January 2026

AGRICULTURE REPORT

Quarterly update on the Australian Agriculture Industry

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The **Westpac Agriculture** report is produced by Westpac Economics.

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The next issue will be published in Q2 2026

Key points

- We estimate real farm GDP rose 9.6% in 2025 with momentum having eased in H2 2025. Despite stronger than expected grain harvests, activity is expected to grow at a more moderate pace this year compared to much of 2024-25, as producers shift focus to herd rebuilding. Overall, we expect real farm GVA to grow just 0.4% this year.
- The Westpac Agriculture Commodity Price Index declined 1.8% q/q in Q4 with broadbased falls recorded across all categories. However, after recording strong growth for much of the year the index was still up by 7.1% for 2025 as a whole.
- In 2026, we expect the index to fall by an average 1.4% for the year as a whole. Meat prices are expected to remain elevated supported by strong external demand and tighter supply but drift lower over the year to be down around 13% from their peaks. Meanwhile, grain and dairy prices are also expected to trend lower for much of the year, amid an increase in global supply.
- Australian agriculture exports recorded very solid growth in 2025 primarily driven by record beef export volumes. In 2026, export volumes are expected to moderate as domestic supply tightens, with lower meat export volumes offsetting a stronger outlook for grain.
- That said, global trade policy settings remain a key uncertainty. We expect low US domestic supply will mean recent tariff reductions on Brazilian meat are unlikely to materially affect demand. However, China's new Safeguard tariff rate quota, capping Australia's beef exports in 2026 to 205 mn tonnes with a 55% tariff above that level, will lead to sharply lower exports to China. That said, volumes are likely to be redirected to other Asian markets. This rerouting, combined with increased supply from Brazil and Argentina, is expected to ease export prices from last year's record highs. Meanwhile, China has cut tariffs on Canadian canola from 80% to around 15% from 1 March. This could cap any meaningful resumption in Australian exports to China.

Key agriculture indicators

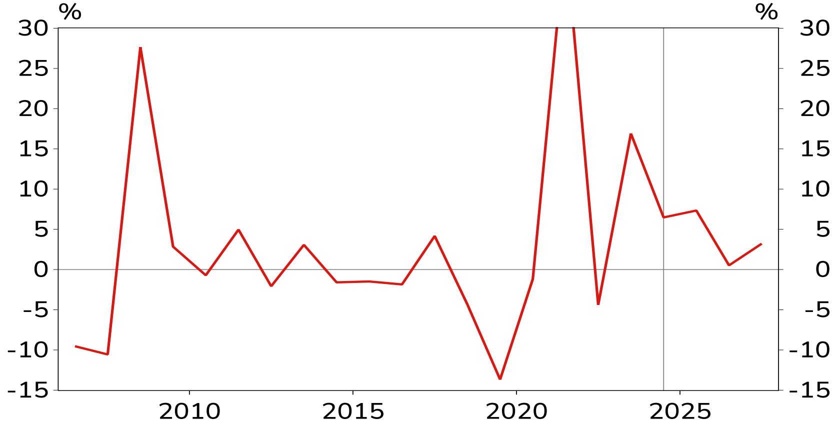
% change	2024	2025	2026	2027
Farm GDP, %yr avg	6.5	9.6	0.4	2.4
Real GDP, %yr avg (a)	1.0	3.6	2.4	2.5
Westpac Commodity Price Index, % yr	1.2	7.1	–1.4	–4.0
Brent Crude Oil, US$ per barrel, yr end (b)**	62	58	58	70
A$ vs US$, yr end (b)	0.65	0.67	0.71	0.73
RBA Cash Rate, % yr end (c)	4.35	3.60	3.85	3.85

a Australia and NZ weekly 26 January 2026
b Westpac Market Outlook December 2025. Revised FX forecasts available from 30 January
c RBA to hike in February on second uncomfortably high quarterly inflation read. Medium-term forecasts are under review.

Momentum set to ease but prospects remain solid

- Momentum in the agriculture industry (including fisheries and forestry) fell sharply in Q3 2025. Production contracted 2.6% q/q with farm GDP falling by 2.8%. Much of the decline in the quarter was due to a pull back in livestock production consistent with a delay in lambing and significantly lower sheep and lamb turn off rates. Still, after recording very strong momentum since H2 2024, real gross value added (GVA) for the farm sector was 8.8% higher than a year ago.
- We expect some bounce back in production Q4 2025 reflecting stronger than expected crops for wheat and canola. Lamb livestock should also improve although this will be offset by lower cattle herd numbers.
- Despite the sharper than expected pull back in Q3, we still expect real farm GDP rose 9.6% in 2025 given other historical revisions. Momentum is expected to continue at a more moderate pace over 2026 compared to much of 2024-25, as producers shift focus to herd rebuilding.
- Overall, in 2026 we expect real farm GVA to grow just 0.4% amid weaker production volumes. Underpinning this livestock volumes are forecast to fall with both beef and sheep expected to decline as farmers rebuild herds and slaughter rates normalise from elevated levels. Meanwhile, crop production is expected to be lower after recording yet another solid harvest for 2025-26. In contrast, milk production is set to increase slightly after a year of decline. That said, a key risk is around soil moisture levels ahead of winter crop planting, which are low in several southern parts of Australia, contrasting with northern areas.
- Our projections for the use of real intermediate goods over the 2026 to 2027 assumes more moderate growth in farm costs including energy, fertilisers and feed stock with producers continuing to adjust the use of inputs as part of their ongoing cost management and productivity measures. Meanwhile, based on our Agriculture Commodity Price forecast, prices are moderate over 2026, falling by 1.4% for the year as a whole after a solid 7.1% growth last year (page 5).
- The healthy outlook for the sector reflects ongoing resilience in external demand, despite some more restrictive trade policy settings in China for beef and some increased competition from key agriculture exporters such as Brazil. Domestically, household consumption of food has picked up. After weak growth in 2024, household spend adjusted for prices rose by an above average 0.7% q/q in Q3 2025, to be 2.5% higher than a year ago. The household spending indicator signals that household spending in nominal terms was firm at the end of the year with spending on food up 7% y/y (3mma) in November. Accounting for higher prices such as for meat still signals a modest acceleration.
- While we now expect the RBA to raise the policy rate by 25bp at the February meeting to 3.85%, food spending is less interest-rate sensitive. The ongoing recovery in household demand may help support local pricing across key supply chains particularly if last year's strength in the hospitality and tourism sectors continues.
- For 2027, we expect farm GDP to rise by 2.4% reflecting a return to more typical seasonal and pricing conditions. However, there is a large degree of uncertainty around this as La Nina or El Nino signals could shift conditions significantly.

