



ANZ Agri InFocus Commodity Insights

Summer 2025-26



Foreword

As the weather heats up farmers prepare for the summer season, with this year's harvest well under way in the north and west. While the national crop looks stronger than perhaps first anticipated, prices remain subdued. In many areas that had been struggling for moisture, decent rainfalls have seen soil moisture improve markedly. Those rains have also seen sheep and southern cattle producing areas looking to restock pushing livestock prices – particularly sheep – to historic levels. This season's bumper Commodity Note covers everything from the state of agriculture across the Tasman, to a look at the forestry industry where interest continues to build around not only wood supply but also around the value of carbon and biodiversity credits.

Increasing temperatures and the arrival of summer almost leads to a stocktake of the spring just past. The 2025 spring has seen good rainfalls in areas that were struggling for the past few seasons and while some cropping areas failed to receive rain in time to optimise their crop, leading to some crops being baled for hay, in general the national harvest is expected to be very strong

The headline industry for Australian agriculture remains the livestock market where sheep restocking in southern Australia and processor demand for both lamb and cattle push prices to very strong, if not historic, levels. While we've seen higher prices for cattle in recent years, this particular price spike is being processor driven to fill both export and domestic demand, raising the question of whether this is a price spike, or a new normal?

For those producers across South Australia and western Victoria who have seen a succession of poor seasons, this season and 2026 in general offers a real opportunity to rebuild their base and recover.

The dairy industry has seen some good news with mid-season price increases for some, as the industry refocusses on maintaining their milk supply despite a downturn in global prices and solid global supply. Meanwhile, wool prices also showed some growth, jumping to five-year highs before falling back slightly.

All in all, the Australian agriculture sector is in a strong place and while not everything might be going our way in all regions, and grain prices remain lower than you'd otherwise hope, the outlook is for a solid spring to be consolidated across the summer. Led by our livestock sector and an above-average harvest.



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Insights from across the ditch

Guest chapter by Matt Dilly - ANZ Agri Economist, New Zealand



This article is based upon the bimonthly ANZ Research report, [NZ Agri Focus: leaping into spring](#), published 16 October 2025.

New Zealand and Australia have a lot in common in the agriculture space, especially livestock farming.

Overall, New Zealand's agriculture sector is more export-focussed due to the smaller domestic market. Dairy is the largest sector, followed by sheep and beef, horticulture, and forestry. With a relatively small grain sector and very little oilseed production, New Zealand imports wheat (from Australia), vegetable oils, and protein meals for both food and feed. In addition to wheat, there is a strong two-way trade in agricultural commodities and food and beverage products, thanks in part to our shared food safety system.

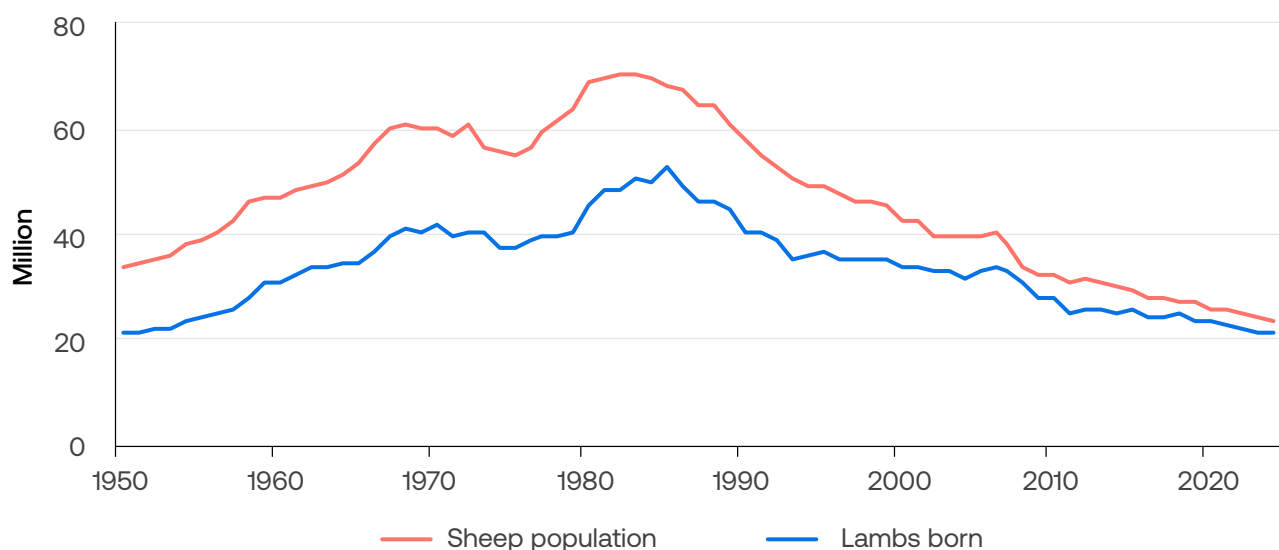
In this report, we focus on New Zealand's trends in land-use change and the sheep sector. In a future report, we will examine the dairy and beef sectors.

Sheep

Together, Australia and New Zealand account for around 80-85% of global sheep meat exports, so both countries are key drivers of global supply and demand dynamics.

New Zealand's sheep numbers have fallen from 70 million in 1982 to 23.6 million in 2024, initially due to the removal of farming subsidies, then to dairy conversions, and most recently to forestry conversions. Romney remains the dominant breed at 50% of the total flock. At around 5% of the total, merino sheep are mainly found in the South Island high country.

Figure 1. New Zealand's sheep flock 1950-present



Source: Stats NZ, ANZ Research

Unlike Australia, New Zealand's sheep industry has long prioritised meat production over wool, especially with the long-term decline in strong wool (over 30 microns) prices since the 1990s. Wool now makes up just 3% of a typical sheep and beef farm's revenue, but this difference in priorities means 80% of our sheep meat production is lamb rather than mutton (73% in Australia).

More recently, the New Zealand sheep industry has been impacted by volatile weather and prices over the past three seasons. Lower prices in 2022/23 and 2023/24 were due in part to heavy destocking in Australia and rising supply

in New Zealand. This had a material impact on profitability, especially at a time when on-farm costs and interest rates were rising rapidly. Last season saw higher prices thanks to reduced volumes in Australia and New Zealand, but production was down due to poor weather affecting lambing rates.

The current 2025/26 season appears positive so far. Prices are expected to rise another 13% to NZD9.70/kg. Australian supply remains constrained and demand out of Europe and China has been strong. In addition, better weather at mating and lambing should help production hold steady.

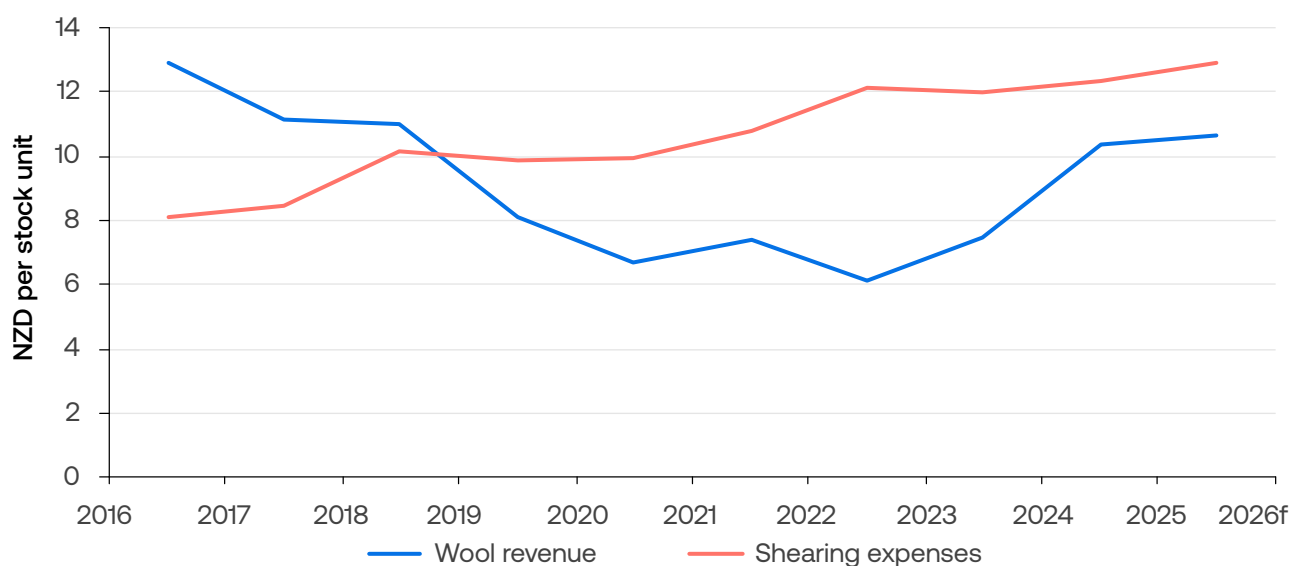
Figure 2. New Zealand's sheep flock 1950-pres



Source: Agri HQ, MPI, ANZ Research

Strong wool prices have also been rising and recently passed NZD4.00/kg for the first time since 2016. In the bigger picture, however, shearing costs have exceeded wool revenue since 2020, and even this current bull run is unlikely to reverse this trend.

Figure 3. Wool revenue doesn't cover shearing costs



Source: Beef and Lamb NZ (Class 4 North Island Hill Country), ANZ Research

Land use and investment

The current situation for New Zealand's agriculture sector is very bright, especially dairy, sheep and beef, and fresh fruit. However, the sector is only 18 months removed from a period of weak prices, high interest rates, and rising input costs. Now that cash is flowing into the sector, farmers can repay debt, rebuild cash reserves, and consider new investments.

Interest in dairy investment is currently high, driven by high prices and the anticipated NZD3.2 billion in dividends from Fonterra following the sales of its consumer business. However, dairy expansion is constrained by land availability and environmental limits. There are around 16-20 dairy conversions underway in the South Island, but for the most part investment is targeting existing dairy properties and on-farm investments.

In recent years, land use has increasingly shifted from sheep and beef to forestry, especially on the east coast of New Zealand's North Island. Investors expected that Emissions Trading Scheme (ETS) settings would continue to push prices higher, making carbon forestry an attractive option whether or not harvesting was intended. This is changing. The government has passed legislation

to restrict farm-to-forestry conversions. Emissions Trading Scheme eligibility is now limited to 25% of existing farms on flatter land, constraining large-scale afforestation projects to steeper land classes. The government also recently announced changes to the ETS that were seen as weakening the carbon market, leading to a drop in prices. The net result is a reduction in enthusiasm for forestry investment.





Grains and Oilseeds Insights

Overview

- Decent rainfall across many cropping areas of Australia has seen an improving outlook for the national harvest;
- The outlook is mixed, however, with the South Australian and Victorian crop expected to be around average while the Western Australian, Queensland and New South Wales crop coming in stronger;
- Global grains, lentil and chickpea prices remain subdued with only canola prices higher than this time last year;
- Rains across India and Pakistan have kept lentil and chickpea prices low with the prospect of import restrictions in the new year.

