



April 2026

AGRICULTURE REPORT

Quarterly update on the Australian Agriculture Industry



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Key points

- The farm sector expanded by 9.9% in 2025, underpinned by strong crop outcomes, elevated livestock turn off and very strong external demand. A normalisation in conditions was always expected to weigh on momentum this year. However, the Middle East conflict has compounded the softer outlook. We now expect real farm GVA to contract by 0.8% in 2026 from 0.4% previously. We also see softer activity in 2027 with the farm sector projected to rise by 1.4%, with a moderate acceleration in 2028.
- The largest downgrade is to our outlook for crop production. This reflects a combination of higher diesel, fertiliser and freight costs due to the Middle East conflict and hotter, dryer weather conditions with climate modelling pointing to El Niño conditions ahead. Overall, yields are expected to be lower, with wheat the most exposed. Indeed, we may see some rotation away from wheat towards canola, where prices are expected to be supported by biofuel demand.
- Westpac's Agriculture Commodity Price index firmed in March, with gains recorded across most commodities. However, we expect this to be temporary. Overall prices are projected to fall by an average 0.8% in 2026, with a shaper correction in 2027 as supply responses emerge and energy and fertiliser prices ease. However, we have raised the outlook for canola prices through 2026, reflecting firmer oilseed markets, tighter near term balances and improved biofuel margins. Meat prices, and in particular lamb

prices, are expected to remain elevated, supported by tight supply and strong external demand, but drift lower through the year, ending between 3% to 8% below their peaks. This will still see prices 30–60% above 2024 average levels.

- Outside of climate related risks, the key downside risk is where the reopening and normalisation of shipping through the Strait of Hormuz takes longer than expected. In one such [scenario](#), our modelling shows Brent crude oil at US\$68/bbl by end 2027, with diesel prices staying elevated at \$1.71/l and fertiliser prices still above pre-conflict levels. This would continue the squeeze on farmers margins and lead to lower activity. Farm GDP would contract by an average -0.5% pa over 2026-2027 compared to our baseline forecast of an average 0.3% pa.

Key agriculture indicators

% change	2024	2025	2026	2027
Farm GDP, %yr avg	-6.0	9.9	-0.8	1.4
Real GDP, %yr avg (a)	1.0	2.0	1.8	1.2
Westpac Commodity Price Index, % yr (avg)	-0.3	7.5	-0.8	-4.0
Brent Crude Oil, US\$ per barrel, yr end	62	58	75	53
A\$ vs US\$, yr end	0.65	0.67	0.73	0.74
RBA Cash Rate, % yr end	4.35	3.60	4.85	4.85

[Westpac Market Outlook April 2025, 17th April 2026.](#)

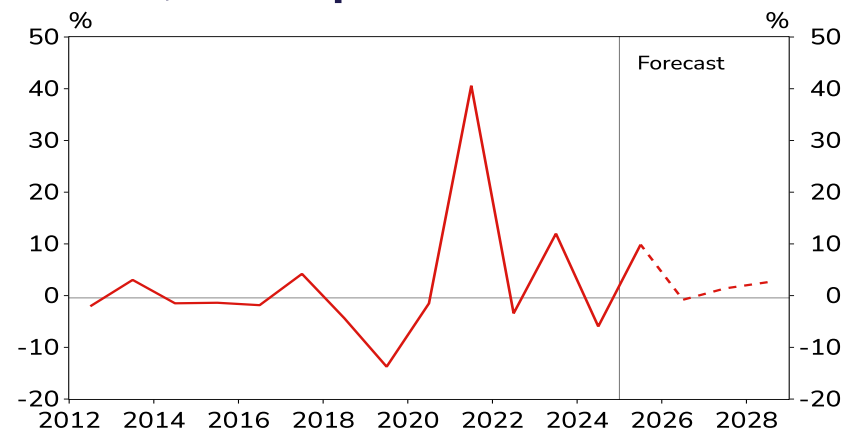
Conditions turning less favourable

- Activity in the agriculture industry (including fisheries and forestry) strengthened in Q4, rising 2.5% over the quarter. This was led by a 3% rebound in farm GDP. Overall, the farm sector expanded by 9.9% in 2025, underpinned by strong crop outcomes, elevated livestock turn off and very strong external demand. This was materially stronger than the 2% growth recorded for the Australian economy over the same period.
- We were always expecting a sharp slowdown this year as conditions normalised. However, the Middle East conflict and the global energy shock has led us to downgraded our outlook. We now expect real farm GVA to contract by 0.8% in 2026 from 0.4% previously.
- Livestock production is still expected to decline, particularly for sheep and lambs. The MLA has revised down flock projections, reinforcing our view that sheep and lamb supply will remain constrained. This should continue to support prices, but limiting production volumes. Producers are expected to remain focused on flock rebuilding, with slaughter rates staying lower.
- The largest downgrade is to our outlook for crop production. This reflects a combination of higher input and freight costs due to the Middle East conflict and hotter and dryer weather conditions with climate modelling pointing to El Niño conditions ahead. While reports suggest farmers have sufficient fertiliser secured for initial sowing, fertiliser prices have surged, rising to their highest level in three years. Moreover, even when the Strait of Hormuz reopens, it will take time for shipping to normalise and for fertiliser production to lift. This will keep prices elevated for longer and this is expected to limit top up applications later in the season, lowering realised yields. Within the grains complex, wheat is the most exposed and we may see some rotation away from wheat towards canola, where prices are expected to remain supported by biofuel demand.
- Yield risks are being compounded by low soil moisture across several southern regions and the latest climate models point to El Niño conditions ahead which further skews risks to the downside for crop outcomes.
- On the external demand front, US demand for meat products is expected to remain solid. However, higher energy costs stemming from the Middle East crisis will weigh on real incomes across Asia, prompting some substitution towards lower value food items in key markets. The Philippines, an important destination for Australian wheat exports, is among the more exposed Asian economies to the global energy supply shock, increasing the risk of softer import demand and higher price sensitivity. We also expect more restrictive trade policy settings in China to weigh on beef exports,

alongside increased competition from major exporters, such as Brazil, to dampen export prices.

- Domestically, households are facing headwinds from higher inflation and borrowing costs, with the RBA expected to raise the policy rate by a further 75bp this year to a peak of 4.85%. This will see household spending slow with more evidence of weaker growth across discretionary areas such as hospitality and tourism than in staple food spending. That said, while food demand is generally less sensitive to interest rates, cost of living pressures may see households substitute towards lower value items.
- Outside of climate related risks, the key downside risk is a more prolonged Middle East conflict where a normalisation in global energy and shipping markets takes longer. This would further squeeze farmers' margins and likely lead to lower activity. Farm GDP would contract by an average -0.5% pa over 2026-2027 compared to our baseline forecast of 0.3%.