Farm GDP, yr avg



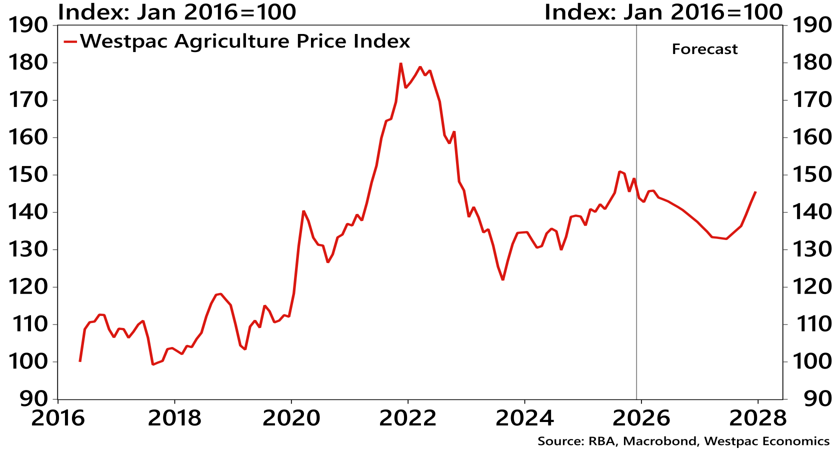
Source: , Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Westpac Agriculture Price Index

- The Westpac Agriculture Commodity Price Index declined 1.8% q/q in Q4 with broadbased falls recorded across all categories. Overall, this left the index up 5.2% higher than a year ago. However, after recording strong growth for much of the year the index was still up by 7.1% for 2025 as a whole.
- Meat prices were the stand out for 2025 and while beef and lamb prices retreated from record highs in September, prices were on average still 18.5% and 24.7% respectively higher in December than at end 2024 amid a stellar year for external demand for beef and lamb. Meanwhile, prices across grains, sugar, and dairy declined for the second consecutive quarter, driven by increased global supply.
- In 2026, we expect the Westpac Agriculture Commodity Price index to fall by an average 1.4% for the year as a whole. Meat prices are expected to remain elevated supported by strong external demand and tighter supply but drift lower over the year to be down around 13% from their peaks. Still, prices are projected to be some 30 to 50% above 2024 average prices. That said, risks to beef prices are finely balanced. China's new quotas for beef for key exporters including Australia will see beef exporter rerouted to other Asian countries with increased competition from Brazil. This may see prices fall particularly for export prices of lower premium cuts. On the upside, restocker demand may offer support, and external demand could outperform expectations.
- Meanwhile, grain and dairy prices are also expected to trend lower for much of the year, amid an increase in global supply with wheat stocks in Australia and globally all set to rise. In contrast, sugar prices are forecast to recover from the five year lows recorded in November 2025.

Agricultural Commodity Price Index



Westpac Agriculture Commodity price forecasts*

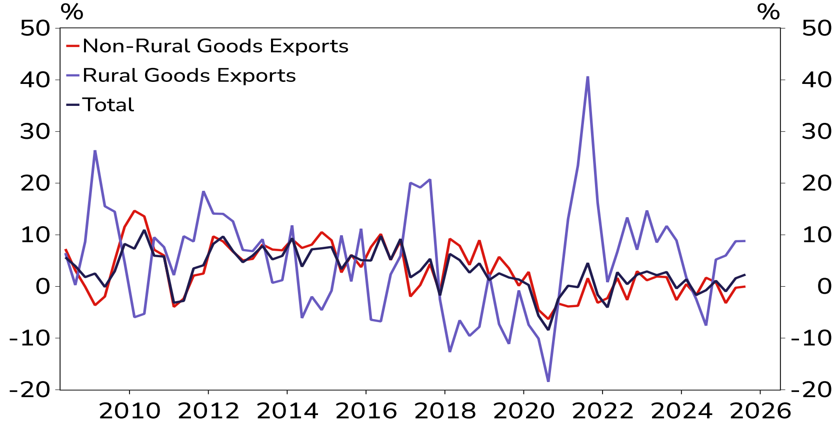
		Latest	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Australian Standard White FOB Port Adelaide	A$/t	301	315	304	300	299	296	296	313	338	351	349
Canola – FOB Kwinana	A$/t	763	760	752	747	730	720	724	755	797	817	812
Cotton – Cotlook A Index	USc/lb	64.9	64.9	68.3	70.0	70.0	69.3	69.6	73.0	77.7	79.8	79.3
Sugar – ICE, futures contract	USc/lb	14.8	14.9	15.7	16.7	17.7	17.3	17.2	18.4	20.0	20.7	20.7
Beef – Eastern Young Cattle Indicator	A$/kg cwt	8.42	8.49	8.48	8.29	7.93	7.54	7.33	7.26	7.61	7.88	7.86
Lamb – National Trade Lamb Indicator	Ac/kg cwt	1072	1110	1100	1060	1030	1000	970	940	980	1010	1010
Dairy – Whole milk powder	US$/t	3706	3350	3250	3330	3530	3670	3770	3830	3870	3920	3900
Dairy – Skim milk powder+	US$/t	2613	2530	2510	2550	2620	2680	2730	2770	2800	2840	2830
Dairy – Cheddar cheese	US$/t	4794	4570	4440	4410	4560	4740	4870	4960	5020	5080	5110

*December 2025 Bloomberg.