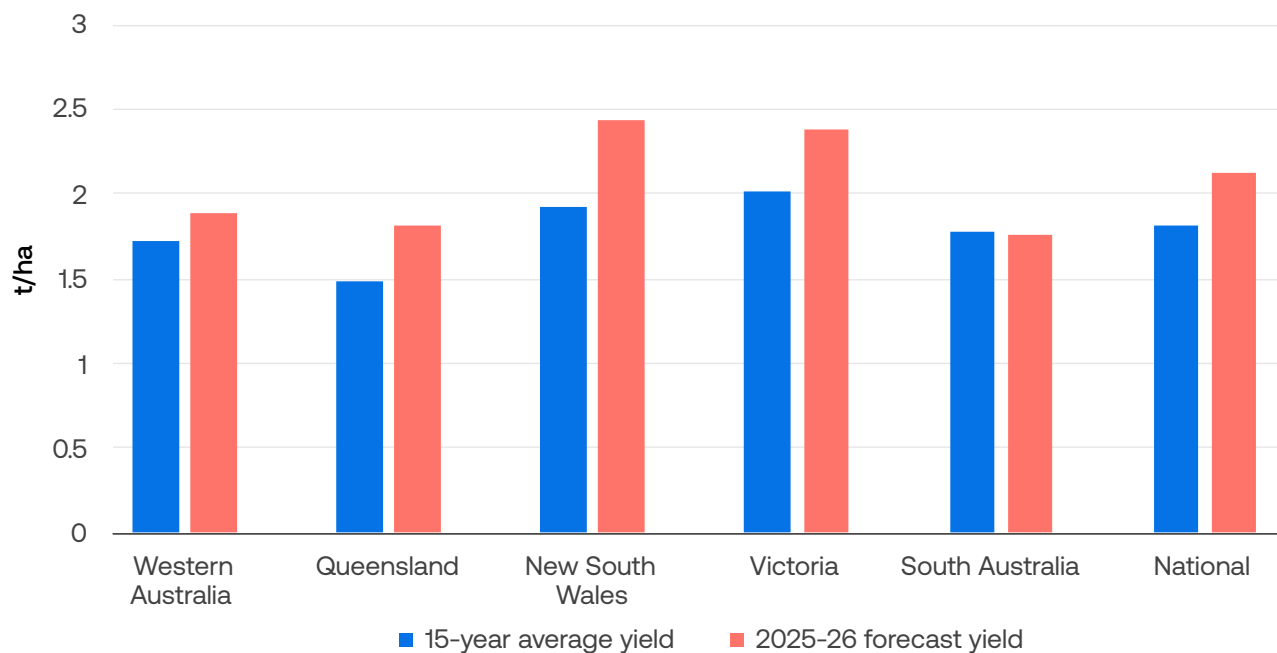
With the winter crop harvest underway in the west and northern Australia and working its way down the eastern seaboard, it looks set to be another bumper crop for the nation as a whole. This doesn't tell the whole story though, as producers across parts of southern New South Wales, and South Australia have cut their losses and baled wheat crops for hay. With trade tensions seeing global prices bounce around as China and the United States discuss raising tariffs, the implications for Australian grains exports are not yet clear.

Across the country, the outlook is for yet another strong harvest with the total winter crop volume anticipated to jump by 2 per cent on 2024-25 to sit 26 per cent higher than the 10-year average. Most of this growth is expected to come from an increase in barley, lentil and, to a lesser extent, canola production. The national wheat harvest is anticipated to fall slightly although remain strongly above long-term averages.

This outlook is mixed across States, with Western Australia, Queensland and New South Wales set to pull in very strong harvests, while areas of Victoria and South Australia have been impacted by poor seasonal conditions and lack of rainfall at the right time. Despite this, according to the CSIRO Wheatcast, yields have to date, held up well compared to the long-term average. New South Wales yields are expected to be the strongest at an average 2.43t/ha and 26 per cent above the long-term average, while South Australian yields are expected to sit very slightly below the long-term average.



Median wheat yields



Source: CSIRO wheatcast 1 November 2025, ANZ

ABARES forecasts that the coming national barley crop will be up 10 per cent to the second largest on record on the back of increased plantings and very solid yield increases in the southern States. Lentil and chickpea production is expected to leap 34 per cent to a record 1.7 million tonnes on the back of increased plantings of chickpeas in Queensland, and lentils in South Australia and Victoria.

The decision of many croppers in the southern States in particular to shift from canola and wheat to barley and lentils largely comes as a result of strong prices and the greater resilience to seasonal conditions of barley in particular. And while yields are expected to be strong, the price side of the equation hasn't held up as well.

Latest figures show domestic barley prices sitting broadly on par with this time last year while global prices are slightly up on this time last year. However prices remain lower than 2023 in large part being weighed down by the bumper US corn crop and strong availability of feed grain.

Meanwhile, the increase in lentil and chickpea production has coincided with a solid drop in prices as the hallmark lentil price now sits almost

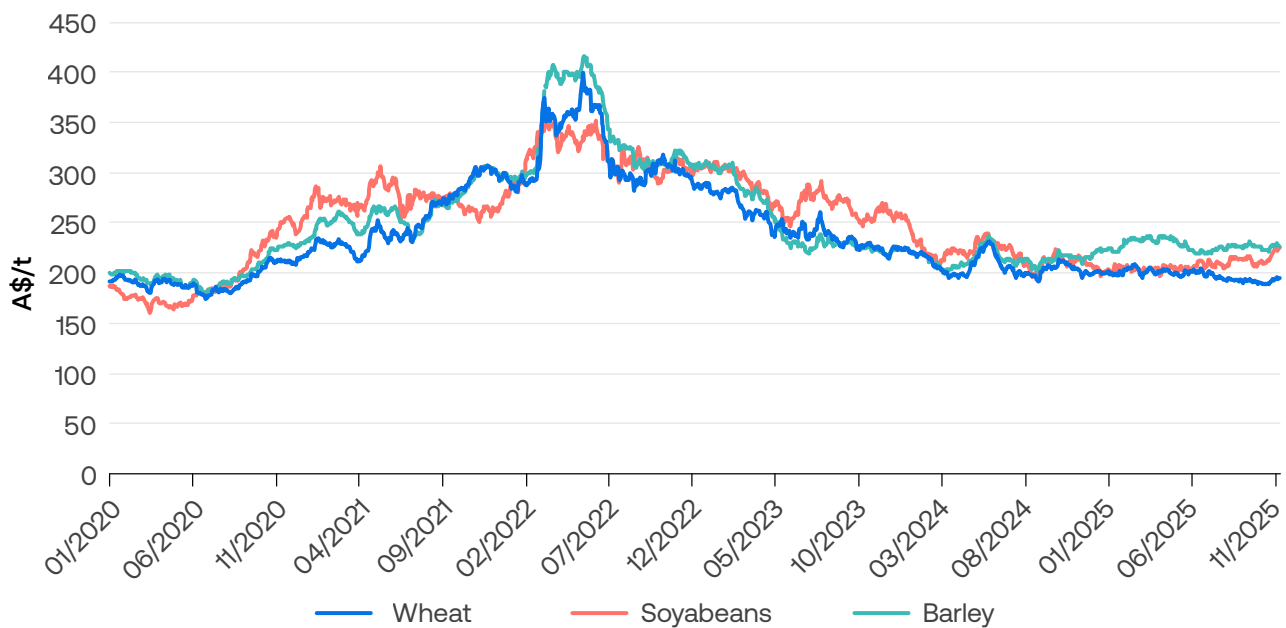
one third lower than this time last year. This has stemmed largely from monsoon activity in India and Pakistan improving moisture levels and the prospect of a bumper harvest. Increased lentil planting activity in Russia and Canada has also resulted in solid global supply and lower prices. As a result, many are suggesting that lentils and chickpeas will be the commodity most likely to go into storage. However also colouring the equation for chickpea producers is the growing likelihood of India re-imposing import duties early in 2026 as a result of strong production and growing stocks.

Global stocks-to-use ratios for wheat and barley are trending lower with the barley stocks-to-use ratio rising very slightly from 2024-25 to just over 13 per cent, but below the 10-year average of 14.5 per cent. The global wheat stocks-to-use ratio is down slightly on 2024-25 at 32.6 per cent, below the 10-year average of 36.3 per cent. While this suggests there is some upside pressure to prices if countries, particularly China, look to restock, it also appears to be part of a general global trend towards lower holdings of stocks across many commodities.

The story for the Australian wheat, barley, lentil and chickpea harvests is one of average to strong yields but low prices. The one crop which appears to bucking the trend is canola. Canola prices are sitting at around the same level as last year, at just over \$800/tonne ex-Geelong. While these prices are not near the peaks of a few years ago, they sit strongly above last years lows. Much of this stems

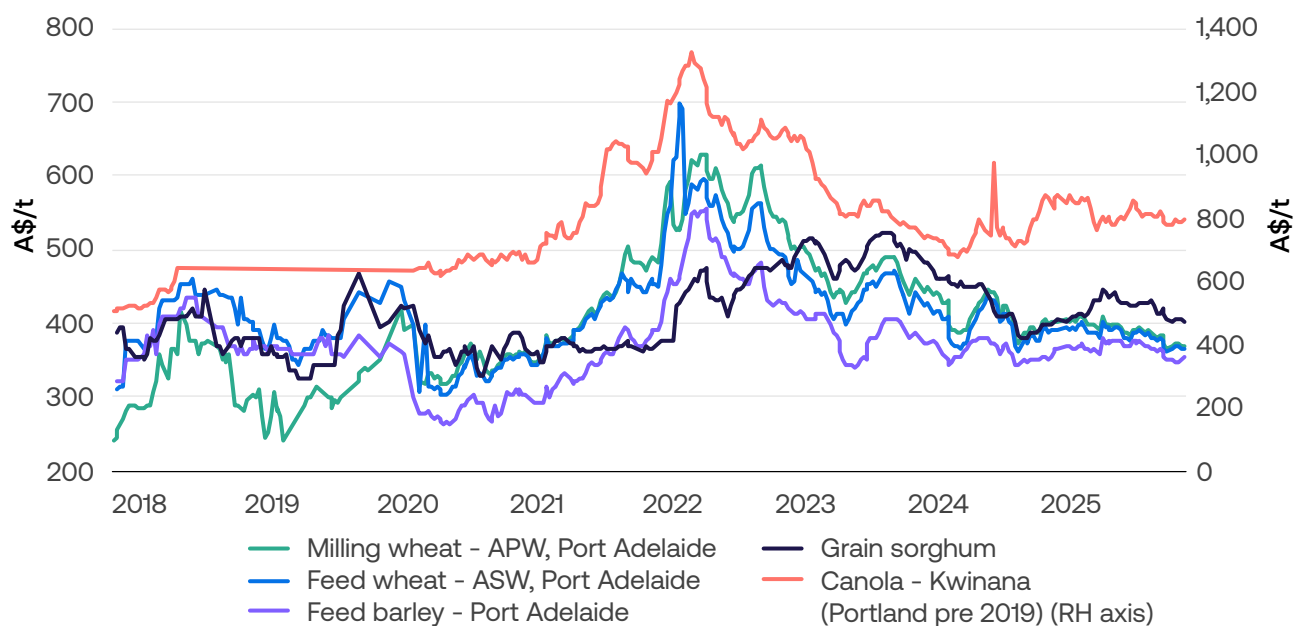
from increasingly tight global stocks of canola and rapeseed oil, as a result in a solid rebound in consumption. Also supporting prices have been the signals that Australian exports to China could restart following a 5-year shutdown and Chinese imposition of significant tariffs against Canadian canola imports.