Farm GDP, constant prices



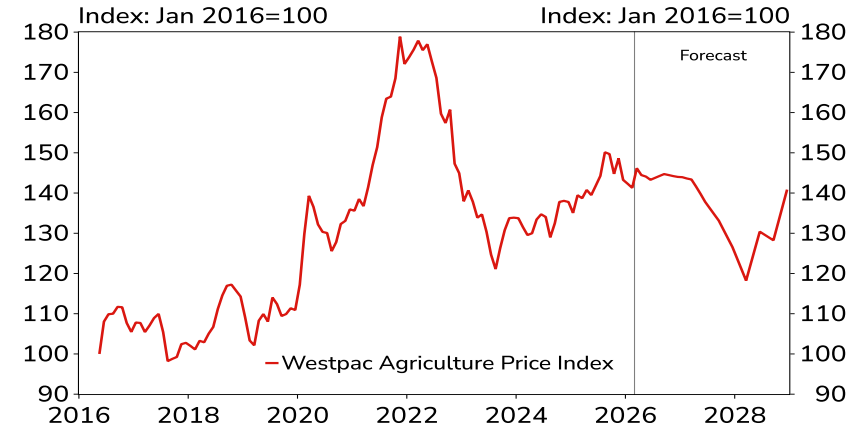
Source: ABS, Macrobond, Westpac Economics

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Westpac Agriculture Price Index

- Most prices across Westpac’s Agriculture Commodity Price Index firmed in March, with sugar and milk powders the standout performers. For several commodities the rise in prices reflected the spill overs from the Middle East conflict via higher energy prices. Sugar and canola prices firmed, consistent with higher oil prices lifting ethanol and biodiesel margins. Wheat prices saw only a small lift, with ample supply capping any sustained rise. Meanwhile the price of lamb saw renewed vigour reflecting still tight domestic supply.
- Despite the positive momentum recorded in March, the Agriculture Commodity Price Index fell 4.9% q/q in Q4, with declines recorded across all commodities reflecting softer trends in early 2026. Still, compared to a year ago the index was 2.3% higher, with beef and lamb prices rising 18.7% y/y and 39.3% y/y respectively. These gains more than offset declines across grains, dairy and sugar.
- We have revised our projection for prices following the Middle East conflict. We have raised the outlook for canola prices through 2026, reflecting firmer oilseed markets, tighter near term balances and improved biofuel margins. However, prices are set to ease in 2027, as supply responds and energy prices moderate. Meat prices, particularly for lamb, are expected to remain elevated, supported by tight supply and strong external demand, but drift lower ending the year around 3% lower for lamb, and 8% lower for beef, compared to their peaks. This will still see prices 30–60% above 2024 average levels. Even with a further moderation in prices in 2027, we expect prices to remain above 2024 levels. The recent firmness in sugar prices is expected to be short lived but we see some recovery ahead as the global supply balance narrows.
- We expect the Agriculture Commodity Price Index to fall by an 0.8% in 2026, with prices moderating further into 2027 as supply responses emerge and energy and fertiliser prices ease.

Agricultural Commodity Price Index, monthly



Source: RBA, Macrobond, Westpac Economics

Westpac Agriculture Commodity price forecasts*

		Latest	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Australian Standard White FOB Port Adelaide	A\$/t	317	318	318	319	317	308	293	282	265	275
Canola – FOB Kwinana	A\$/t	771	778	789	787	788	765	732	6.80	623	646
Cotton – Cotlook A Index	USc/lb	77.4	77.8	76.7	75.7	70.0	71.7	66.7	61.7	56.6	53.0
Sugar – ICE, futures contract	USc/lb	14.2	14.5	15.7	16.7	17.0	16.3	16.5	15.8	14.5	15.0
Beef – Eastern Young Cattle Indicator	A\$/kg cwt	8.16	8.00	8.17	8.21	8.22	8.06	7.84	7.55	7.07	7.44
Lamb – National Trade Lamb Indicator	Ac/kg cwt	1191	1180	1140	1120	1120	1090	1030	960	890	950
Dairy – Whole milk powder	US\$/t	3663	3570	3430	3410	3470	3570	3650	3720	3780	3820
Dairy – Skim milk powder+	US\$/t	3438	3280	2980	2960	2980	3030	3080	3130	3170	3200
Dairy – Cheddar cheese	US\$/t	4913	4900	4890	4880	4890	4870	5090	5190	5270	5330

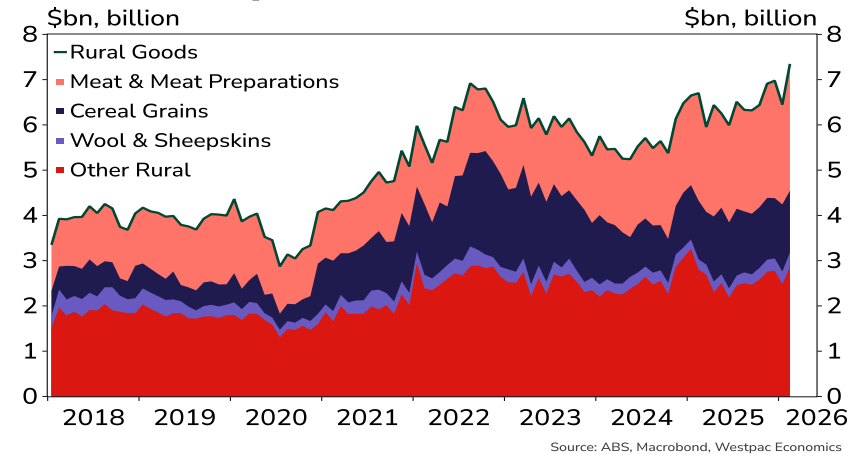
*December 2025 Bloomberg.

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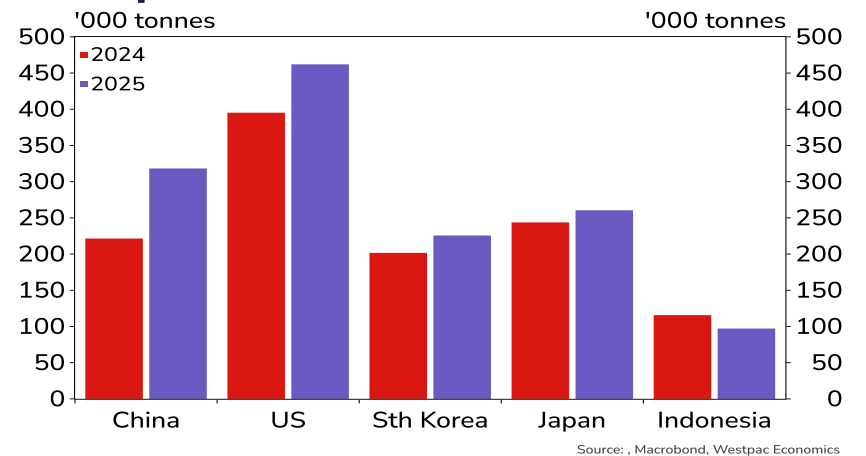
Exports: Trade policy headwinds

- In Q4 rural export volumes rose 5.4% q/q, to be 2.4% higher than a year ago. This brought overall growth for 2025 to 6.9%. The strong performance last year was underpinned by elevated meat and meat processing exports as well as solid grain flows. The latest trade data points to this momentum extending into 2026 with rural goods export values rising almost 14% in the month – the steepest increase in over a year – offsetting the previous month’s decline. Meat exports jumped by more than a quarter in February, suggesting that January’s drop was likely temporary.
- Indeed, still elevated slaughter rates and strong external demand from the US and Asia saw beef export volumes up 10.8% y/y in the first two months of the year. Whilst momentum has eased this follows record levels in 2025. In contrast, sheep meat exports fell reflecting lower supply. Canola exports were also down sharply on the year, despite lifting in H2 following the renewal of shipments to China.
- External demand for Australian exports remains resilient. Beef in particular, continue to benefit from limited substitutes in the US market amid low US domestic supply and strong demand for Australia’s lean trimmed beef. Australian beef also continues to enjoy a quota advantage over Brazil. In contrast, China has tightened access for beef for key beef exporters with a new Safeguard tariff rate quota framework implement from January 2026. For Australia, the quota for the first year is 205 million tonnes, increasing by around 2% annually to 2028. Volumes above this threshold will face a 55% tariff rate. The 2026 quota represents around 75% of last year’s exports and is expected to see a sharp slowdown in beef exports to China, particularly in H2 2026. Export prices are also likely to ease from record highs last year as Brazil and Argentina, like Australia, will be looking to redirect any surplus to other markets.
- Overall, we expect Australian agriculture exports to moderate over the coming year as domestic supply tightens. Livestock turn off rates are set to moderate and a herd/flock rebuilding in beef and sheep is expected. Meanwhile, we look for lower wheat and canola export volumes as domestic supply falls after several very strong harvests. Grain exporters also face several headwinds. Prices are likely to remain under pressure given the increase in global supply. Moreover, import demand from several Asian economies, including the Philippines, is likely to weaken as they grapple with higher energy and food prices. A thawing in relations between Canada and China has also seen a resumption in Canadian canola shipments with tariffs on Canadian canola cut from 80% to around 15% from 1 March. This will limited the increase in Australian canola exports to China, however, increased biofuel demand will be overall supportive.