Exports: Growth to slow after strong 2025

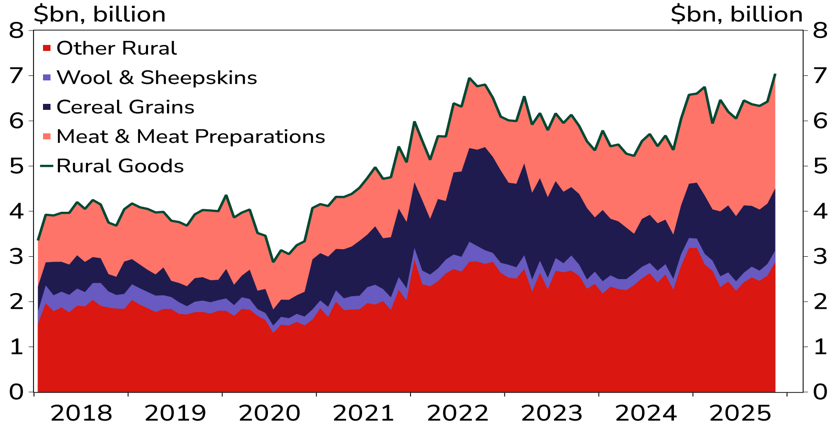
- Australian agriculture exports recorded very solid growth in 2025. In Q3 rural export volumes rose 0.3% in the quarter and were up 8.8% on the year driven by elevated meat and meat processing exports as well as solid grain flows. The latest trade data points to this momentum extending into the latter part of the year with rural goods export values up 16.4% y/y supported by elevated prices for meat.
- Once again beef exports were the standout with slaughter rates and processing capacity meeting strong external demand from the US and Asia. Beef export volumes rose 18.3% y/y in November and are on track for record levels for the year as a whole, having risen by 16.1% for the eleven months of 2025. In contrast, sheep meat exports fell given supply constraints. Canola exports were also down sharply on the year, despite a recent lift 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. Notably, the removal of 40% tariffs on Brazilian goods in mid November, and from January the temporary reduction on meat product tariffs to 26.4% for countries without a US trade agreement, is not expected to significantly affect demand for Australian beef given the US supply deficit.
- In contrast, China 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. Putting this into perspective, after rising 47% ytd to November 2025, the 2026 quota represents around 75% of last year's exports. The new quota is expected see a sharp slowdown in beef exports to China, particularly in H2 2026 in the absence of any quota management schemes. Still, total beef export volumes are unlikely to be materially affected, as product is expected to be redirected to other Asian economies, although export prices are set to ease from record highs last year particularly as Brazil and Argentina will also be looking to redirect any surplus cuts to other markets.
- Overall, we expect Australian agriculture exports to moderate over the coming year as domestic supply tightens. Livestock turn off rates have peaked and a herd/flock rebuilding in beef and sheep is expected. Lower meat exports are expected to offset an improved outlook for wheat and canola export volumes on the back of stronger domestic supply. However, grain exporters still face several headwinds. Prices are likely to remain under pressure given the increase in global supply. Moreover, commitments made by some Asian countries, such as Indonesia, to increase purchases of US grain goods are likely to see demand soften albeit only modestly. A thawing in relations between Canada and China will also see a resumption in Canadian canola shipments with tariffs on Canadian canola cut from 80% to around 15% from 1 March.

Export volumes by type



Source: ABS, Macrobond, Westpac Economics

Rural Goods Exports

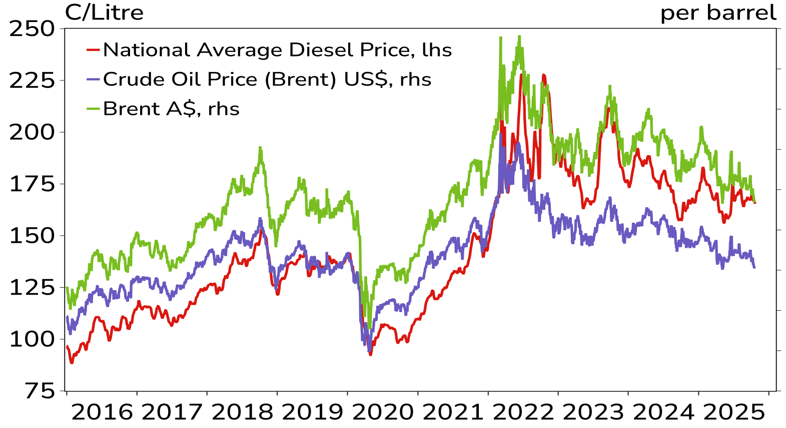


Source: ABS, Macrobond, Westpac Economics

Non-labour costs: Some easing ahead

- **Energy prices:** Brent crude oil prices traded within a volatile $60-65 range for much of Q4 as Ukraine attacks on Russian oil production, refineries and the US stepped up sanctions on Venezuela. However, this sanctions/war premia was mostly offset by projections of a supply glut going forward. Over 2026, we expect global supply to outpace demand with non-OPEC oil supply including record US exports. This is expected to lead to a huge run up in global inventory, especially Russian crude trapped at sea, and we expect Brent to move to high $50s for most of 2026. Still, in the short term some firming in prices and volatility is likely given the current geopolitical risks notably protests in Iran and the outlook is dependent on limited or no disruption to Iranian oil or transportation of shipments through the Red Sea.
- **Diesel:** Prices rose 4.7% q/q in Q4 2025 , primarily reflecting unplanned refinery outages in November, new US sanctions on two major Russian suppliers and a widening in margins. As these pressures eased in December prices began to ease with national retail prices falling to below 184¢/l in January. Prices are expected to modorate futther to below 170¢/l in H2 2026 as global oil prices moderate and the A$ strengthens.
- **Fertiliser:** The World Bank fertiliser price index declined by 10.3% in Q4, ending the year at its lowest level since April 2025. The December decline reflected a renewed flow of Chinese nitrogen fertiliser exports and some easing in LNG prices, driven by typical seasonal adjustments from suppliers. However, prices remained up 11.1% on the year, highlighting persistent affordability challenges for growers.
- Looking ahead, we expect fertiliser prices to stabilise, with a modest easing through 2026 into 2027 as new production capacity comes online in Asia and the Middle East, alongside a further decline in natural gas prices. With the Australian dollar forecast to appreciate modestly over this period, the increase in local currency terms is expected to be more subdued.
- **Feedstock:** Hay prices remained elevated through most of 2025. However, timely spring rainfall across many regions supported strong pasture growth and boosted hay production, easing pressure on feed markets and contributing to a decline in hay and fodder prices by late 2025. While severe bush fires in December and widespread flooding in January destroyed fodder supplies in affected areas, the swift mobilisation of redeployment of feedstock helped mitigate local shortages. These events have not significantly impacted national supply or reversed the broader downward trend in prices. Prices are expected to fall further in 2026, underpinned by improved supply and softer demand as a result of favourable seasonal conditions.