Global grains prices



Source: IGC, ANZ

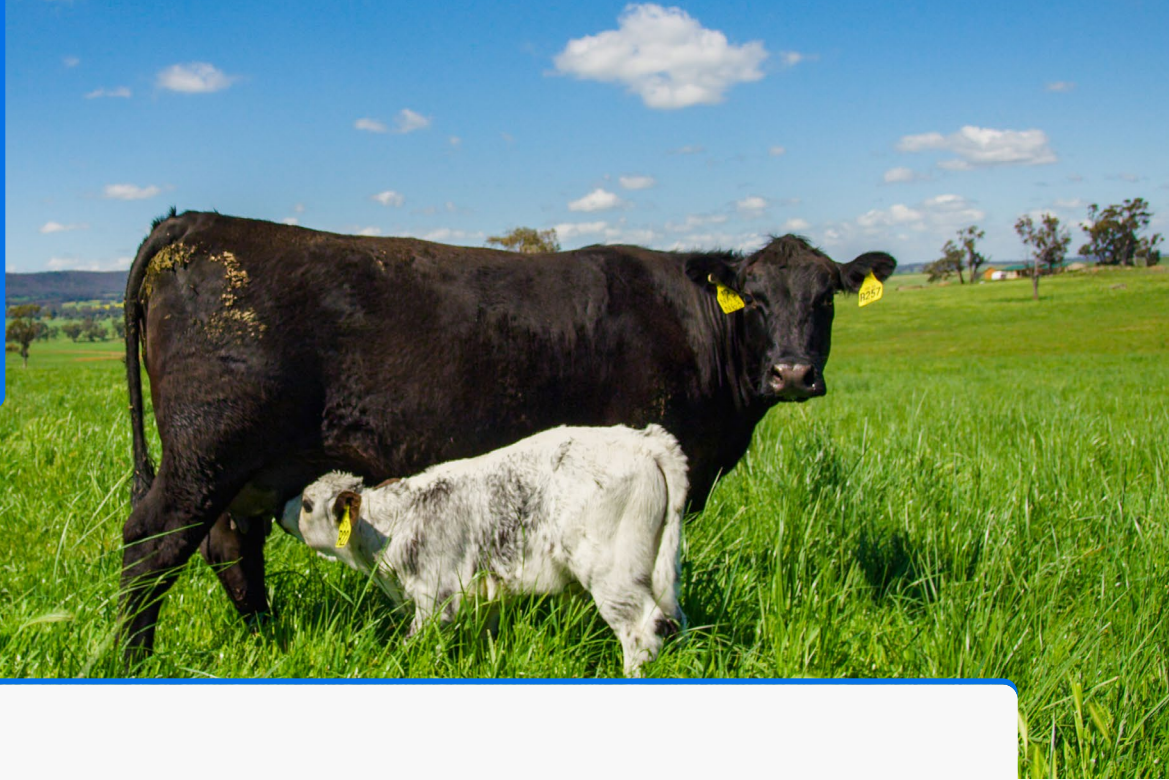
Australian grains and oilseed prices



Source: ABARES, ANZ



Beef Insights



Overview

- Slaughter in 2025 is tracking around 10 per cent above 2024, with the September quarter's 1.97 million head the highest since 2015, yet cattle prices have remained firm as export and feedlot demand absorb supply;
- Beef exports are on course for another record year, with shipments to October reaching 1.27 million tonnes, driven by strong volumes to the US, China, Japan and Korea and supported by tight global supply;
- The national herd has stabilised near 31 million head, with heavier carcass weights and expanding feedlot activity underpinning forecasts of 2.8 million tonnes of beef production in 2025 – the highest on record;
- The EYCI has averaged around 700–750 c/kg through 2025, supported by export demand, lot-feeder buying and a favourable seasonal outlook, as the sector heads into 2026 with strong fundamentals and robust market momentum.

As the Australian cattle industry heads into the summer of 2025–26, it faces both familiar seasonal pressures and a distinctly stronger global backdrop. Historically, cattle prices ease slightly after the spring peak in restocker and feedlot demand, as turn-off volumes rise and pastures begin to dry out. Producers will usually weigh up whether to hold stock for summer weight gain or market early to capture favourable prices.

Quarterly numbers show 1.97 million head processed in the September 2025 quarter – the largest since the 2015 drought turn-off period – and a June 2025 quarter total of 1.85 million head, also among the highest in that timeframe. On an annualised basis, 2025 throughput is tracking around 10 per cent above 2024, marking the second consecutive year of expansion.

Normally, high volumes would weigh heavily on prices. Instead, the market has held firm: export demand, particularly from the US, China, Japan and Korea, and steady feedlot buying have absorbed the additional cattle.

The benchmark Eastern Young Cattle Indicator (EYCI) averaged roughly 700 c/kg through 2025 – consistent with the decade-long average and well above pre-2020 levels – indicating that global demand and domestic feedlot capacity are cushioning the traditional supply-driven price declines.

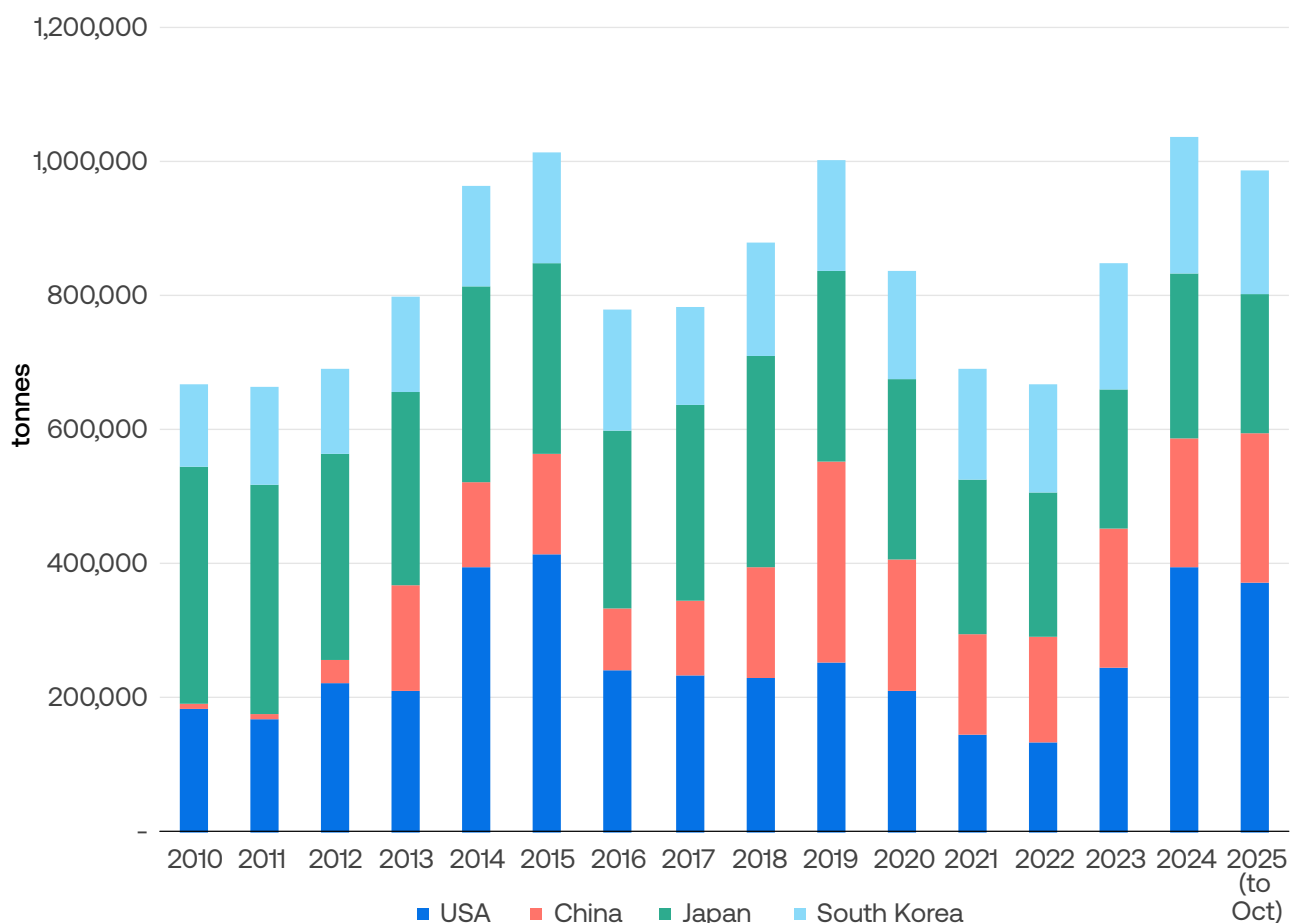
Export dynamics driving the story

Beef exports have remained exceptionally strong through 2025. Shipments to the end of October reached 1.27 million tonnes, just shy of last year's record, with October alone totalling 139,278 tonnes – the largest October on record and the second-highest month ever recorded.

The United States remains Australia's largest single market, taking over 41,000 tonnes in October and 447,000 tonnes year-to-date – around 20 per

cent higher than last year. China has emerged as the standout growth engine, with October shipments up nearly 30 per cent on the same month in 2024 and cumulative exports 40 per cent higher year-on-year at 262,000 tonnes. Japan has shown resilience, with October volumes jumping 79 per cent from the previous month as buyers replenished inventories, while South Korea has softened slightly due to safeguard measures yet remains 12 per cent higher year-on-year.

Australian beef exports to major markets 2010 – 2025 YTD

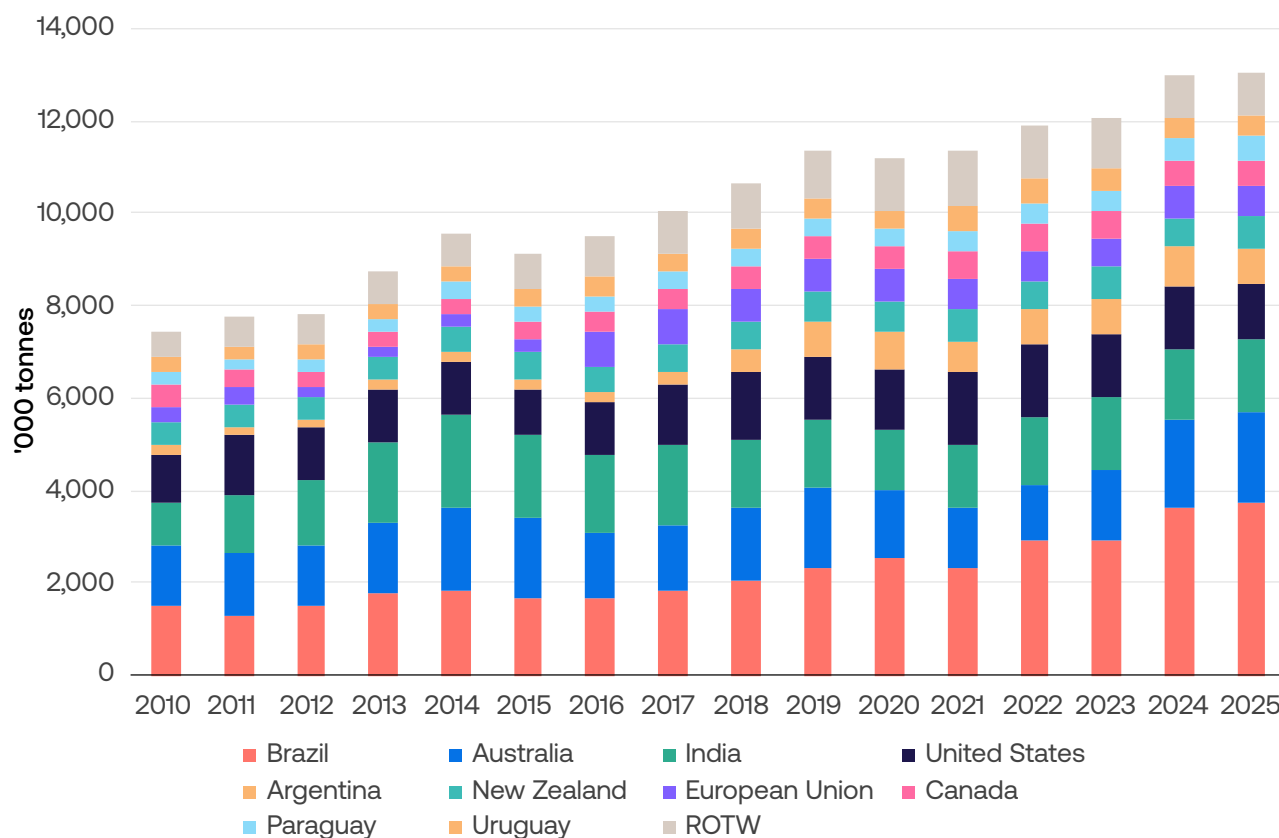


Source: MLA, ANZ

These numbers highlight how Australia's beef sector is capitalising on global supply constraints and trade realignments. The US herd remains at multi-decade lows during its rebuild phase, limiting domestic supply and creating opportunities for imports. Brazil, a major competitor in the US

market, faces drought recovery and punitive tariffs that have effectively priced its product out. This has benefitted Australian beef exporters, supported further by the recent removal of tariffs and a reputation for reliability and food safety.