Rural Goods Exports



Beef export volumes

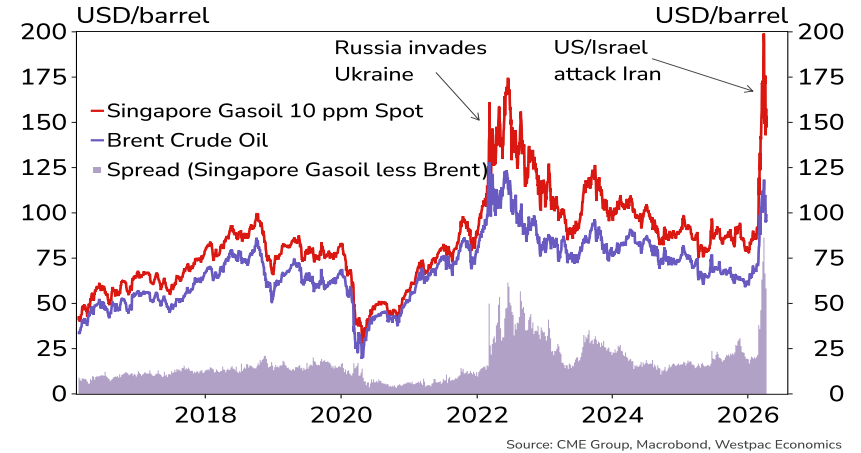


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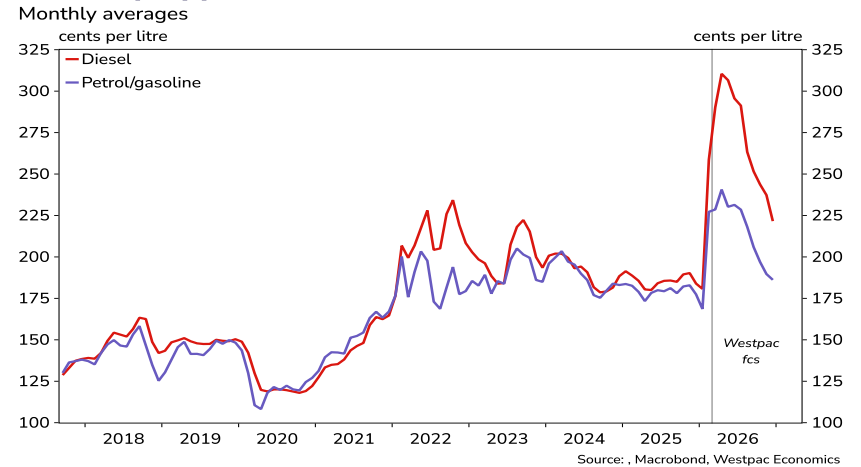
Energy costs: Damage has been done

- Crude oil prices:** The Middle East conflict and the closure of the Strait of Hormuz has led to a sharp surge in oil prices, with dated Brent briefly reaching US\$145/bbl in early April. A fragile ceasefire in the Middle East has reduced immediate escalation risks but any meaningful recovery in energy supply depends not only on the duration of the conflict but also on how quickly production and shipping can return to normal.
- Our baseline assumes** throughput to recover to around 20% of normal capacity by May, with flows normalising towards end 2026 as security and insurance risks linger. Brent prices are expected to peak at an average of around US\$105/bbl in Q2 2026, around 33% above our March forecast, before easing to US\$80/bbl by end Q4 2026 as geopolitical risks unwind and high prices drive demand destruction. However, uncertainty remains. In a [scenario](#), where it take longer to return to normalise, our modelling estimates that oil prices would still be around US\$68/bbl by end 2027 versus US\$53 in our baseline.
- LNG gas prices:** LNG markets remain acutely exposed to the conflict, with an estimated 300mcm/day - around one fifth of global supply - lost from Qatar and the UAE. We expect Japanese LNG prices to peak around US\$24/mmbtu in the September quarter and while prices remain elevated. LNG prices are not expected to return to the pre-conflict level until mid-2027. This has implications for upstream products such as fertilisers. In Australia, however, the impact of higher gas prices is expected to be relatively muted, particularly compared with the energy shock following Russia's invasion of Ukraine, given limited transmission to electricity prices due to caps on domestic gas prices.
- Diesel:** Disruptions to crude supply, combined with tight refined product inventories in Asia, have driven a sharp widening in the spread between Brent crude and Singapore Gas10, the key benchmark for Australian petrol and diesel prices, amplifying the pass through from higher crude prices to domestic fuel costs. Given the shortage of refined product availability and logistics, we expect margins to remain elevated. We expect national diesel and petrol prices to peak in April at an average \$3.20/litre and \$2.40/litre. Prices are expected to moderate but remain above pre-conflict levels well into 2027. In our alternative scenario prices continue to ease over 2027 but remain above pre conflict levels at \$1.71/l and \$1.67 by end-2027.
- Fertilisers:** Fertiliser prices were expected to ease in 2026 as more supply came on board. However, the Middle East conflict has materially altered that outlook. Around 33% of global fertiliser trade, particularly urea and ammonia, transits the Strait. Disruptions have pushed up prices for these inputs, with the World Bank global fertiliser index, up nearly 43% y/y in March, its highest level in more than three years. We expect fertilisers to peak in Q2 2026, with urea prices rising more than the others. We then look for some moderation in price over 2026 and 2027. However, prices are projected to remain above pre-conflict levels even by end 2027 given our outlook for LNG prices.

Spot Brent Crude vs Singapore Gasoil 10ppm



Australian pump prices for auto fuel

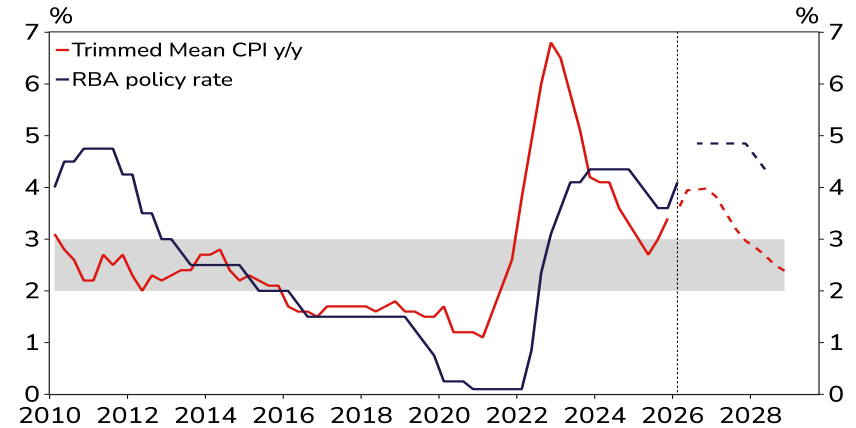


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Non-energy costs: Spillovers from energy supply shock