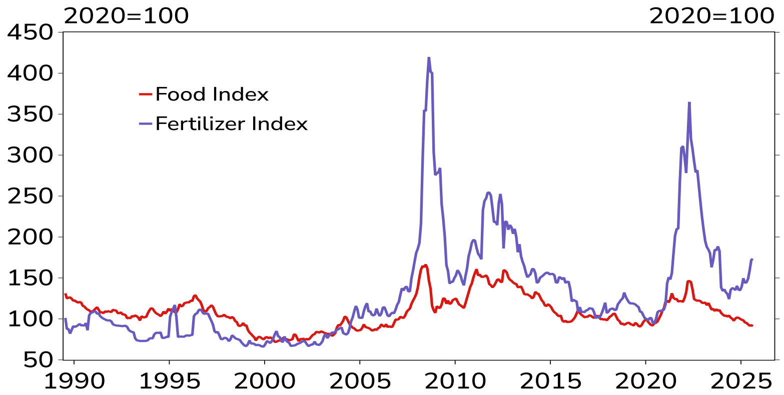
Oil and Diesel Prices



Source: CME Group, AIP, Macrobond, Westpac Economics

World Bank Food & Fertiliser Prices

Adusted for US inflation



Source: World Bank, BLS, Macrobond, Westpac Economics

Labour, interest and fx rates

- **Labour:** Recent revisions to labour market data paint a less negative picture for the sector. Still, jobs growth was broadly flat in Q3 2025 (+0.2k), following declines through H1, leaving annual jobs growth at a subdued –0.3% y/y in Q3. On an hours-worked basis, employment fell 3.6% y/y in Q3, the weakest outcome since the pandemic. However, with production up on the year, productivity continued to outperform historical norms, rising 11.5% y/y compared with a long-run average of 4.7% y/y. Meanwhile, agriculture vacancies remain just under twice their pre-pandemic level, signalling persistent labour shortages in the industry.

- Against falling headcount, growth in compensation of employees eased to +4.3% y/y in Q3, still above the industry long-run average of 3.8% but well below the economy-wide pace of 5.9%. Although labour costs have softened, they account for a relatively small share of the sector's overall cost base, meaning non-labour inputs continue to have a much larger impact on margins.

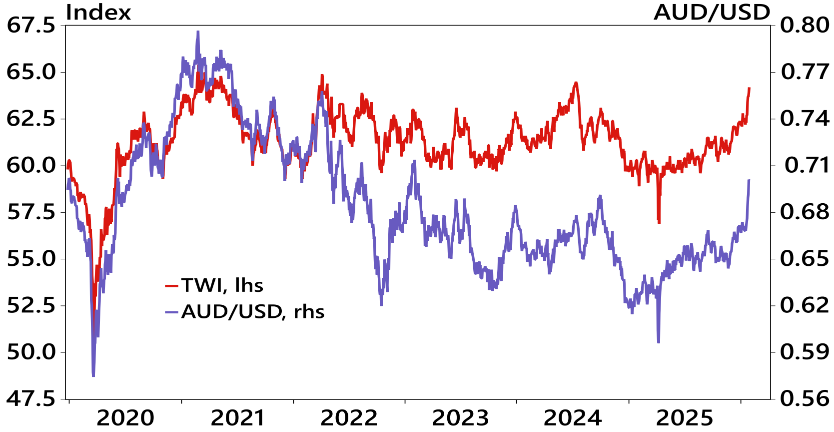
- **Interest rates:** Inflation has picked up in recent quarters with the Q4 trimmed mean inflation outcome coming in above the RBA's 2-3% inflation target. This, coupled with evidence that the labour market and household spending ended 2025 on a strong note, has shifted the pendulum for a rate hike at the RBA's February meeting. We expect the cash rate to be raised by 25bp to 3.85% with the RBA to maintain a hawkish tone. However, we do not think this means back-to-back hikes. An increase in the cash rate will put policy in a restrictive position, leaving it only 50bp lower than the peak rate. With underlying inflation in the low 3s, the amount of disinflation needed to get back to the 2½% target midpoint is relatively modest. Still, if inflation remains uncomfortably high in coming quarters, the Board will act again.

- **Exchange rate:** The AUD strengthened in the final quarter of 2025, rising to around US$0.67 against the US dollar in December and holding around 4.7 against the CNY. The late-2025 rally was driven by a narrowing interest rate differential with the US Fed cutting rates to 3.6% in December versus the RBA's hawkish hold at 3.6%. Robust commodity prices for key commodity exports and improved global risk sentiment also supported the appreciation in the AUD.

- The AUD strengthened further in late January 2026 edging close to our end of year forecast of 0.71 vs the USD.[1] Most of these gains reflects a weaker USD, which dipped to a 16 year low against major currencies amid market jitters of possible joint intervention by Japan and the US to support the weak JPY. A strong Q4 CPI outcome also solidified bets of rate hikes this year. We expect Australian interest rate advantage will remain supportive of the AUD this year with the RBA vigilant on inflation and the Fed expected to cut rates once more by 25bp.