Global beef exports 2010 - 2025



Source: USDA, ANZ

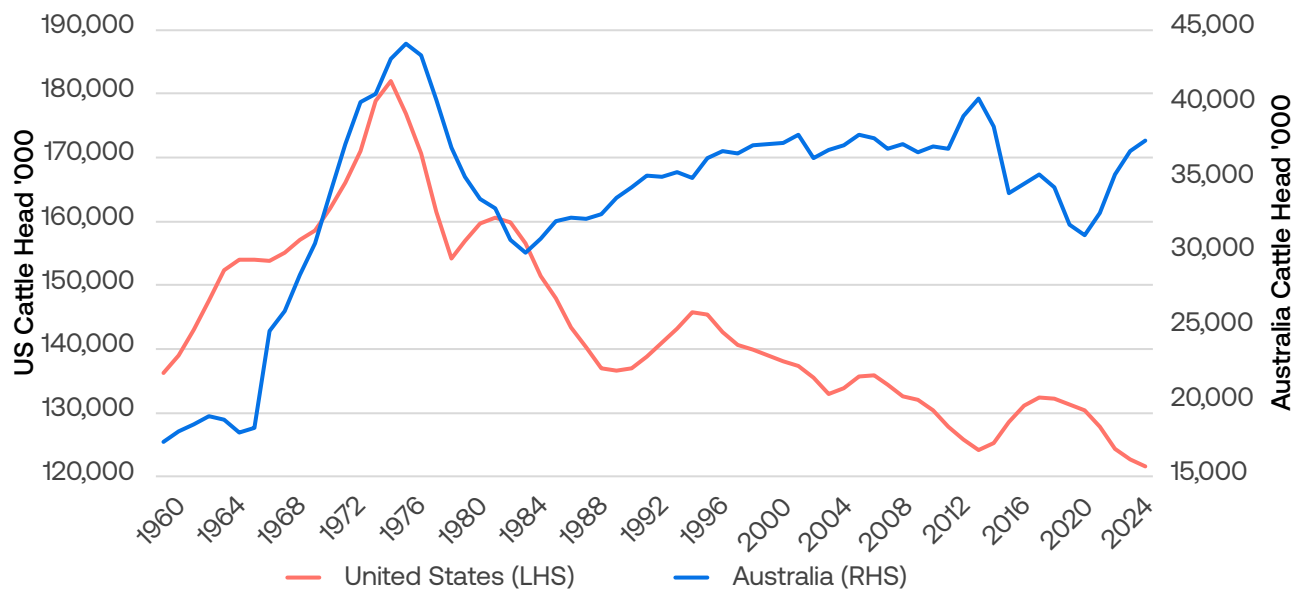
MLA forecasts total slaughter for 2025 at just over nine million head – around nine per cent higher than 2024 and the highest annual throughput since 2015. That year’s extreme drought forced widespread herd liquidation and pushed slaughter close to ten million head, an unsustainable level that marked the end of a major destocking phase. By contrast, the current surge reflects a more orderly expansion as the herd stabilises around 31 million head.

Average carcase weights across 2025 have hovered near 309 kilograms, broadly in line with recent years and well above the long-term average of 277 kilograms a decade ago. The combination of heavier weights and high slaughter numbers underpins forecasts of nearly 2.8 million tonnes of beef production for the full 2025 calendar year – a record for any year. The stability in weights reflects strong feedlot participation and improved genetics, providing consistency in quality and yield even as turn-off volumes rise.

Export value in 2024/25 was just over \$16 billion, up about 30 per cent year-on-year. Strong export demand has cushioned domestic cattle prices against the seasonal downturn that usually follows spring. The EYCI has held firm through the latter part of the year, supported by feedlot buying and buoyant international markets, reinforcing the resilience of the sector.

According to MLA, the national cattle herd for 2025 is just over 31 million head, down fractionally on the 2024 figure. This signals a mature phase in the herd cycle, where growth has slowed and the focus is shifting from expansion to productivity and retention of core genetics. Southern states are expected to continue turning off higher numbers due to tighter seasonal conditions, while northern Australia rebuilds its base. These regional variations influence herd structure and weight distributions, shaping supply dynamics across the country.

Australia vs US cattle numbers 1960 - 2025f

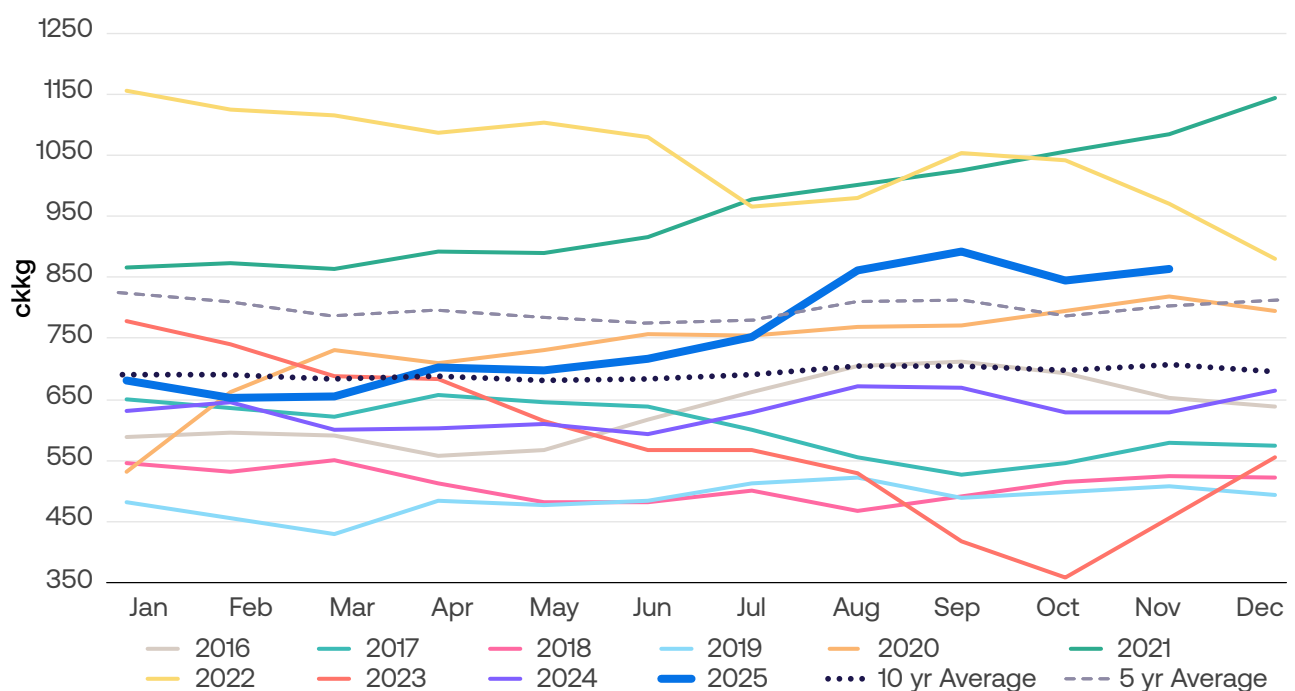


Source: USDA, ANZ

The level of the EYCI through 2025 suggests the market may have found a new normal. Prices have averaged around 750 c/kg in spring, surging to nearly 891 c/kg in September and 845 c/kg in October. While this is well above the ten-year average of about 690 c/kg, it is only slightly higher than the five-year average, reflecting the

elevated price environment since 2020. Prices have remained firm despite historically high supply, underlining the strength of export demand and feedlot activity. This resilience points to a more stable, supply-absorbing market as the industry heads into 2026.

Cattle price (EYCI) per year 2016 - 2025 plus 10 yr average



Source: MLA, ANZ

Processors have benefited from high supply and strong export demand, keeping utilisation rates and margins healthy, especially in premium markets. As more high-value beef is directed overseas, domestic availability of grain-fed and quality cuts can tighten, putting upward pressure on retail prices. Retail beef prices have reached record levels, reflecting strong export competition and higher processing and supply chain costs rather than any shortage of cattle. Elevated input costs – feed, labour and logistics – remain a challenge and are likely to continue influencing both processor margins and retail prices.

Recent Bureau of Meteorology forecasts for above-median rainfall in eastern Australia raise hopes for a strong wet season, which could support pasture growth and allow northern producers to hold cattle longer and maximise weight gains, while tighter feed in the south may lead to earlier turn-off. A favourable season would tighten short-term supply as producers retain stock to rebuild herds, while a poor season could see higher turn-off and increased supply to processors. Feedlot demand remains strong, buoyed by affordable grain and robust markets, which is keeping backgrounder and feeder demand active.

Looking ahead

Several variables could shape the trajectory of the Australian beef sector through 2026. China's demand remains crucial – if consumption holds strong and access is maintained, the high-end export market will likely remain robust. Any relaxation of restrictions on US beef imports could shift trade flows and increase competition, although this may be limited by low US export availability.

The pace of the US herd recovery is another key factor. While the rebuild is slow, a faster recovery – or a significant increase in beef imports from Argentina or Brazil – could mean more product available for export, increasing competition for Australia in Japan and South Korea. Australian beef currently enjoys strong consumer preference in

those markets, especially for grain-fed product, but greater competition could pressure prices and market share. Exchange rates and trade policy shifts will also influence Australia's position.

On the supply side, the balance between domestic consumption, export demand and herd rebuilding will continue to guide producer decisions. Indicators such as the female-slaughter ratio will be closely watched as signals of future herd direction. Feedlot growth and intensification will shape demand for young cattle, supporting feeder prices and producer returns.

Australia's beef sector enters the summer of 2025-26 in a strong position – a large and stable herd, robust export demand, growing feedlot participation and a favourable seasonal outlook in several key regions. The usual domestic price softening that often occurs at this time of year is being offset by global demand and improved supply chain dynamics. Producers face strategic decisions – whether to turn off while demand and margins are strong or retain stock for further weight gain and future premium markets. For processors and consumers, the short-term outlook is positive, but longer-term stability will hinge on seasonal conditions, export access and competitor responses. The challenge now is how effectively the industry can carry this strength into and beyond 2026.





Sheep Insights



Overview

- Lamb prices surge higher into summer across all price categories;
- Spring slaughter was well back year on year across both lamb and mutton as a late season and reduced flock make their mark;
- Export demand remains strong to a range of markets however supply is constraining year on year growth;
- Forecasts for a very steady flock recovery have many factors at play;
- Overall fundamentals into 2026 remain very strong.

Sheep and lamb prices are entering the summer months on a high, as a lack of supply and solid demand continue to influence market dynamics. Prices across all indicators have climbed back from a slight correction in late spring, to find heavy, trade and restocker lamb prices trading relatively evenly at around the 1150 cent mark, with light lambs and merino lambs hovering either side of 1000 cents and mutton consistently sitting above 700 cents per kilogram carcase weight. Breeding ewe sales across both physical and online auctions have also crept higher as high lamb and mutton prices encourage producer decisions to restock where conditions are favourable.