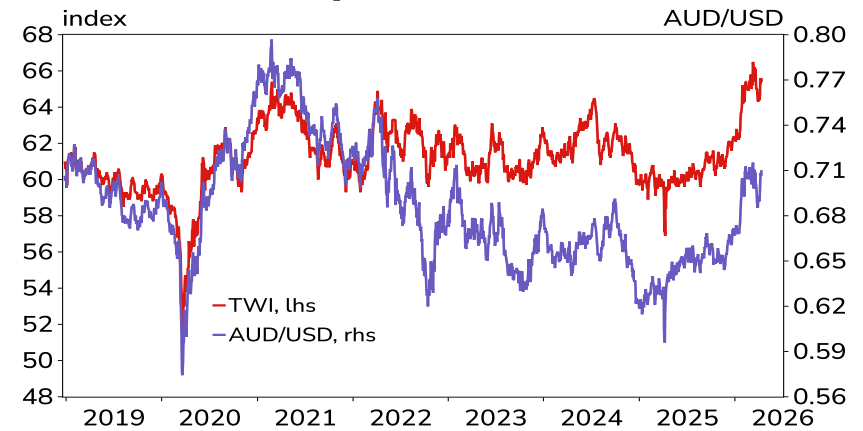
- Labour and productivity:** Labour productivity grew 6.1% in 2025, well above the historical average of 4.7% and far stronger than broader market sector productivity (ex mining) of 1.4% y/y. The lift reflects a combination of solid growth in farm output and lower labour inputs. Headcount and average hours both fell, driving a 3.4% contraction in total hours worked over 2025. This remains consistent with the long run decline in agriculture's share of economy wide employment and hours.
- In line with weaker labour demand, labour cost growth eased further to 3.2% y/y in Q4, below the industry's long run average of 3.8% y/y and well under the economy wide pace of 6.3% y/y. However, slower labour cost growth offers little relief to margins given non labour costs, which make up a larger share of costs and where cost pressures are rising sharply.
- Interest rates:** Since our January 2026 quarterly report, we have revised our RBA cash rate forecast. We now expect two further hikes in June and August on top of the increase already expected in May. The cash rate is forecast to peak at 4.85%, well above the previous peak of 4.35%. With trimmed mean inflation around 4% in the second half of this year with a slow moderation thereafter, the Monetary Policy Board is likely to want policy to remain clearly restrictive to keep inflation expectations anchored. Recent evidence of a more rapid than usual pass through from energy costs to other prices will reinforce this stance.
- Exchange rate:** While the Middle East conflict has generated bouts of global volatility, the A\$ has mostly retained the gains made earlier in the year hovering within a range of US\$0.69 to US\$0.72 in early April and holding broadly stable against the CNY. This resilience reflects a favourable Australian interest rate differential, given the RBA's continued tightening bias. As a net energy exporter, higher energy prices have also been supportive, helping the A\$ test the upper end of recent ranges despite ongoing geopolitical risks.
- However, near term gyrations are likely as markets respond to developments in the Middle East and shifts in global risk appetite. Absent a sharp deterioration in global growth, risks are skewed toward the AUD holding near current levels or edging higher rather than retracing materially. We expect the A\$ to remain well supported through 2026, underpinned by Australia's interest rate advantage and a structurally weaker USD. We look for the A\$ to end 2026 at 0.73 against the US\$ and 4.89 against the CNY, with a modest appreciation in 2027 to 0.74 and 4.74 respectively.

Monetary policy and inflation



Source: ABS, RBA, Macrobond, Westpac Economics

Australian dollar – spot USD rate and TWI



Source: . Macrobond, Westpac Economics

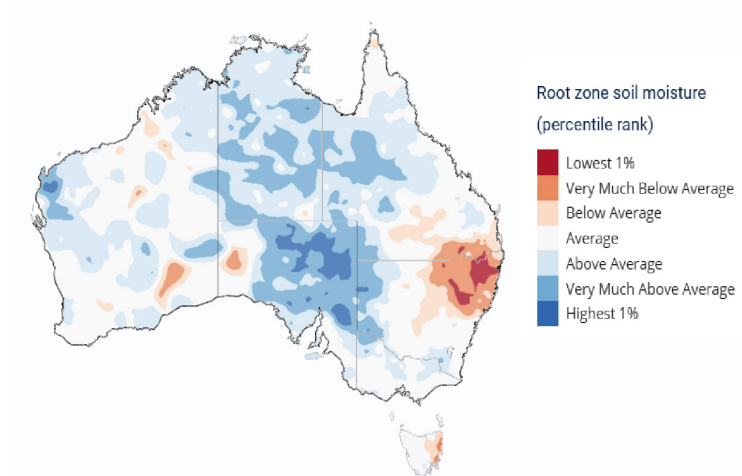
¹ Revised FX forecasts available from 30 January

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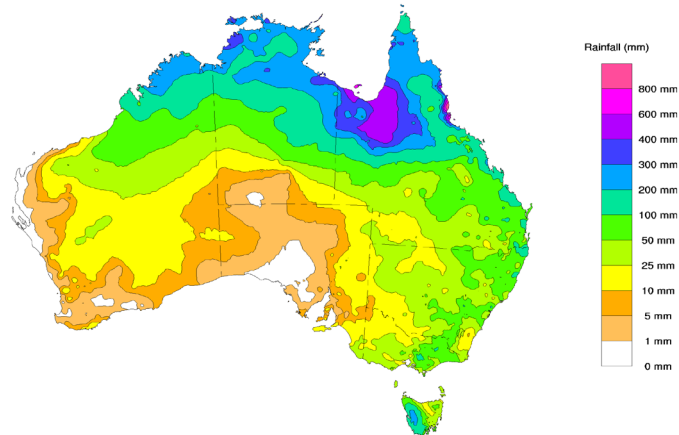
Climate: El Niño conditions ahead

- Rainfall over March was average or above average across most of Australia. This led to an improvement in soil moisture deficiencies. The exceptions were north-eastern New South Wales, parts of south-eastern Queensland and parts of Tasmania. Here, rainfall was below average in the first three months of 2026 and stood at the lowest 10% for March since 2011. This has exacerbated already very low root soil moisture levels.
- Over the next three months to July, Australia’s Bureau of Meteorology (BOM) sees a 60 – 80% chance of below-average rain across eastern and south-west Australia. For most other areas, there is an equal chance of above or below average rainfall. Meanwhile, there are growing indications of a shift towards an El Niño, with a 61% chance that this occurs by July, with El Niño likely to persist until at least the end of the year. Overall, this adds to the outlook of a drier and warmer Autumn and Winter ahead.
- Total water storage across Australia, was at 66.3% of capacity at the end of February, around 2.4% lower than a year ago. There remain considerable regional differences. Many storages across the Murray–Darling Basin and Victoria were below or close to 50% of capacity at the end of March. Eastern NSW and south QLD were generally due to below average rainfall and increased water demand.

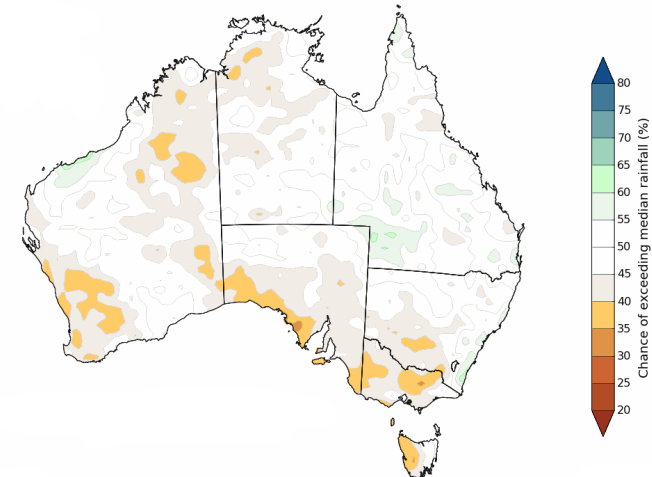
Root soil moisture March 2026



March 2025 rainfall



Rain forecast May – July 2026

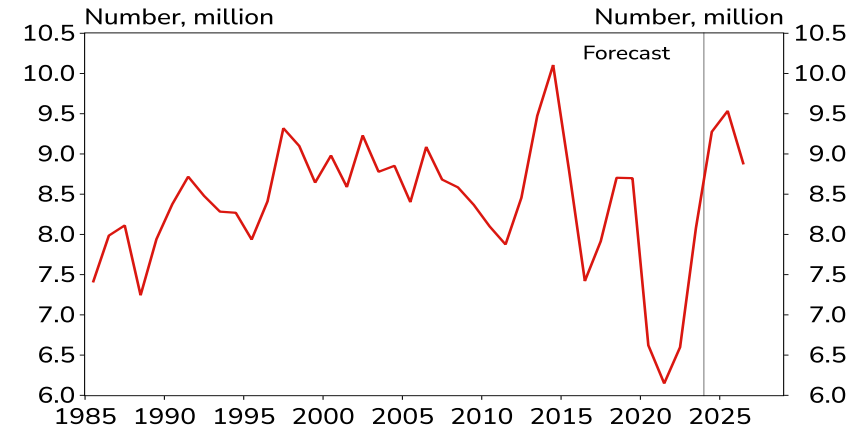


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Beef: Uneven year ahead given trade policy headwinds