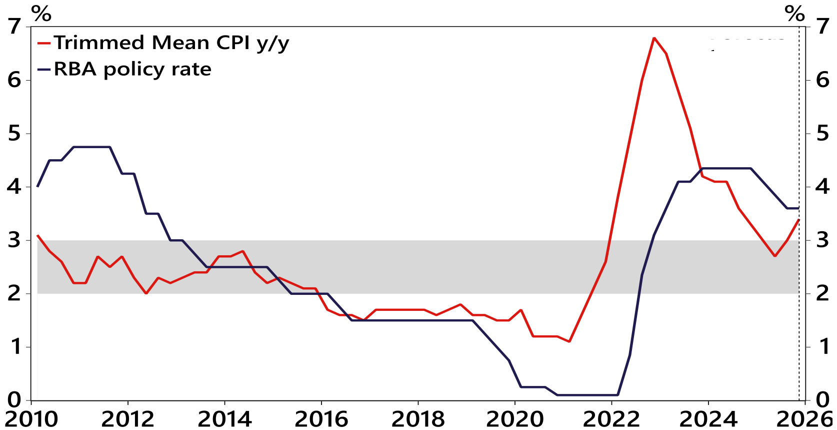
[1] Revised FX forecasts available from 30 January

Australian dollar – spot USD rate and TWI



Source: , Macrobond, Westpac Economics

Monetary policy and inflation

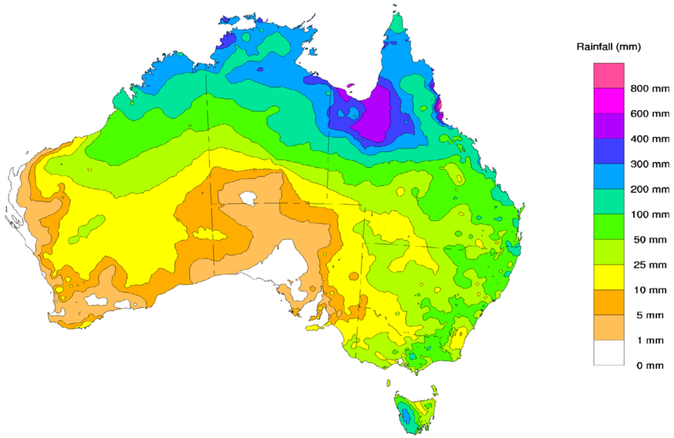


Source: ABS, RBA, Macrobond, Westpac Economics

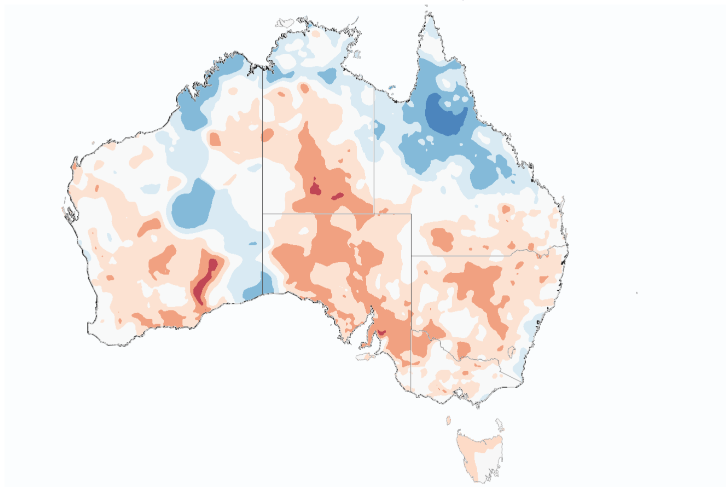
Climate

- Above average spring rainfall over most of the nation boosted crop yields and pasture growth. However, the period of October to December was one of contrasts across the country. Rainfall was well below or very below average across SA, most of NSW, and much of southern parts of QLD and WA. This deficits, coupled with above average temperatures saw an expansion in soil moisture deficiencies in these areas and added evaporative stress. Adding to this bushfires in parts of NSW, VIC and TAS destroyed grazing land in affected areas. Meanwhile, northern Australia experienced flooding, which while it replenished surface and subsoil moisture also saw the erosion of topsoil and pasture.
- The Bureau of Metrology (BOM) forecast for February to April is for drier than average in northern NT and WA as well as parts of southern Australia. Most other regions have no strong wet/dry signal (roughly equal chances of above or below average rain). Meanwhile, day and night temperatures are set to be above average. This combination could reinforce critically low deep soil moisture in some southern parts of Australia.
- Overall, total water storage across Australia as of the end of December was at 68.4% capacity, 0.9% lower than a year ago. In the Murray–Darling Basin, summer drawdown and limited inflows has accelerated the drop and by mid-January 2026, the Basin's storages stood at around 57% full, 17% lower than a year ago.