For the calendar year to early November, national lamb slaughter is tracking around 3 per cent or over 600,000 head down year on year. However, it was the traditional spring flush of lambs that failed to arrive in any substantial quantity, with lamb slaughter for spring back 10 per cent at the time of writing on 2024 levels, accounting for well over 400,000 head. For mutton, slaughter is down around 6 per cent or 500,000 head for the year

to date, again with the largest year on year gap opening up through the spring months. Going forward, as more southern lambs find their way to market in what has been a late season for many producers, strong demand is expected to continue to support prices, particularly as good pasture availability and low grain prices through some key sheep production zones supports feeding for heavier weights through the remainder of 2025 and into 2026.

The impact of this reduced processor throughput is represented by year-to-October export data where many major markets are recording a year-on-year reduction in volumes. Total exports to China are back 11 per cent overall, however lower mutton volumes, back 31 per cent, are the driving factor with lamb actually up 19 per cent for the Jan-Oct period.

To the US, mutton shipments are down 23 per cent year-on-year, with lamb volumes reasonably steady at minus 3 per cent. On a positive note, exports to Korea are tracking 22 per cent higher for the year to date, up 31 per cent for lamb and

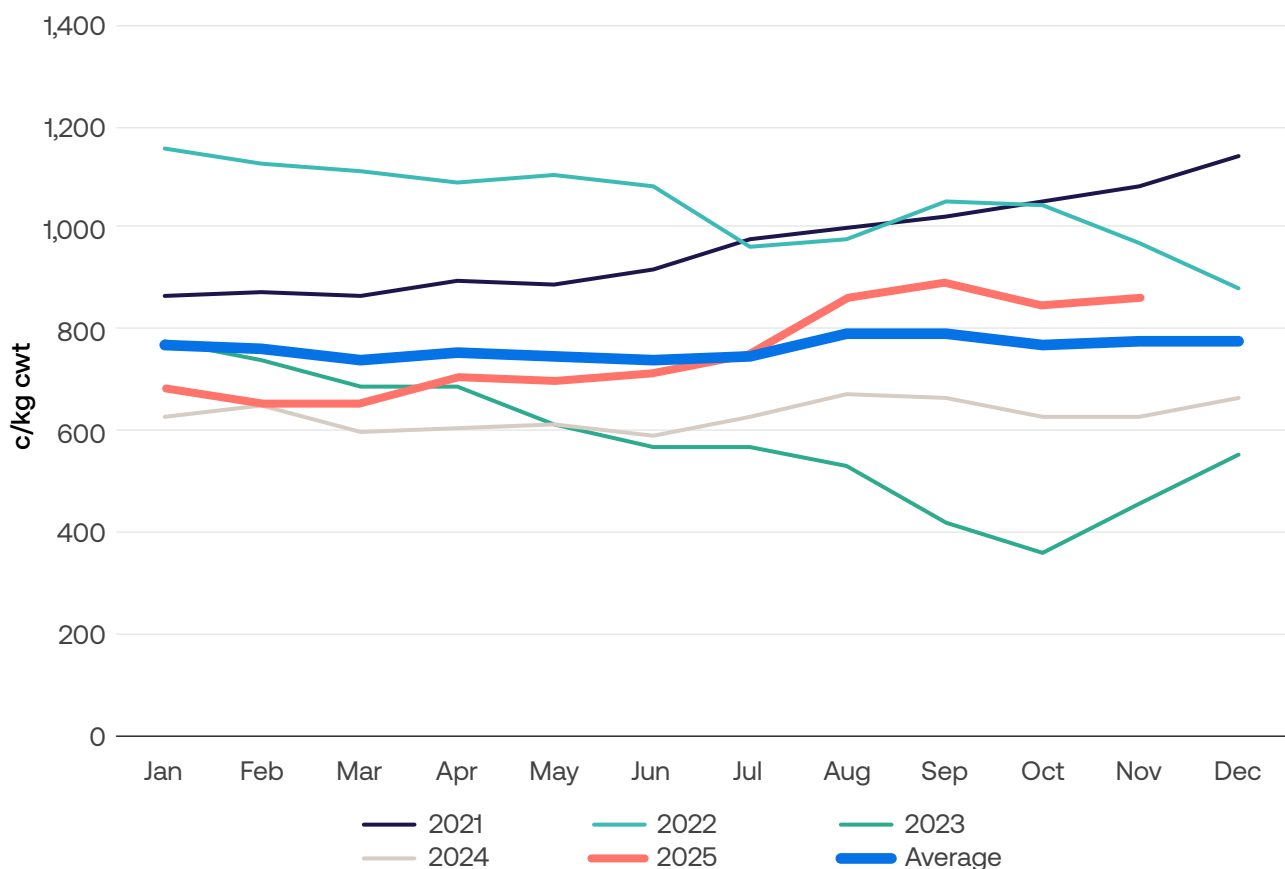
16 per cent for mutton. The United Kingdom continues to take increased volumes, at close to 40,000 tonnes in total for the year, and moving up to sixth place for export quantity across both lamb and mutton categories. Prices and processor buying activity suggest that demand remains very robust, and it is volume that is restricting exports to what is still expected to eventuate to the second or third highest export year on record.

Looking ahead to 2026, flock numbers from MLA's latest forecasts are expected to make only a slight recovery from a current estimate of 74.2 million head, which represents Australia's lowest flock since 2021. The rate of recovery, forecast at around 2 per cent for 2026, is well back on recovery rates from years gone by, however several factors are expected to steady the growth into

next year and beyond. Firstly, a structural shift in the Western Australian flock will play a part, with many traditional wheat-sheep producers turning to straight cropping. South Australian feed and seasonal conditions have not recovered broadly enough to support rapid flock rebuilding. Secondly, forecasts for cattle prices to hold firm under global supply constraints may impact mixed farming decisions around beef versus sheep percentages in enterprise mixes.

And finally, a lower breeding ewe base and good prices for lambs, encourages turn-off of as many progeny as possible, and therefore a slower flock rebuild overall.

National livestock reporting service



Source: National Livestock Reporting Service



Wool Insights

Overview

- Wool have experienced some positive movements through late Spring;
- For merino fleece types, prices hover around 25 per cent above year ago levels;
- Coarse wool prices continue to fair considerably better than last year, trading around 60 per cent higher;
- Supply appears to have been the major influencing factor in price movements, with over 10 per cent less greasy wool expected this season, compared to what was already a historical low in 2024/2025;
- Signals of any sustained or significant increases in demand for wool are yet to be seen particularly in terms of direct sales of raw wool to Europe.

Australian wool markets are experiencing a volatile but generally positive start to Summer, following a period of rapid price spikes in mid spring. The benchmark Eastern Market Indicator (EMI) shot to over 1560 cents/kg in October, reaching levels not seen for over five years. The prices could not however be sustained, and settled back to the mid to low 1400 cent mark before starting a second upward trend by the start of summer.

The sharp spike in wool prices came after gradual week on week increases, at a time when wool supply continues to be historically low. The volume of wool offered at Auction so far this season (July to October) sits just behind last season's levels; however the amount of wool tested for the same period is showing a 9 per cent year on year decrease. The volume of tested wool is an indicator of sale volumes going forward, and when considered along with seasonal conditions of many key wool growing regions over the past 12 to 18 months, this reduction in supply is as expected.

The Australian Wool Production Forecasting Committee's second forecast of shorn wool production for the 2025/26 season is 251.5 million kilograms (Mkg) greasy, which would be 10.2 per cent lower than 2024/25 season production.

With that being said about current volumes, the price spike through October bought about a corresponding increase in auction offerings, perhaps from the limited supply of wool stored on farm around the country. However, this increased supply also quickly subsided as prices retracted.

A lack of strength in demand continues to hamper the global wool industry, as clearly demonstrated by the EMI's response to short term increased auction offerings. As soon as more volume was available, the market quickly retreated. Buying activity remains centred around Chinese processors with reports of direct European buying activity remaining inconsistent.

Australian wool auction offerings, sales and the eastern market indicator



Source: AWEX, ANZ

Nevertheless, prices continue to fluctuate with largely positive trends, and sit well ahead of pre-October levels, with micron indicators sitting around 25 per cent higher than this time last year across the Merino types, and over 60 per cent higher for coarse wool. When combined with extremely favourable sheepmeat and lamb pricing, wool producers have reason to be optimistic.

In other positive developments, following the recent gathering of global wool industry participants in Nanjing, China, in September, reports of improved market sentiment across the industry were evident, however the underlying reasons remain unclear. A sustained increase in global demand is yet to be seen, with markets seemingly responding simply to fluctuations in what is already a tight supply environment, as opposed to leading the direction of prices.

Other industry developments of note include the French Government's new environmental labelling program kicking off on October 1. This program uses a score card system, to be labelled as 'impact points', which reflect the environmental cost of the production, processing and end of life considerations of textile products such as clothing. The scorecard will directly compare wool to other fibre types including synthetics, and it is understood that wool's renewable nature will see it score comparatively well, particularly against metrics such as micro-plastic release, durability, and end of life considerations.

As the environmental impacts of synthetic based 'fast fashion' become more evident and widely understood, the opportunity for wool to prove up its environmental credentials can only become greater.



Dairy Insights

Overview

- Global dairy prices have slumped in recent months as ample global supply – and high quality supply – weigh particularly on butter fat prices;
- Despite this, some domestic Australian processors have already announced price increases to support the local milk pool;
- Dairy prices in the United States has led the drop in prices as a result of herd expansions and season supporting higher fat and protein levels;
- Underlying the drop in prices is the continued decline in global stocks-to-use for butter and cheese – suggesting some scope for upward pressure on prices into the future.

Global production is weighing heavily on dairy prices with recent Global Dairy Trade Auctions showing a string of price falls. The year long rally from mid-2024 to mid-2025 appears to have reached its peak for the moment, as global consumption struggles to keep pace with production growth. But in another indication of the growing disconnect between the Australian dairy market and global prices, processors Norco and Saputo have provided price step-ups to producers, citing the need to support domestic supply.

Global prices have seen a decline throughout the beginning of the 2025-26 production season as strong growth in production in the European Union, New Zealand and the United States have boosted global supply. This solid growth in production comes after anaemic production in the first half of the calendar 2025 year. Since early August, Global Dairy Trade prices have continued downwards to the lowest level since this time in 2024. The

biggest falls have been in butter, cheese and whole milk powder prices as strong production in the United States, and in particular, solid improvements in protein and fat productions, have flowed through to lower butter fat demand.