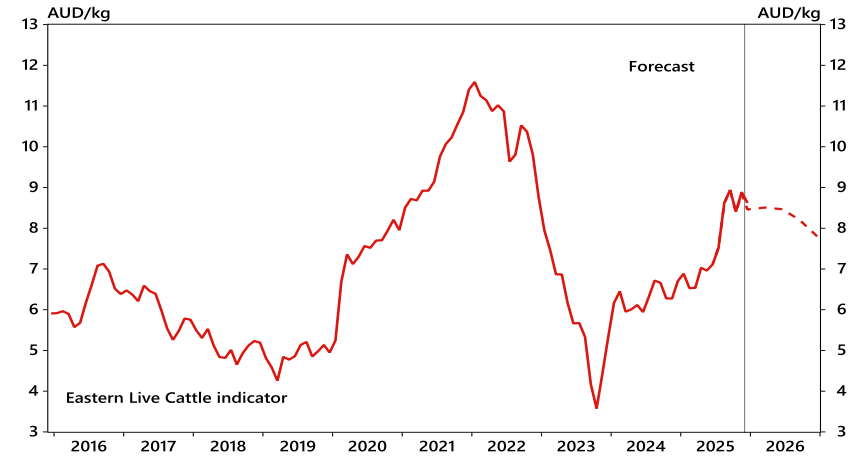
- After a strong 2025, Australian cattle markets are expected to face a more uneven year ahead. External demand remains solid, but trade policy changes and a moderation in supply are likely to slow export growth. The Middle East conflict remains a key risk via higher diesel and freight costs, with potential flow through to feedstock and processing.
- Export volumes remained strong in early 2026, up 10.8% in the first two months versus a year earlier. The US remains Australia's largest market (28% of exports). While Australia lost its tariff advantage late last year, access remains relatively favourable, with tariff free entry up to a safeguard quota of 450,000 tonnes in 2026. By comparison, Brazilian beef faces a 26.4% out of quota tariff above 52,000 tonnes. With the US market structurally under supplied, demand for Australian beef is expected to remain resilient.
- However, outside of the US trade policy has become less favourable. In January 2026, China introduced country specific safeguard quotas. Australia's tariff exempt quota is 205,000 tonnes in 2026, well below the 318,000 tonnes of exports to China in 2025. With exports up 22% early in the year, the quota is expected to be filled by mid-year. Once exceeded, imports face a 55% tariff, which is expected to drive a sharp fall in Chinese import demand in H2. South Korea's safeguard quota is also likely to be triggered. Australian exporters are also facing increased competition as Brazil is expected to redirect supply across Asian markets, including Indonesia and Vietnam.
- The Australia–EU trade agreement offers limited support. Tariffs are removed within the Hilton country specific quota and there is also a 20.6kt duty free quota, starting at 10.2kt and increasing after five years. However, access remains relatively low and a 55% gross fed requirement limits gains for grain fed beef.
- On supply, ABARES expects the herd to be broadly steady in 2026–27 at 27.0 million head, after a 3% decline in 2025–26. Beef production is forecast to fall by 6% to 2.6 million tonnes cwt in 2026–27 as lower slaughter outweighs slightly higher carcase weights.
- Prices were volatile in Q1. The National Young Cattle Indicator fell 5.6% for the quarter as a whole despite some firming of prices in March. Still, prices were nearly 19% higher than a year earlier. Near term prices are expected to remain supported, but moderation is expected in H2 as Chinese trade constraints take effect. Higher freight and processing costs, alongside intensifying competition across Asian export markets, are also likely to weigh on prices. By end 2026, prices are expected to be around A\$8.22/kg cwt, easing further to around A\$7.43/kg cwt by end 2027. This would still place prices 18.6% higher than average prices in 2024.

Australian cattle production



Source: ABARES, Macrobond, Westpac Economics

Australian Cattle Prices



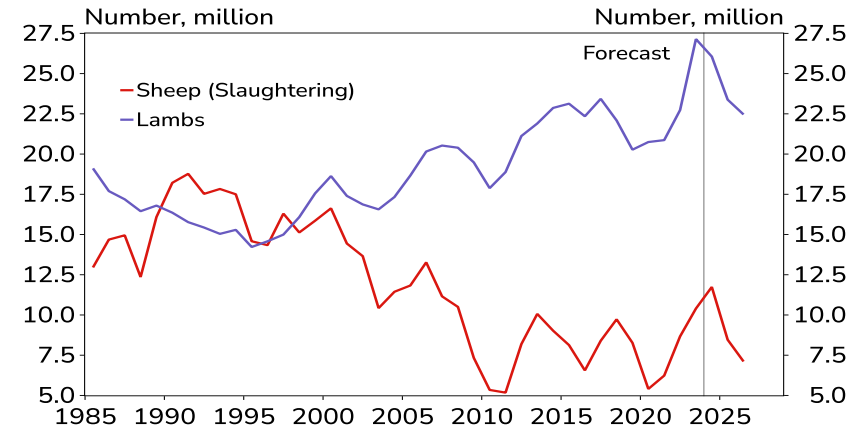
Source: , Macrobond, Westpac Economics

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Sheep: Tight supply key support for prices

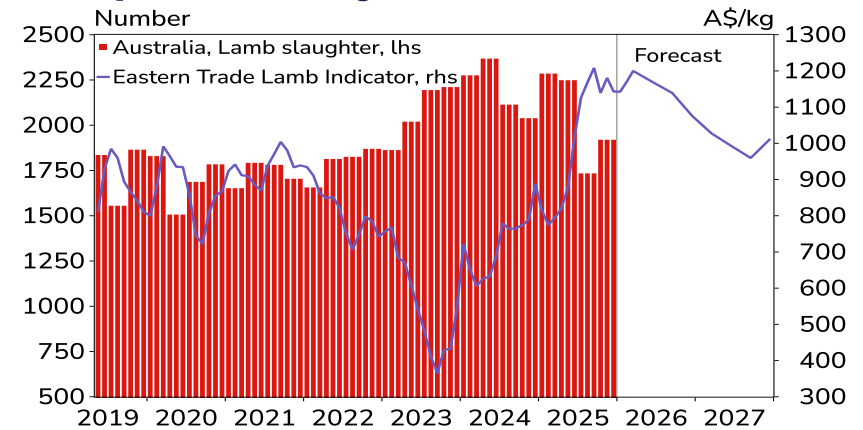
- The national lamb indicator fell 1.8% for the quarter despite a solid pick up in March. Both lamb and sheep prices remained elevated into April and significantly higher than a year ago supported by tight supply and strong competition from processors and restockers. To date, this has outweighed any impact from higher fuel costs and the loss of exports to the Middle East due to the conflict and closure of the Strait of Hormuz.
- Supply is expected to remain tight over the next 18 months. Lamb slaughter rates were down nearly 6% on the year in Q4 2026, with falls recorded across all states except NSW. Weekly processing rates in April are still running well below levels a year ago. The decline in sheep slaughter rates has been more pronounced and is expected to remain low as producers retain stock to rebuild the flock following the heavy destocking cycle in 2023-24.
- Indeed, according to ABARES the national sheep flock is forecast to decline over 2026, with further declines expected through 2027–28. As the industry moves into a rebuild phase, slaughter volumes are expected to be well below the highs seen in recent years, limiting supply into both domestic and export markets, although higher carcass weights are expected to provide some offset.
- Export volumes continue to ease in line with lower supply. After falling 5.6% in 2025, sheep meat export volumes were down 7.8% on the year in the first two months of 2026. However, despite strong prices external demand for Australian lamb remains firm, reflecting tight global supply conditions. Shipments to the US, EU and UK continue to benefit from declining domestic production in those markets, while demand from China has stabilised.
- Shipments to the Middle East had already softened prior to the conflict, largely reflecting sensitivity to the rise in price recorded. Since the closure of the Strait of Hormuz in March, exporters have lost access to the region, which accounted for around 20% of total sheepmeat volumes in 2025. More than 80% of live sheep exports are affected, although live exports account for a smaller share of total meat exports. To date, the impact on prices has not been evident due to low slaughter rates, but it remains a key downside risk.
- A prolonged absence of Middle East demand, combined with higher freight and energy costs, will increasingly pressure processor margins. The ability to pass higher costs through export markets will be critical and could see prices, particularly for mutton and more specialised product categories, soften.
- We have raised the outlook for lamb prices this year on the back of tighter than previously expected supply. We see this as outweighing the loss of Gulf exports. We expect the national lamb indicator to stand at \$1164/kg cwt at end 2026. Further out prices are projected to ease as export markets adjust to higher costs and flock numbers normalise and turn off rates stabilise.