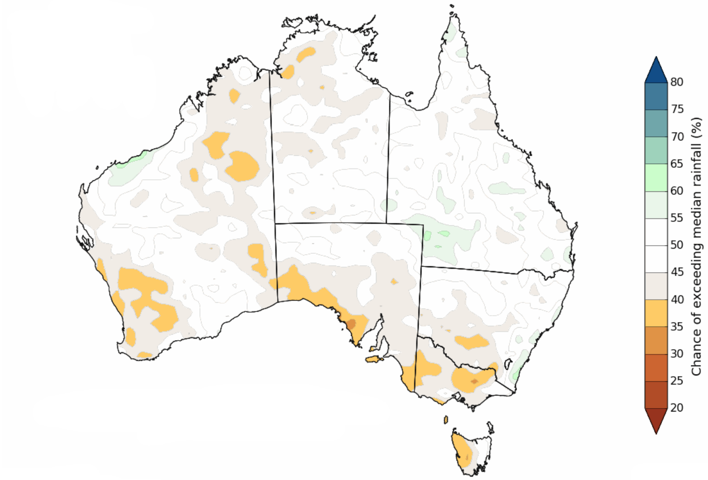
December 2025 rainfall



Soil moisture January 2026



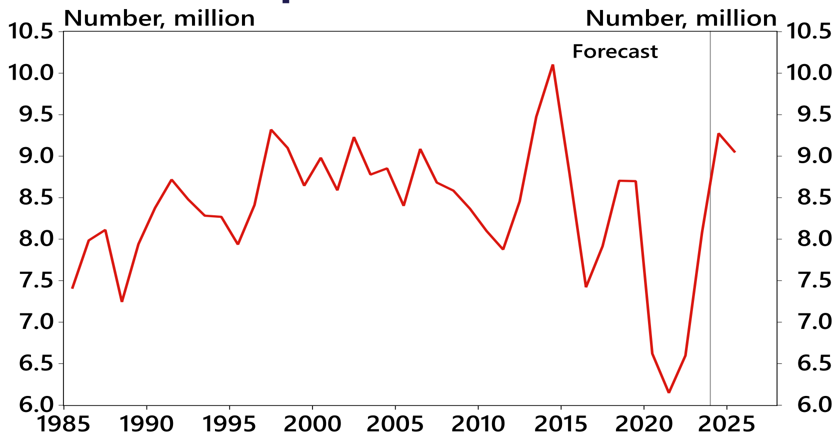
BOM forecast February – April 2026



Beef: Elevated prices set to drift lower

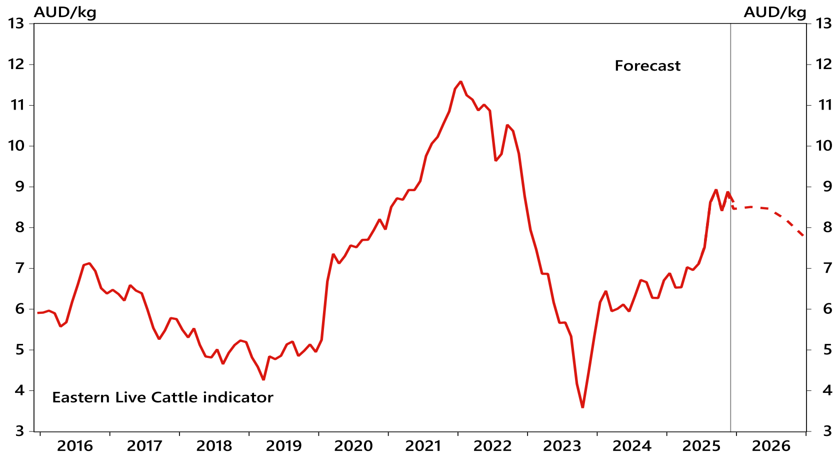
- External demand for Australian beef was very strong throughout 2025. Even though export volumes dipped from July's record levels, they were still up 16% ytd to November, with strong growth led by China, up 46.5% ytd. Exports were also up strongly in Japan and South Korea. Meanwhile, US demand has flattened but remains near record levels.
- External demand is expected to remain firm. The latest USDA report projects US production to fall given shrinking herds, which will continue to see strong import demand. As such, the removal of 40% tariffs on Brazilian goods in mid-November and from January the temporary reduction on meat products to 26.4%, for those without a trade agreement with the US, is not expected to have a significant impact on demand for Australian beef.
- In contrast, China 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. Putting this into perspective, after rising 47% ytd to November 2025, the 2026 quota represents around 75% of this volume. The new quota is expected see a sharp slowdown in beef exports to China, particularly in H2 2026 in the absence of any quota management schemes. However, total beef export volumes are unlikely to be materially affected, as product is expected to be rerouted to other Asian economies, although export prices are set to ease from record highs last year particularly as Brazil and Argentina will also be looking to redirect any surplus cuts to other markets.
- Despite solid external demand, beef export volumes are expected to fall as supply eases from very elevated levels over 2025. ABARES expects beef production to fall 2.5% in 2025-26 given lower turn off rates, particularly in southern Australian, and an improvement in restocker demand as better rainfall improves pasture and feedstock price pressures. Higher cattle availability will help but not fully offset the impact of southern rebuild. This will still mark the second highest on record and around 20% above the 10 year average.
- The National Young Cattle indicator fell 4.9% in Q4, after reaching record highs in September. However, prices were still nearly 29% higher than a year ago. The start of 2026 saw prices firm at around A$8.7 per kg cwt. Looking ahead, solid external demand and constrained domestic supply should keep prices supported in the short term. That said, prices are expected to drift lower over the second half of 2026 as restocking demand peaks with prices to end-2026 at A$7.93 per kg and A$7.61 per kg by end-2027.