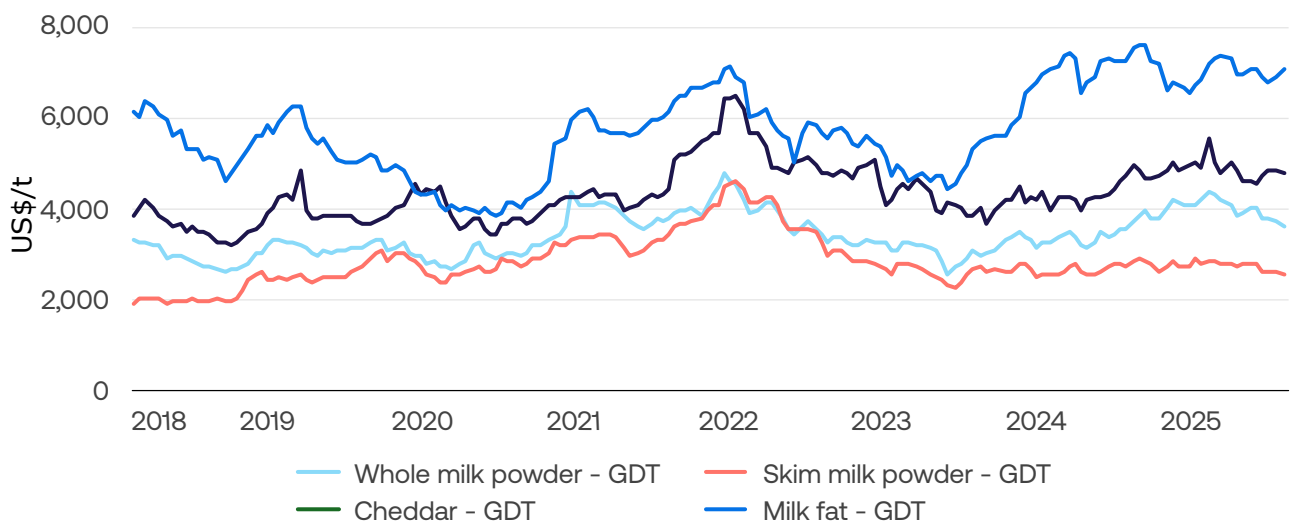
Strong farm-gate prices across major milk producing countries, combined with low feed prices, growing productivity and herd expansion across Europe and New Zealand have led to solid increases in global production, which at the end of June 2025 were up 2 per cent year-on-year. In addition, good conditions and growing productivity in the US herd has seen better production of milk fats leading to better supplies for cream, butter and cheese. As a result, in the United States in particular, the combination of growing production, expanding herds and better milk fat production has run head-long into the US tariffs which have seen many trading partners reduce their appetite for US exports. To look at global prices across the

three major producing regions of the EU, Oceania and the US, it is prices in the US which are leading the way – downwards.

The interesting thing to note about global prices and the supply and demand dynamic is the continuing and long-term decline in the global stocks-to-use ratio in some key dairy products. According to the United States Department of Agriculture, the butter stocks-to-use ratio is set

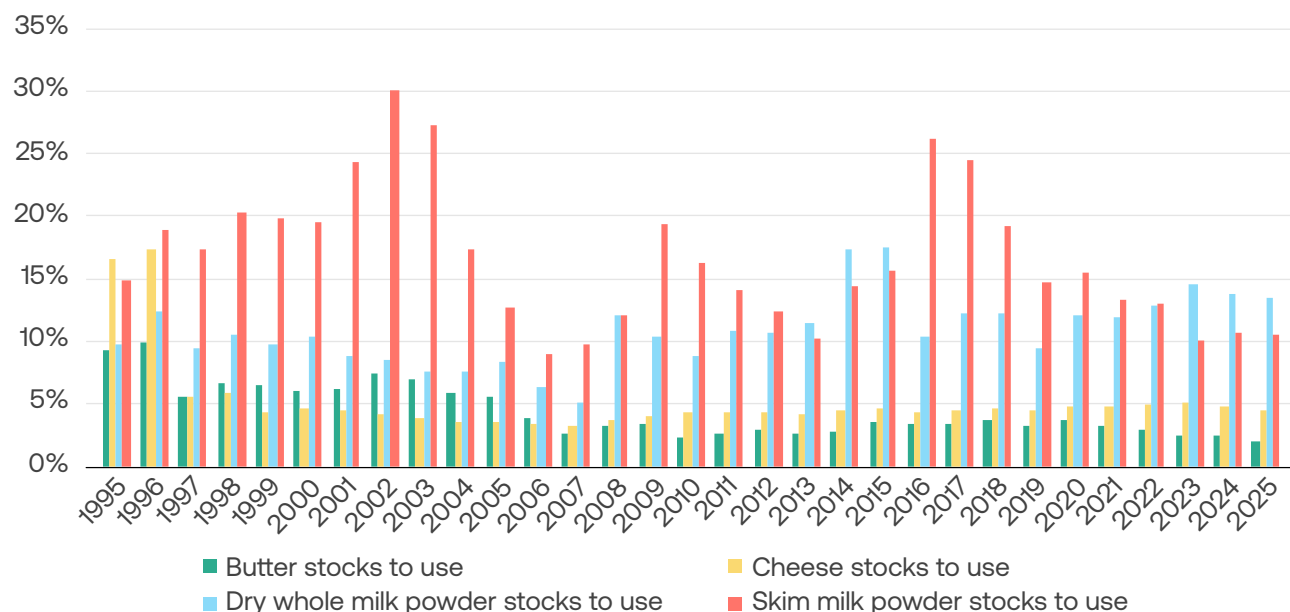
to fall to its lowest level on record, while cheese stocks-to-use ratio is forecast to be the lowest since 2014. Milk powder stocks-to-use ratios are stronger however, with whole milk powder stocks-to-use sitting at the second highest since 2025. So what does this mean for global dairy prices? In short, continuing volatility around butter and cheese prices being offset by continued relatively subdued WMP prices, particularly given the strong global production.

Global dairy trade auction prices



Source: Global Dairy Trade, ANZ

Global stocks to use – dairy products



Source: USDA PSD, ANZ

While falling global prices might suggest there is no room for further domestic price step-ups, major processors Saputo and Norco have instead already delivered early-season increases, citing the need to support producers' viability. Processors are still treading a fine line between attracting and supporting the domestic milk pool, and maintaining their own margins. Supporting the capacity for price increases has been the strong increase in domestic retail prices for dairy products, although cheese prices have remained relatively stable as a result of cheaper imports on the retail shelves. Overall, however, Australian retail prices for dairy and dairy related products have increased 25 per cent in the past 5 years – compared with 17 per cent across the broader food consumer price index.

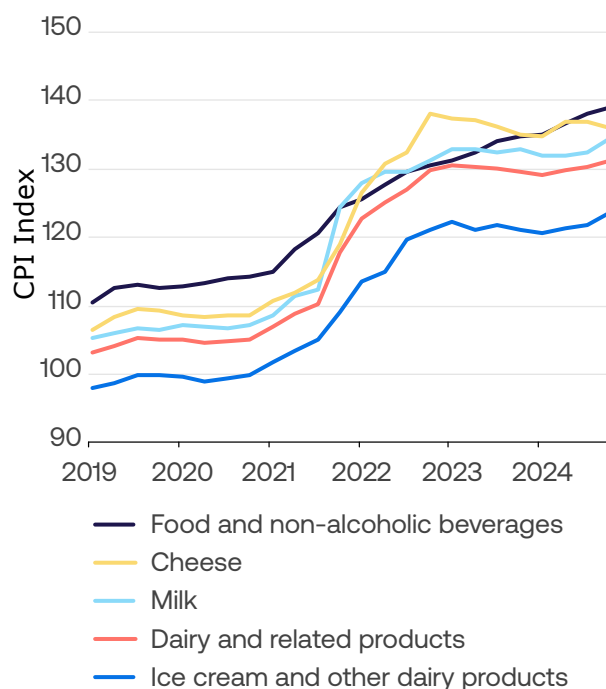
At the same time, the total value of Australian dairy exports continues to perform strongly despite the poor start to 2025-26 for global dairy prices. Dairy Australia's export report indicates that the first quarter of 2025-26 has seen the total value of Australian dairy exports increase 7.5 per cent on the same time last year, even though the volume of exports has fallen 2.6 per cent. Much of this can be put down to the particular impact of US tariffs on demand for US dairy, and the increase in attractiveness for Australian dairy and dairy products for many importing countries.

Domestic production is slowly recovering, with the latest Dairy Australia production report showing that total Australian milk production was still down 0.4 per cent in September 2025 compared with September 2024, which puts year-to-date production down 2.3 per cent on 2024. The compares with production being down 4 per cent nationally in July, compared with July 2024, showing that the season continues to improve, however has not yet caught up to last year's production.

Victoria saw a 1.4 per cent year-on-year fall, with the biggest falls in northern Victoria of 3.8 per cent, and Gippsland 0.7 per cent. Falls in NSW, September output rose 1.0 per cent with year-

to-date production up 1.1 per cent. Tasmanian production jumped very strongly for the month however this came from a very poor start to last year's spring.

Consumer price index – dairy products



Source: ABS, ANZ

Over the longer-term there is an interesting interplay occurring between dairy milk and alternative milk consumption both in Australia and globally. In the United States, the decline in oat, almond, and alternative “mylk” consumption does seem to be real, for now, with Neilson IQ showing a 4.4 per cent decline in value of alternative milk consumption in 2024 – but what's driving it? In the US, it may be a factor of economic concerns, or it may be a cultural return to less processed goods. In Australia, a recent study commissioned by Dairy Australia has shown that the vast majority of households purchase dairy milk exclusively with a very small percentage of households only purchasing alternative milks. What does this mean for consumption in the long-term? It's perhaps too early to tell, but suffice to say tales of the collapse of dairy consumption and demand are getting ahead of themselves.



Sugar Insights

Overview

- Very strong global production in Brazil and India and weaker global consumption growth have seen global sugar prices fall to levels not seen since 2021;
- A 26 per cent increase in production in India, and 14 per cent increase in Brazil are driving a large increase in global stocks;
- Announcements that Brazil and India are redirecting sugar production towards ethanol production should increase demand and support prices;
- Domestic sugar production is forecast to fall to its lowest level since 2011-12, due to delays to planting and wet conditions.

Stellar production growth in major sugar producing countries has collided with anaemic global growth in sugar consumption to push global stocks higher and sugar prices lower. Domestically, the 2025-26 harvest is expected to be lower due to lower plantings and delayed crop development.

Global outlook

Global sugar prices have been generally trending downwards for a number of years, and in recent months have reached lows not seen since early 2021. This has come as a result of a stellar rebound in production on the back of strong monsoon seasons and water availability in India and Brazil.

According to the USDA, a 26 per cent increase in sugar production in India and a 13.6 per cent increase in Pakistan, as well as solid growth in production in Brazil, China and Mexico sits behind an almost 5 per cent increase in total global sugar production. Global sugar stocks are expected to

grow by over 7.5 per cent by the end of year, as countries including China, Indonesia and India take advantage of lower prices.

Global consumption is forecast by the USDA to hit a record 177.921 MMT for 2025-26, an increase of 1.4 per cent from the 2024-25 estimate of 175.435 MMT with the greatest increases in consumption in India and Pakistan.

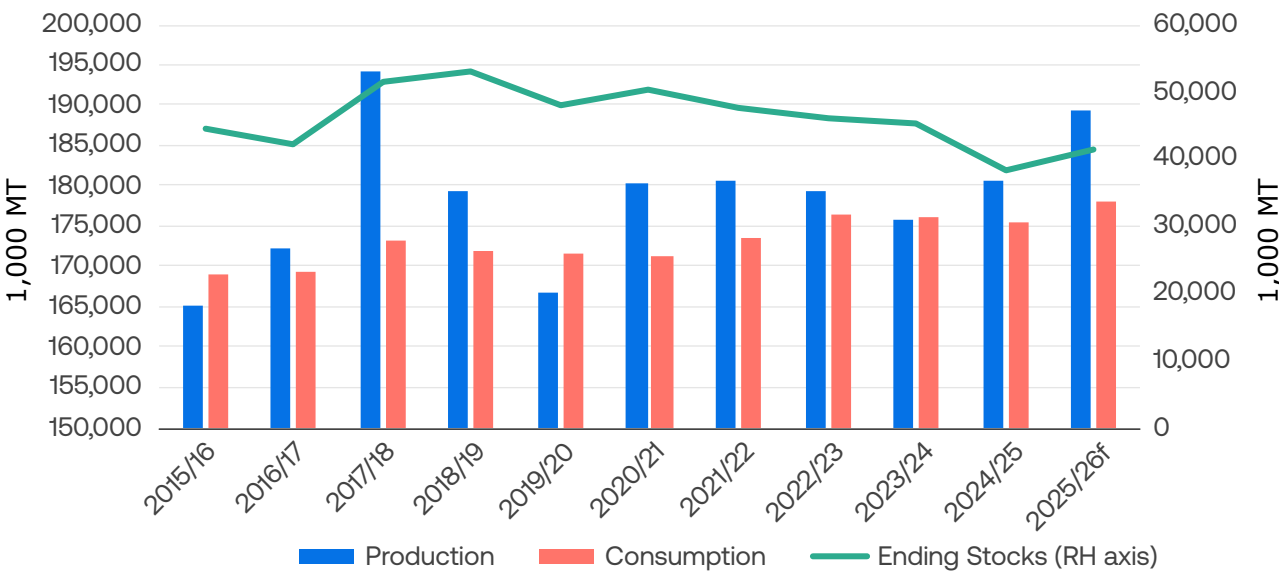
While the USDA forecasts paint a picture of a significant sugar surplus for the year, the International Sugar Organisation forecasts are for a slight sugar deficit, albeit a significantly smaller deficit than last year. The ISO forecasts the sixth consecutive year of deficits based off smaller production growth of 3.3 per cent, but also a smaller growth in sugar consumption.

