increase the cash rate by 25bp in February. Given the impact of higher fuel prices on headline inflation and the risks around inflation expectations, the RBA increased the cash rate by 25bp at both its March and May meetings, taking the cash rate to 4.35 per cent.

This should mark the peak in the cash rate. After May, the RBA is likely to be on hold as the impacts of higher rates and inflation become evident in the activity data. ANZ Research expects economic growth of just 1.3 per cent in 2026, well down from the 2.6 per cent seen in 2025. Given the softening economic outlook and rate hikes, this should see labour market conditions loosen over 2026. ANZ Research expects the unemployment rate to lift to 4.6 per cent (quarterly average) in Q1 2027.

Prior to the escalation of conflict, consumer spending strengthened through 2025, supported by robust growth in real incomes. Given the rise in oil prices and inflation, a full reversal of 2025's RBA rate cuts, a softer labour market, and ANZ-Roy Morgan Consumer Confidence at record lows, ANZ Research expects household spending to lift just 1.1 per cent in 2026 vs 2.4 per cent in 2025.

The AUD has been resilient in 2026 so far, rising above 0.72 in April. ANZ Research expects the AUD/USD to appreciate to 0.75 by the end of 2026. Interest rate differentials should support the AUD. ANZ expects 75bp of cuts from the US Fed, while the RBA is likely to keep the cash rate steady. Higher energy prices should also provide support to the AUD against energy importing currencies (such as the EUR, GBP and JPY) given Australia's position as a net energy exporter. If the conflict in the Middle East de-escalates, rising risk sentiment may support a softer USD and a higher AUD.

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