Australian sheep and lamb



Source: ABARES, Macrobond, Westpac Economics

Lamb prices and slaughter number



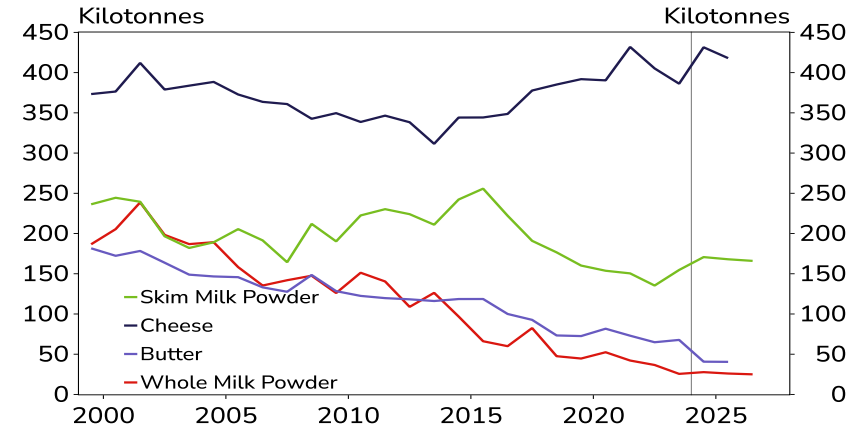
Source: . Macrobond, Westpac Economics

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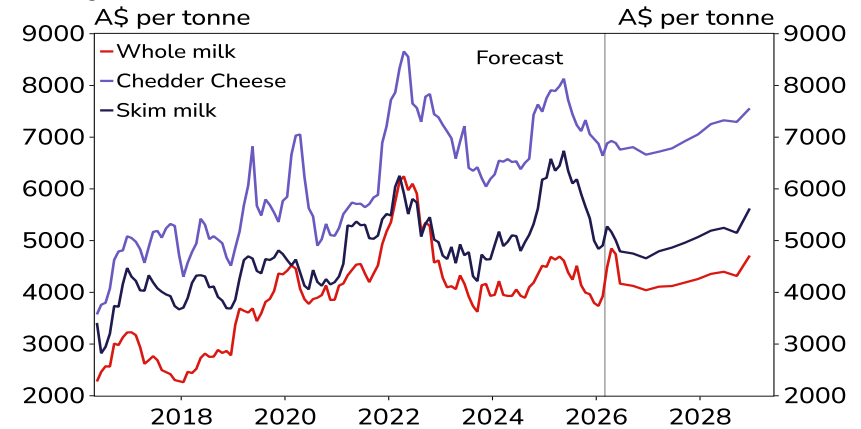
Dairy: Domestic supply outlook remains soft

- Global dairy markets have stabilised following the late 2025 correction, but price movements remain uneven across products. The FAO Dairy Price Index rose 1.2% m/m in March, the first increase since July 2025, driven by higher skim milk powder (SMP), butter and whole milk powder (WMP) prices. These gains were partly offset by weaker cheese prices. The lift reflects firmer import demand for powders and a seasonal fall in Oceania milk supply, rather than a broad based recovery in demand.
- The divergence in prices was again evident in recent GDT outcomes with price performance continuing to favour powders, consistent with tighter powder availability and ongoing adjustment in butter and cheese segments following earlier excess supply.
- National milk production improved to 2.8% y/y in March. Still, season to date production was 0.7% below last year with large variations across states. Production remained solid in QLD and NSW and improved in Tasmania. This helped offset weak outcomes in the other states, notably VIC.
- Against this backdrop, the near term domestic supply outlook remains soft, and dairy farmers are facing increased cost pressures. At present, the recent price support offered by processors are temporary and limited. Lactalis will pay an additional 5c/L from 1 May (around +64c/kgMS), lifting its weighted average price to \$9.69/kgMS. Meanwhile, Coles has flagged a temporary payment of around 5c/L for directly sourced farmers, alongside \$1m in one off support, while Woolworths will pay an extra 10c/L for Farmers' Own suppliers. Bega has also indicated a 7c/L pass through from its customer surcharge of 15c. Still, profit margins are likely to remain squeezed given the surge in fertiliser and fuel costs and this is a key risk to any recovery in production in 2026/27.
- Despite subdued domestic production, the global dairy supply is still ample and this is expected to continue to weigh on export prices although unevenly. Whole milk powder prices are expected to soften later in 2026, as supply improves and inventories are worked down. By contrast, skim milk powder prices are holding firmer than previously expected, with prices revised higher versus our last report, reflecting tighter balances. Into 2027, price outcomes reflect supply normalisation rather than recovery, with further easing in fats while powder prices remain comparatively supported.

Australian Dairy Production



Dairy prices

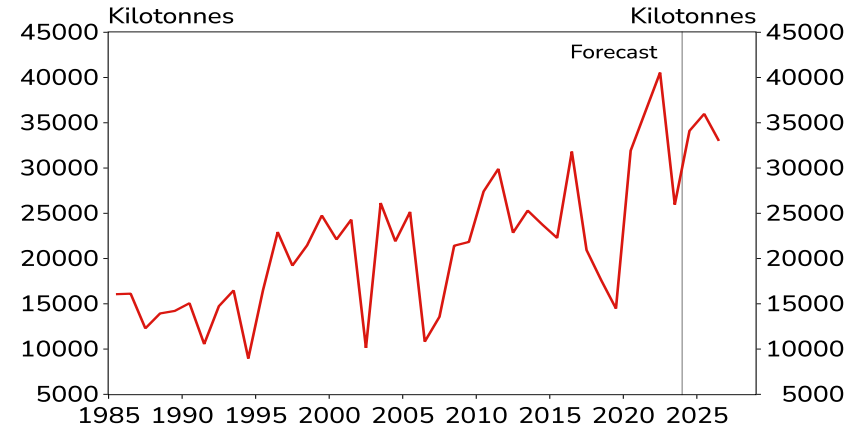


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Wheat: Global supply to cap prices