Australian cattle production



Source: ABARES, Macrobond, Westpac Economics

Australian Cattle Prices

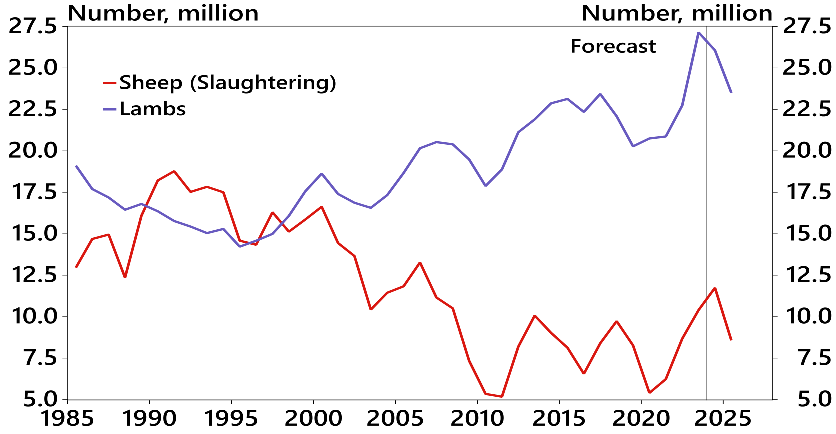


Source: , Macrobond, Westpac Economics

Sheep: Tight supply will keep prices elevated

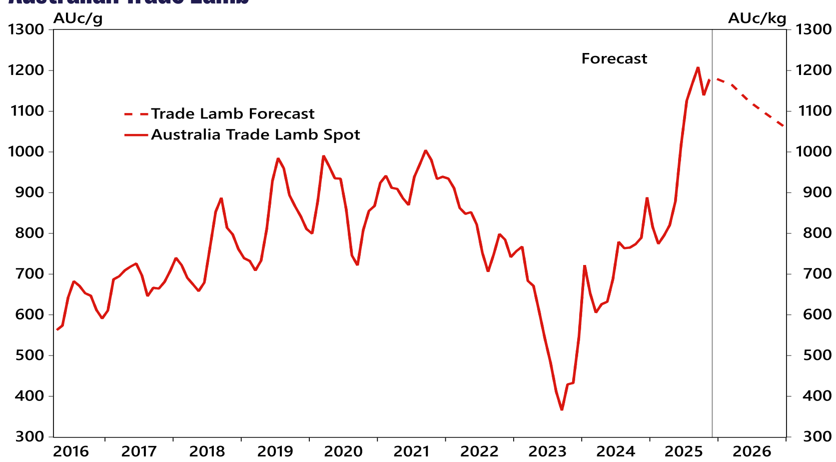
- As of the start of Q4 2025, lamb slaughter for the year was tracking 5–6% lower than a year ago. In part this reflects a pull back from the record levels in 2024 with producers beginning to pivot from destocking to rebuilding. Exacerbating the Q4 supply pinch, particularly for heavier lambs, was a delay in lambing and for southern eastern states as good spring conditions enabled producers to carry lambs to heavy weights or hold off selling slightly longer.
- With fewer lambs coming to market and lower turn off rates, ABARES estimates total sheepmeat production will fall around 11–12% in 2025–26, with a sharper fall in mutton projected. Accordingly, export volumes have also fallen. In November, sheep meat export volumes were down 6.5% on the year and were down 8.2% ytd to November.
- Meanwhile, external demand for Australian lamb has remained very strong despite record prices, as importers sought premium alternatives amid supply shortfalls from New Zealand. The US continued to import large quantities. In contrast, sheep meat exports to China were down 14.8% ytd to November, with a large decline recorded in November. Shipments to the more price sensitive buyers in the MENA region also fell sharply. However, the industry successfully redirected product towards higher paying markets such as the US, South Korea, and the EU.
- Supply constraints, combined with solid demand, led to exceptional lamb prices in Q4 2025. While prices eased from record peaks as spring lambs belatedly hit the market, they remained elevated in December with the NTLI averaging around 1,180¢/kg - 30% higher than a year ago. Meanwhile, the national mutton indicator dipped from its high in early October with the dip in late October proving temporary and prices returning back above 700¢/kg as graziers continued to rebuild, limiting new supply.
- We expect prices to remain elevated in the short term as supply remains tight amid as flock rebuild on the back of an improvement in pastures and lower stock feed prices. While prices are projected to gradually normalising over the year, even by end-2026 they are expected to remain above well above the five year average as strong external demand remains solid. Indeed, there are opportunities for domestic producers from lower NZ production and shift in NZ exports to EU

Australian sheep and lamb



Source: ABARES, Macrobond, Westpac Economics

Australian Trade Lamb



Source: , Macrobond, Westpac Economics

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Dairy: Global supply sees export prices tumble

- Australia's milk production for the 2025-26 is on track for a second consecutive annual decline with smaller herd numbers as weather and feed cost pressures continuing to pose challenges. With the seasonal peak now past, national supply is down 2.3% ytd to November. Output was lower in all states except NSW and Tasmania. Victoria, the leading milk producing state, accounted for nearly the entire short fall, with output down 3.1% ytd. Overall, dairy farmers continue to face challenges around feed, water availability and costs although, more positively late Spring rains have provided some relief and milk production is expected to increase modestly in 2026.

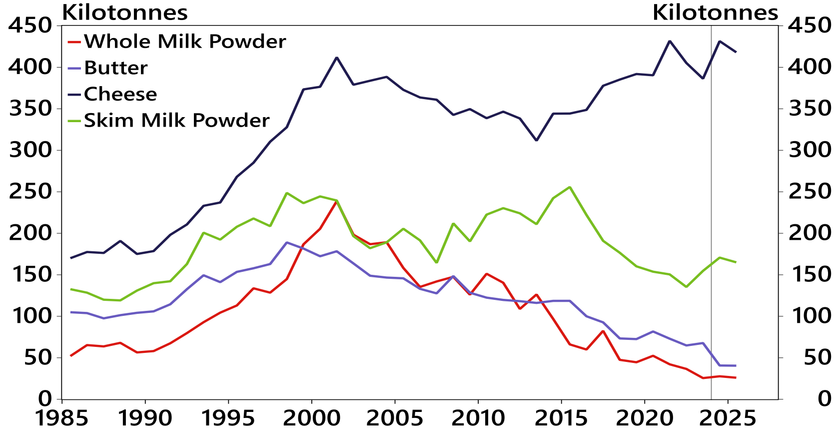
- Despite the decline in Australia's milk production, global supply remains robust. New Zealand recorded its highest output in 2025 since 2018, and the US also saw a sharp rise in production. The increase in global supply caused prices to tumble over 2025. In November, the FAO Dairy Price Index fell 3.1% in the month to 137.5, its fifth consecutive monthly decline, hitting the lowest level since September 2024, with across the board declines in all major dairy commodities. The continued easing was driven by rising milk production and abundant export supplies in key producing regions, bolstered by ample butter and skim milk powder inventories in the European Union and seasonally higher output in New Zealand. Lower prices for US butter have also weighed on prices of other exporters.

- With inventories still elevated and production in key regions continuing at pace, further downward pressure on prices is anticipated in the near term. The extent and duration of this softness will depend on how quickly global supply moderates. Ultimately lower prices will eventually lead to some scaling back global production, but this adjustment can often take some time to play out.

- Looking ahead, industry estimates a modest increase in global supply in 2026 with very modest falls projected in the US and NZ and a larger decline forecast for the EU due to a drop in herd and regulatory hurdles. Offsetting these declines, Australian milk production is expected to recover by around 1.8% supported by a steady farmgate prices, lower feed costs and an improvement in pasture following some more favourable weather.