The prospect for an end to the US Government shutdown has boosted commodity markets across the board, while announcements that Brazil and India are redirecting more of their

considerable increases in production towards the ethanol market (therefore reducing the global sugar surplus) have boosted prices in recent weeks. As a result, analysts have predicted that the sugar production surplus may reduce by

almost one third. There is also some upside for prices in reports that the Indian Government is considering lowering their export quota by 1.5MMT in the 2025-26 season, below earlier estimates of 2 MMT.

Global sugar production and consumption



Source: USDA PSD, ANZ

Australian market outlook

Domestically, Australia's sugar production is set to fall to its lowest level since 2011-12. This is caused by a number of factors including harvest from 2024-25 leading to reduced plantings for the 2025-26 year as well as wet conditions leading to delayed development in the planted crop. As a result of a smaller harvest and lower global sugar prices, Australian producers are facing a tough season.

In the longer-term, the announcement of the Cleaner Fuels Program commitment of \$1.1 billion to support the development of low-carbon liquid fuels such as biodiesel, may provide solid support for sugar production and demand into the future. The Federal Government has identified feedstocks such as canola, sorghum, sugar and waste as existing sources for the development of clean liquid alternatives to fossil fuels.

Global sugar price



Source: Intercontinental exchange, ANZ



Cotton Insights

Overview

- Global cotton prices are forecast for little change for the upcoming 2025/2026 season, trading at five-year lows;
- Large crops in China, India and Brazil are largely offsetting decreases in production from the US and Australia;
- Australian production is forecast to decrease significantly due to both lower plantings and lower forecast yields;
- Global trade is expected to increase as a particularly large crop from Brazil finds its way onto world markets.

The benchmark Cotlook 'A' index enters the summer months trading at around the mid US70c/pound mark, representing the lowest price point for cotton in five years. With global cotton production tipped at 117.7 million bales for the 2025/26 season, just 1 per cent back on the previous harvest, high volumes continue to impact prices.

Global production giants of China and India are forecast to produce 32.5 million bales and 24 million bales respectively, accounting for almost 50 per cent of world production. Brazil is tipped to produce a further 18.2 million bales, which would represent a greater than 1 million bale increase on the prior season, and be the largest Brazilian cotton crop on record. Cotton production in the United States is forecast to be around 13.2 million bales, a very slight reduction on 2024/2025 volumes.

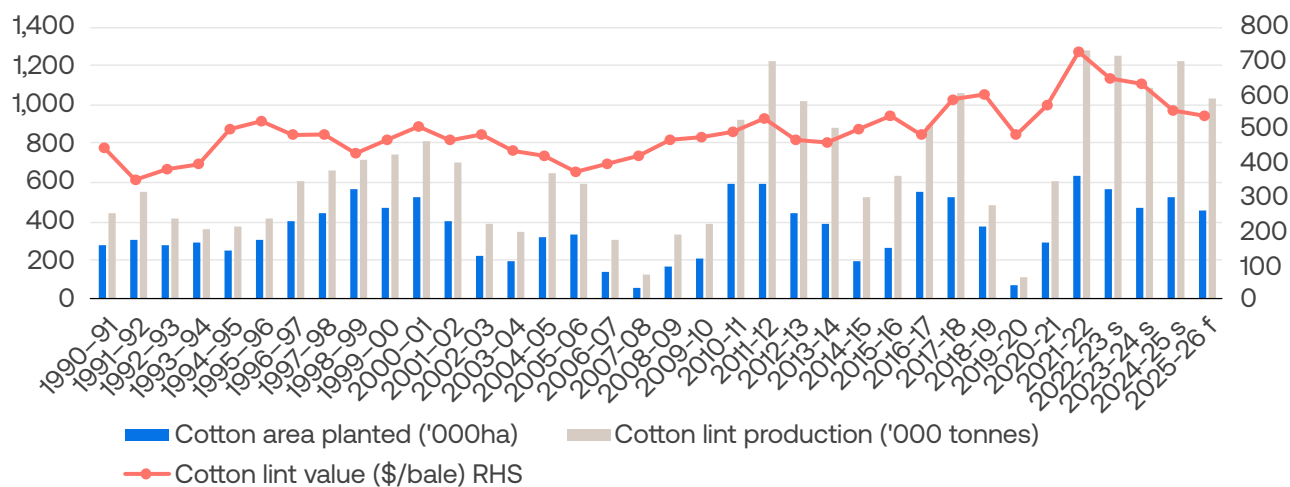
Of the world's major cotton producers, Australia remains ranked number six, and this year is forecast to experience the greatest reduction in production of all major producers, of around 16 per cent. Both a reduction in planted area and yield are contributing factors, as producers balance the

outlook for lower returns with high input costs, and in some cases competing enterprises.

Australian production is forecast at around 4.5 million bales, or a little over one million tonnes, with planted area down 11 per cent, particularly driven by NSW (-16 per cent). Local cash prices remain steady at around \$560-\$570 per bale, with 2025/2026 contracts stubbornly planted in a similar range.

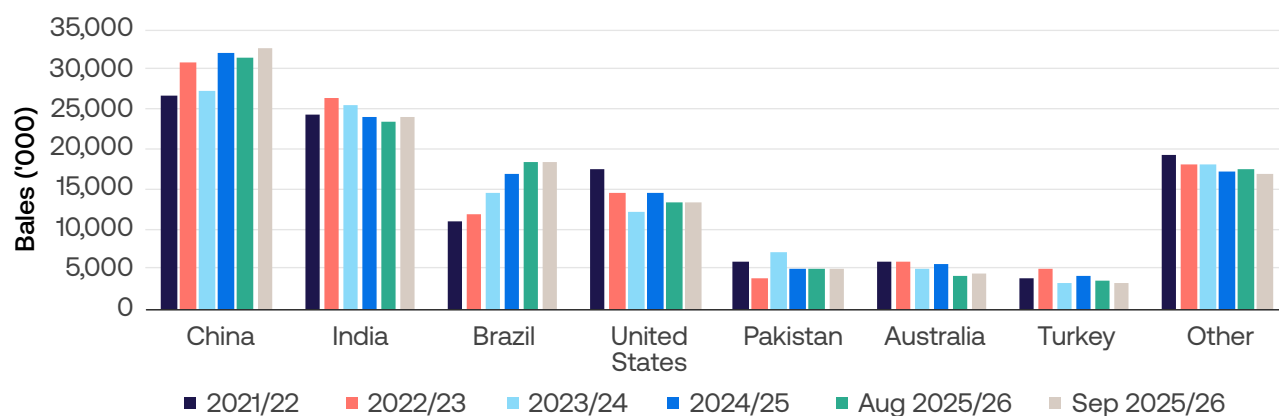
On the export front, Australia is forecast to export around 5.3 million bales throughout 2025/2026, which represents little change from the 2024/2025 season. Global trade is forecast at around 43.7 million bales, around 1 million bales up on last year, driven by exports from Brazil where record production (if it comes to fruition) would drive exports up to 14.3 million bales for that country, and represent one third of global trade. Major importers remain Bangladesh and Vietnam, with forecast imports to both nations reasonably steady on 2024/2025 levels. High domestic production in China and India will limit imports to at or slightly below last year's levels.

Australian cotton plantings and production



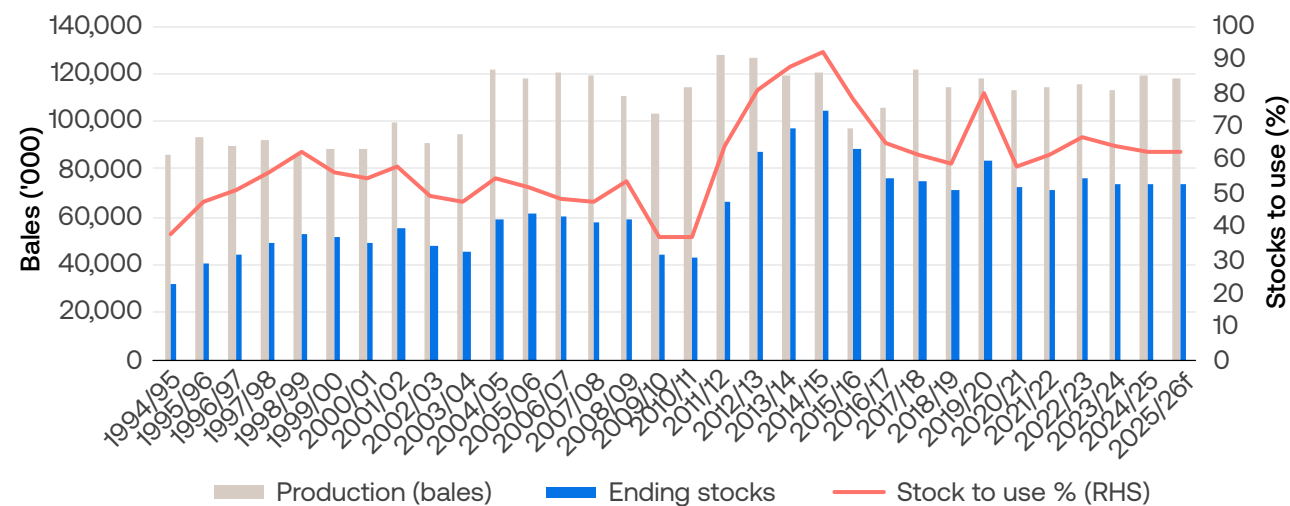
Source: ABARES, ANZ

Global cotton production



Source: USDA, ANZ

Global cotton production, ending stocks, and stocks to use



Source: USDA, ANZ



Forestry Insights

Overview

- Australia's plantation forest area is about 1.71 million hectares, slightly smaller than a decade ago and projected to leave a 3 - 4 million cubic metre annual supply gap by 2050;
- Softwood supply is currently balancing domestic demand, while native hardwood harvests have fallen more than 40 per cent since 2015, pushing producers toward plantation hardwood, engineered wood and recycled fibre;
- The sector exports \$3 - 4 billion of woodchips and fibre each year, mainly to China and Japan, while domestic demand grows on the back of timber-framed housing and forecast sawnwood demand growth of around 2 per cent a year;
- Ongoing investment in advanced mills and mass-timber capacity, combined with forestry's status as a net carbon sink, is attracting more institutional capital but will need to be matched by land and plantation expansion to close the future supply gap.

While the Australian forestry sector has faced its share of challenges in recent years – including a period where the total area of planted forests has remained largely unchanged, the phase-out of native forest harvesting in several states and the ever-present risks of climate and market volatility – it has responded with innovation, resilience and a renewed sense of purpose. The forestry and wood products sector contributes around \$10 billion in gross value added to the Australian economy each year and supports more than 50,000 direct jobs, most of them in regional communities.