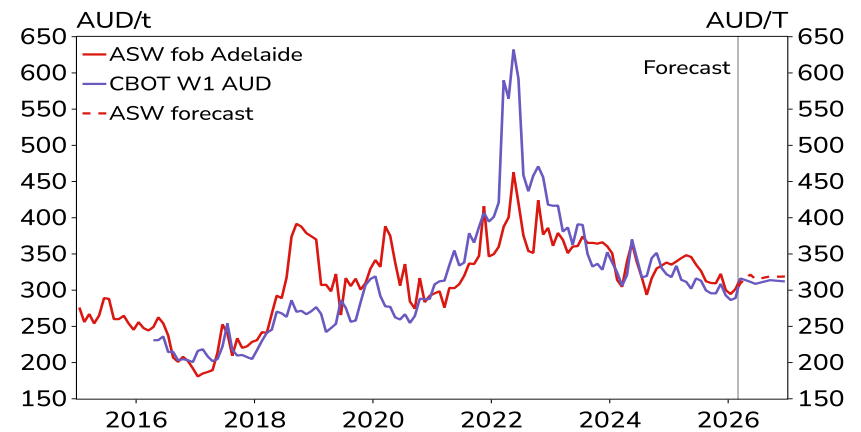
- Australian wheat prices firmed in March and into early April after easing through early 2026. The move coincided with the escalation in the Middle East conflict, which has led to a sharp rise in fertiliser, fuel and freight costs and overall generally firmer agriculture prices. However, Australian and global stocks have contained the price increase and indeed, prices eased once again in April.
- Global wheat supply has increased materially and is estimated to reach a record 830 mt in 2025-26. Strong southern hemisphere harvests have been led by record production in Argentina. Meanwhile, Australian wheat production also rose to around 36 mt, the third largest on record, supported by another solid harvest in WA. Attention is now on the northern hemisphere where strong gains are expected in the EU and smaller increases in Russia.
- Looking ahead, ABARES expects Australian wheat production to fall to around 33 mt in 2026-27. However, this projection was made prior to the conflict. While most growers have sufficient fertiliser for winter sowing, higher diesel and fertiliser prices are likely to sway some farmers crop choice, potentially favouring less fertiliser intensive grains over wheat, and those where there is more price support such as for oil seeds. With fertiliser prices forecast to remain above even last year's elevated levels, reduced in season application is also likely to weigh on average yields. Combined with below average soil moisture across southern cropping regions and the shift towards El Niño, the outlook for Australian wheat supply is softer than in recent years.
- On demand, domestic feed use is expected to remain firm, supported by still elevated livestock numbers on feed. External demand has also been solid. Australian wheat export volumes rose by nearly 26% in 2025, driven by strong demand from Asia, particularly Indonesia and the Philippines. That momentum carried into the first two months of the year, with strength in shipments to Indonesia offsetting some softness elsewhere. Indeed, weak shipments to Indonesia in late 2025 now appears to have been noise but we will continue to monitor any impact from Indonesia's agreement to increase purchases of US agricultural goods. Shipments to the Middle East, while small relative to Asia, had been increasing and provided useful diversification for exporters. With the Strait closed and normalisation likely to take time, exporters will need to redirect volumes to alternative destinations. While the Middle East is not a major importer of wheat globally, the loss of this outlet adds to already ample global balances and elevated carry in stocks.
- As Northern Hemisphere wheat comes to market through mid 2026, local prices are therefore expected to ease modestly, particularly if the A\$ remains firm. By end 2026, Australian APW prices are expected to hold around A\$319/t, above the long run average but well below earlier decade peaks.

Australian wheat production



Source: ABARES, Macrobond, Westpac Economics

Wheat Prices



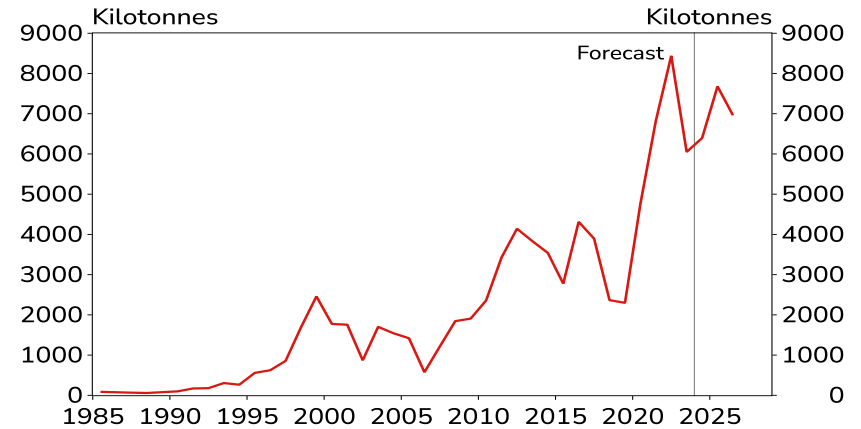
Source: . Macrobond, Westpac Economics

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Canola: Biodiesel demand to support prices

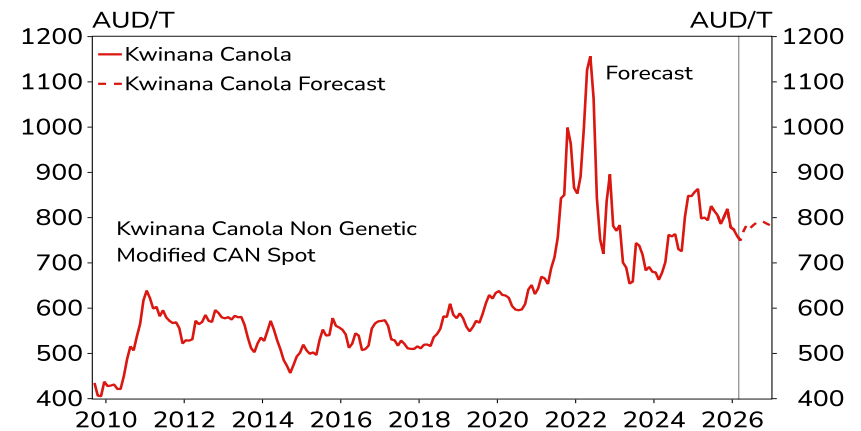
- Global canola prices firmed over Q1, supported by higher crude oil prices following the escalation in the Middle East conflict. Higher energy prices have lifted diesel and fertiliser costs and has led to increased rapeseed oil values and improved margins for renewable diesel and biodiesel. This has provided support for canola prices. That said, in Australia, prices have underperformed global benchmarks, with the appreciation in the A\$ against the US\$ partly offsetting higher global benchmark prices.
- Global canola production has lifted materially with the southern hemisphere harvest completed. ABARES estimates Australian production for 2025-26 at 7.7mt, up 20% from the previous year, and the second largest on record. Northern hemisphere production is also expected to be solid. Canadian production is improving after recent weather-related volatility, while EU yields have improved following last season's weakness.
- Looking ahead, EU rapeseed production is expected to rise, but this is likely to be offset by softer supply in Canada and Australia. ABARES expects Australian canola production to fall by 9.4% in 2026-27. We see risks as being two sided. On the downside growers may opt for more conservative fertiliser application in response to sharply higher prices. Seasonal conditions are also likely to weigh on yields as the climate outlook transitions towards El Niño. However, higher input costs and improved price dynamics due to stronger biofuel demand could see some rotation of crops away from wheat.
- Export dynamics remain closely tied to supply. Early shipments have been supported by good availability and competitive pricing, but the outlook is set to be increasingly constrained by tighter new crop supply. China remains a key uncertainty. While imports have resumed following tariff reductions on Canadian canola, increased Canadian availability into China is expected to limit upside for Australian exports.
- Looking ahead, higher energy prices are likely to remain supportive. We have raised the outlook for canola prices through 2026, reflecting firmer oilseed markets, tighter near-term balances and improved biofuel margins. By end 2026, prices are expected to be around A\$740/t, remaining above long run averages but below recent peaks. In 2027, prices are set to ease, as supply responds and energy prices moderate.