Australia's forestry sector in 2025 encompasses approximately 1.71 million hectares of planted forests. This area includes just over one million hectares of softwood, mainly radiata pine, and around 670,000 hectares of hardwood, mostly blue gum. Net new planting in the past year was

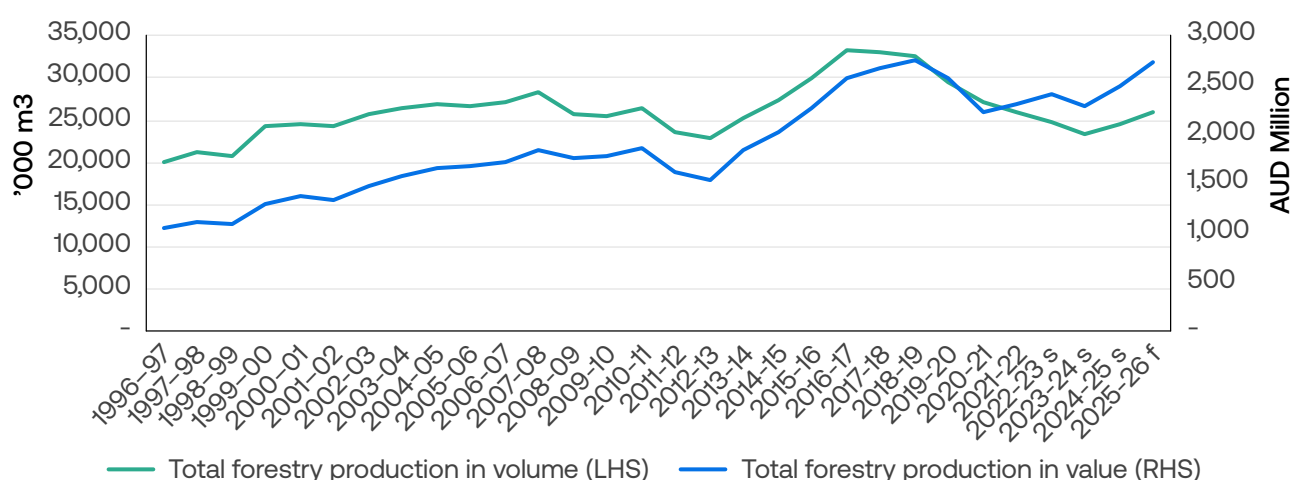
modest, with an increase of only 3,700 hectares. At 1.71 million hectares, the plantation forest area is around seven per cent smaller than a decade ago, reflecting gradual attrition from land conversion and changes in land-use classification. By global standards, Australia's plantation area ranks among the top 25 producers but remains below the volume needed to meet domestic construction demand. Annual harvested volume from plantations currently averages 31–33 million cubic metres, broadly stable over the past five years. More than 90 per cent of commercial plantations are certified under internationally recognised sustainability schemes, which supports the reputation of Australian timber in global markets.

While Australia's plantation and processing sectors are maintaining robust production in 2025, the forestry sector continues to grapple with

challenges like limited expansion of plantations and the need to manage future supply. Softwood log removals totalled around 17 million cubic metres in 2024/25, roughly two-thirds of total harvest. While softwood supply remains relatively balanced with demand, the industry continues to watch the longer-term availability, particularly given limited new planting and uneven plantation age profiles. According to a recent ABARES study, softwood sawlog availability could increase by up

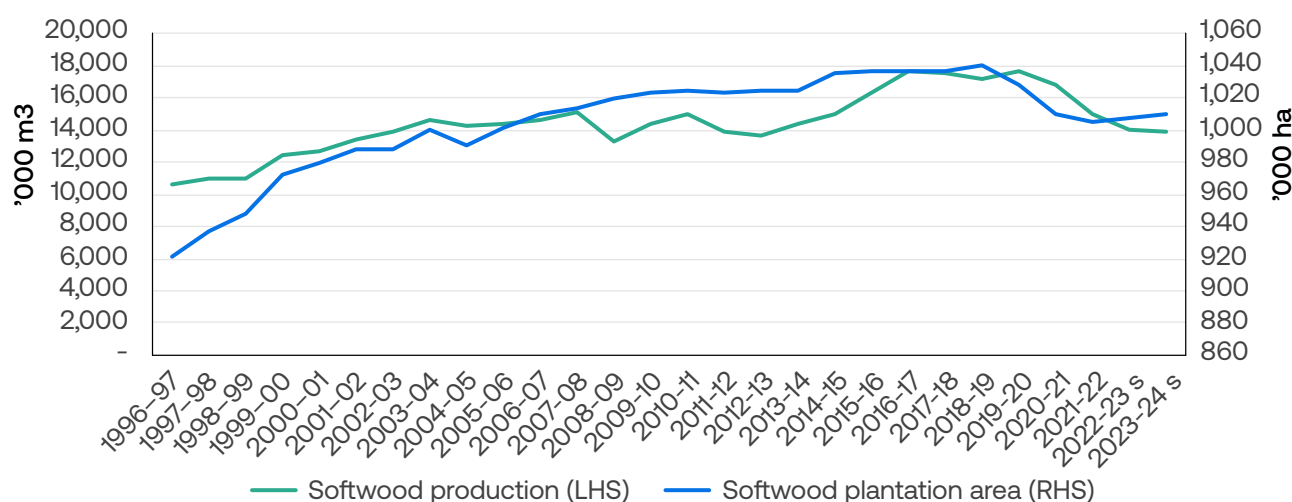
to 70 per cent by 2055, mainly due to the maturing of existing plantations and improvements in tree genetics. This uplift is expected to occur gradually over the next 30 years rather than immediately, driven by the passing of “age-class bulges” – periods when a large proportion of plantations reach harvestable age at once, temporarily increasing supply. Major softwood processing and plantation regions include the Green Triangle (South Australia and Victoria), Tumut–Tumbarumba (New South Wales) and southern Queensland.

Australia forestry production



Source: ABARES, ANZ

Softwood production vs plantation area



Source: ABARES, ANZ

Meanwhile, the hardwood sector is undergoing significant change. Native hardwood supply has declined sharply as harvesting has ended in Victoria and Western Australia and is being phased

out in parts of Queensland. Native hardwood harvests have fallen by more than 40 per cent since 2015, while plantation hardwood production has grown to around 11 million cubic metres a year,

mostly for export as woodchips and fibre used in pulp, paper and packaging production. With native hardwood harvesting winding down, the industry has shifted from solid native timbers toward plantation-sourced inputs and substitutes – using hardwood residues, recycled fibre and engineered wood to make higher-value products such as flooring, furniture, and structural laminated veneer lumber (LVL) and cross-laminated timber.

Exports remain a vital part of the forestry sector. Australia continues to export around \$3 – 4 billion in woodchips, fibre and pulpwood each year, with Japan and China as the principal destinations. In 2024/25, exports totalled roughly 6.8 million tonnes of woodchips and logs, valued at \$3.7 billion, while imports of sawnwood, panels and paper products reached \$6.3 billion. China accounts for roughly 45 per cent of export value, followed by Japan at around 30 per cent. While Australia remains a net importer of finished wood products, industry and government manage this reliance through supply diversification and long-term trade partnerships. Imports provide flexibility during housing booms, while local processors concentrate on higher-grade, certified products for both domestic and export markets.

The domestic market for forest products continues to grow. Timber remains the material of choice for Australian homebuilders, with about 75 per cent of detached houses using timber truss and frame systems. With national housing completions projected to exceed 200,000 dwellings a year by 2026, demand for structural timber is expected to grow steadily. According to ABARES long-term projections, demand for sawnwood is forecast to increase by 1.7–2 per cent per year to 2050, while wood-based panels are expected to rise by 1.2–2.1 per cent annually. Per-capita sawnwood consumption sits around 0.5 m³ per person per year, one of the highest rates in the Asia-Pacific region. This growth is underpinned by factors including population expansion, new household formation and the enduring appeal of timber-framed housing. The sector's sustainability credentials and the low embodied carbon of

timber products are also giving it a competitive edge as Australia's building codes and ESG requirements become more stringent.

Over the past few years, Australian timber mills and mills and panel plants have continued to develop new saw lines, kilns, scanners, robotics and end-to-end digital traceability across major sites. The adoption of mass timber – structural CLT (cross-laminated timber), GLT (glulam beams and columns) and LVL (laminated veneer lumber used for framing) – is accelerating, supported by updated building standards and a sharper focus on decarbonising buildings. Australia now has well over 40 mass-timber projects completed or underway, including commercial towers in Sydney, Brisbane and Melbourne. These upgrades are aimed at lifting value recovery per cubic metre (higher primary recovery, better grading, fewer defects) and generating additional income by converting residues such as chips, sawdust and offcuts into MDF (medium-density fibreboard), particleboard and renewable bioenergy.

Looking ahead, the outlook for Australia's forestry sector is one of cautious optimism. While the plantation estate remains flat and a supply gap of 3–4 million cubic metres a year is projected by 2050, the sector is well placed to respond. Policy settings continue to evolve, with state governments committing to plantation expansion and forestry now widely acknowledged as a net carbon sink within national emissions frameworks. Institutional investment in forestry assets globally has doubled since 2015 to more than US\$100 billion (A\$155 billion), with Australian assets attracting a growing share due to regulatory stability and climate credentials. This recognition is opening new avenues for green finance and sustainability-linked investment, drawing renewed interest from institutional and impact investors seeking long-term, climate-aligned assets. At the same time, constraints around land availability and supply remain, and current projections suggest annual softwood output would need to rise to over 40 million cubic metres by the 2050s to close much of the forecast gap.



The Australian economic outlook

One more rate cut in Australia

Despite global uncertainty, Australia's economy has been broadly resilient. Economic growth accelerated in Q2 as GDP lifted 0.6% q/q to be 1.8% higher over the year. The rise was driven by the private sector, in particular, a 0.9% q/q increase in household consumption. Public demand recorded no contribution to GDP growth over H1 2025 but is still up 3.0% y/y.

Over Q3, however, some of the private sector activity data moderated a little. The upward trend in consumer confidence has stalled and household spending volumes grew just 0.2% q/q in Q3, down from a 0.9% q/q lift in Q2.

ANZ Research also think there has been some mild easing in the labour market. The unemployment rate rose to 4.5% in September, and some forward indicators like ANZ-Indeed Australian Job Ads have declined recently.

While ANZ Research do not expect this to be the start of an upward trend in the unemployment rate, the rise has come at a time when inflation has also picked up in Q3. This complicates the picture for the RBA, who are trying to keep unemployment low while also ensuring inflation is in the middle of its 2-3% target band.

The RBA's preferred measure of underlying inflation (trimmed mean inflation) came in at 3.0% y/y in Q3, up from Q2's 2.7% y/y print. In other words, trimmed mean inflation is at the very top of the RBA's target band. And on a six-month annualised basis – an indicator for recent momentum – trimmed mean inflation is above the RBA's target band. It was also the first rise in annual growth in trimmed mean inflation since Q4 2022.

ANZ Research think the stronger than expected quarterly inflation print was a 'one off'.

Components such as property rates and tobacco recorded sharp rises, which increased the inflation number. Forward indicators suggest that inflation is likely to return on its path towards the mid-point of the RBA's target band.

However, given this higher-than-expected inflation print, the RBA kept rates on hold at its November meeting. The RBA is likely to be quite data dependent from here, and will be watching inflation, employment and spending data closely. The RBA noted that there are "risks in both directions to the inflation and employment outlook."

Given some of the softening in recent activity data, ANZ Research expects one more 25bp rate cut in February 2026, and for the cash rate to then stay at 3.35% for an extended period.

There is a risk the final rate cut ends up occurring later, such as in May, after the next two quarterly inflation prints.

The AUD/USD has been broadly rangebound over recent months. However, ANZ Research expects the AUD/USD to slowly grind higher over the six months to around 0.68 by mid-2026. This is mostly due to a decline in the USD, rather than AUD strength.

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