Australian canola production



Source: ABARES, Macrobond, Westpac Economics

Australian Canola Prices



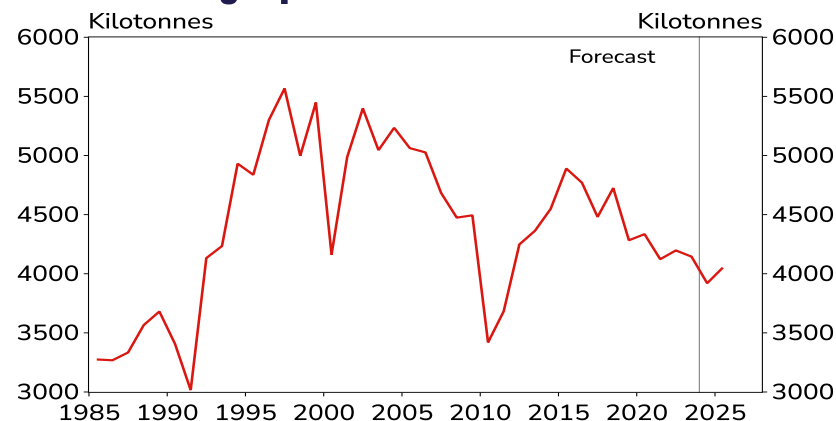
Source: . Macrobond, Westpac Economics

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Sugar: Sugar prices range bound

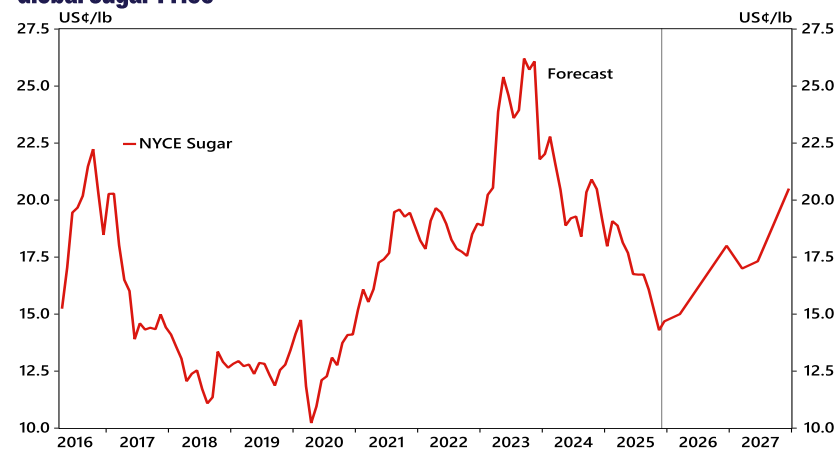
- Sugar prices moved higher over March alongside higher oil prices amid speculation that higher energy prices will lead to some diversion of cane away from sugar production to ethanol. However, despite the recent lift, prices remain close to multi-year lows. While short term rallies remain possible, particularly during Brazil's inter harvest period or following weather disruptions in Asia, surplus supply will continue to cap any price upside.
- Indeed, global sugar production is projected to rise between 180 and 190 mt in 2025–26, driven largely by Brazil and a partial recovery in India. USDA and industry estimates have also upgraded their estimate of Australian raw sugar production to around 4.0 mn tonnes, reflecting improved seasonal conditions and higher yields in key cane-growing regions. Improved supply in these areas are more than offsetting structurally lower beet production in the EU.
- Demand conditions remain subdued. Global consumption continues to grow at a modest 1–2% per year. China has provided some near term support, with imports lifting in early 2026 as buyers responded to lower prices. But elsewhere, policy remains restrictive. Indonesia has banned imports for household consumption and capped industrial raw sugar imports at around 3.1 mt, while Pakistan has suspended imports amid ample domestic stocks. Health related consumption trends and sugar taxes remain a structural headwind in several markets.
- Looking ahead, sugar prices are expected to remain range bound through H1 2026, with excess supply limiting any durable recovery. That said, downside risks appear more contained than implied by late 2025 price moves. Lower prices are prompting supply adjustment, most notably through greater ethanol diversion in Brazil and reduced export willingness from higher cost producers. Consistent with this, prices are expected to recover gradually into H2 2026, with any improvement driven by supply response rather than demand strength.

Australian sugar production



Source: ABARES, Macrobond, Westpac Economics

Global Sugar Price



Source: , Macrobond, Westpac Economics

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Activity forecasts

	2025		2026				2027		Calendar years			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025	2026f	2027f	2028f
%qtr / %yr end												
Household consumption	0.5	0.3	0.6	0.0	0.2	0.4	0.5	0.5	2.4	1.2	2.1	3.3
Dwelling investment	2.0	0.6	1.4	1.3	1.0	0.9	0.8	0.8	5.5	4.7	3.2	5.5
Business investment *	3.8	0.5	0.9	0.3	0.4	0.3	0.3	0.4	4.4	1.8	2.0	3.5
Private demand *	1.3	0.4	0.7	0.2	0.3	0.4	0.5	0.5	3.2	1.7	2.2	3.5
Public demand *	1.3	0.8	0.8	0.7	0.5	0.5	0.6	0.6	2.1	2.5	2.4	2.6
Domestic demand	1.3	0.5	0.8	0.3	0.4	0.4	0.5	0.5	2.9	1.9	2.3	3.3
Stock contribution	-0.5	0.4	-0.2	0.0	0.0	0.0	0.0	-0.1	0.1	-0.2	-0.1	0.1
GNE	0.8	0.9	0.6	0.4	0.3	0.4	0.5	0.5	3.0	1.8	2.2	3.3
Exports	1.4	1.4	0.4	0.4	0.4	0.4	0.6	0.7	5.2	1.6	2.5	2.4
Imports	2.0	1.8	1.0	1.2	1.3	1.4	1.2	1.2	6.7	4.9	5.1	4.5
Net exports contribution	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.3	-0.8	-0.6	-0.5
Real GDP %qtr / %yr avg												
%yr end	2.1	2.6	2.6	1.9	1.6	1.0	0.9	1.1	2.6	1.0	1.6	2.8
Nominal GDP %qtr / %yr avg	1.9	1.8	3.0	1.5	1.6	0.5	0.6	0.7	4.7	7.8	3.4	0.0
%yr end	5.4	6.0	7.7	8.5	8.2	6.8	4.3	3.5	6.0	6.8	3.1	0.0
Real household disp. income	0.8	1.0	-0.6	-0.8	0.0	0.2	0.4	1.0	3.7	-1.2	2.3	3.4

Other macroeconomic variables

	2025		2026				2027		Calendar years			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025	2026f	2027f	2028f
% change												
Employment %qtr **	0.2	0.2	0.7	0.3	0.2	0.1	0.4	0.5	-	-	-	-
%yr end **	1.4	1.1	1.5	1.4	1.4	1.3	1.1	1.3	1.1	1.3	1.7	2.3
Unemployment rate % **	4.3	4.3	4.2	4.4	4.6	4.9	5.0	4.9	4.3	4.9	4.9	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	-	-	-	-
%yr end	3.3	3.4	3.3	3.2	3.2	3.2	3.2	3.2	3.4	3.2	3.0	3.4
Headline CPI %qtr	1.3	0.6	1.5	1.9	0.9	0.3	0.5	0.6	-	-	-	-
%yr end	3.2	3.6	4.2	5.4	5.0	4.6	3.6	2.3	3.6	4.6	2.4	2.3
Trimmed Mean CPI %qtr	1.0	0.9	0.9	1.0	1.0	0.9	0.8	0.7	-	-	-	-
%yr end	3.0	3.4	3.5	3.9	4.0	4.0	3.8	3.5	3.4	4.0	3.0	2.4
Current account \$bn, qtr	-18.3	-21.1	-18.9	-20.5	-23.3	-27.1	-29.7	-31.1	-	-	-	-
% of GDP	-2.6	-2.9	-2.5	-2.7	-3.0	-3.5	-3.9	-4.0	-2.6	-3.5	-4.2	-4.0
Terms of trade %yr avg	-3.3	-2.3	0.0	2.0	3.1	4.0	1.8	-0.4	-2.3	4.0	-4.0	-2.5
Population %yr end	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.6	1.5	1.4	1.4

Data from April Market Outlook

Calendar year changes are annual through-the-year percentage changes unless otherwise specified.

* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. ** Quarter-averages.

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