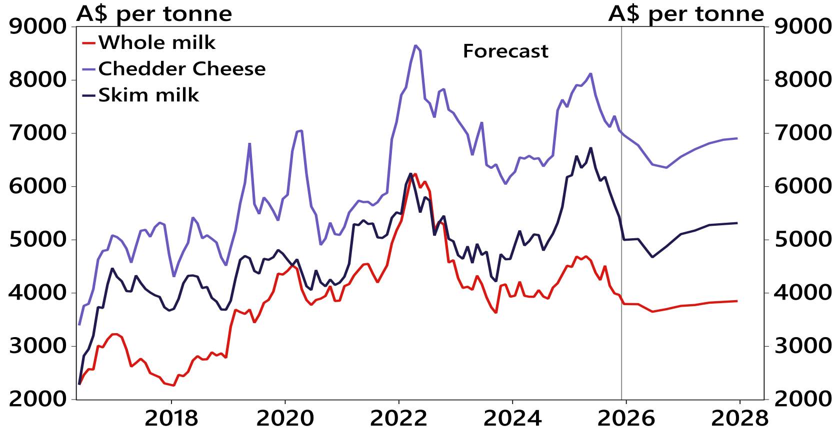
- Meanwhile, Chinese demand is expected to improve as elevated stockpiles of milk powders and other dairy products continue to be unwound. Until then, the global dairy market is expected to remain in a state of oversupply, keeping prices subdued and potentially delaying any meaningful recovery in farmgate returns. Overall, we expect whole and skim milk powders to fall a further 18% and 14% respectively in 2026. Cheese is also set to decline by around 12% before a moderate recovery in 2027 as supply conditions normalise.

Australian Dairy Production



Source: ABARES, Macrobond, Westpac Economics

Dairy prices



Source: , Macrobond, Westpac Economics

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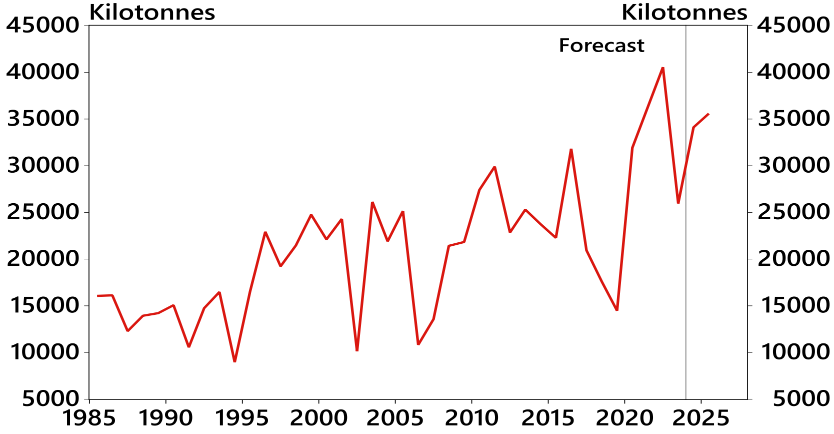
Wheat: Upgrades to supply

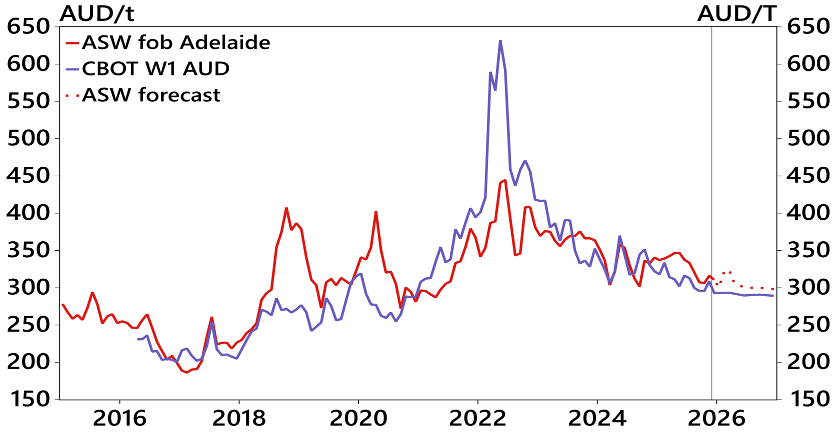
- Timely rain in October improved yield prospects while generally dry weather in December allowed harvesting to proceed with minimal interruption. Importantly, extreme weather late in the season had little effect on grain output and the winter crop was largely gathered before the bush fires in NSW and northern Victoria. Overall, ABARES revised up Australia's 2025-26 wheat production to 35.6mn tonnes, a 4.3% increase from the previous year.
- This marks the third highest wheat harvest on record and the sixth consecutive year of above average supply. Much of the upgrade reflects a revision to WA, the largest state producer. WA is expected to see production rise 6%, more than offsetting an estimated 14% drop in NSW.
- The upgrade to Australian supply comes amid generally favourable global supply conditions with several major growers seeing improved harvest including a significant rebound in EU production and good crop development in the Black Sea region. Meanwhile, Argentina is on track for a record harvest. Overall, global supply is set to increase by 0.7% in 2025-26. At the same time total global consumption is forecast to increase strongly. However, global and Australian end stocks are still expected to increase.
- Domestically, demand for feedstock has been strong with solid, albeit easing, prices leading to a larger portion of the wheat crop being cut earlier than usual for hay and silage. Meanwhile, external demand has also been solid. Wheat export volumes rose strongly in November and were around 28% higher ytd to November, driven by strong Japanese demand, which was up more than 35%. This robust growth comes despite a sharp fall in shipments to Indonesia in November, which is possibly an early sign that Indonesia's agreement to buy more US agricultural goods is dampening demand for Australian wheat. However, for now Australian exporters are finding alternative markets. Exports to Vietnam have grown strongly, and shipments to the Middle East – though still small compared to Asia – are on the rise. The Middle East is becoming an increasingly important destination for Australian wheat, which could help offset any weakness in demand from Indonesia.
- Both global and Australian wheat prices have been trending lower under the weight of abundant supply. In the final quarter of 2025, world wheat benchmarks fell sharply – Chicago futures in October 2025 hit five-year lows. Australian prices followed suit. The Australian Standard White (ASW) wheat prices fell by 6.9% q/q in Q4 and were around $300 per tonne in early 2026.
- Looking ahead, higher global wheat end stocks are expected to continue to weigh on prices. We expect prices the ASW to average around $300 per tonne for much of 2026 with only a gradual recovery expected to take hold in H2 2027 amid more balanced demand and supply conditions.

Australian wheat production



Source: ABARES, Macrobond, Westpac Economics

Australian Wheat Prices



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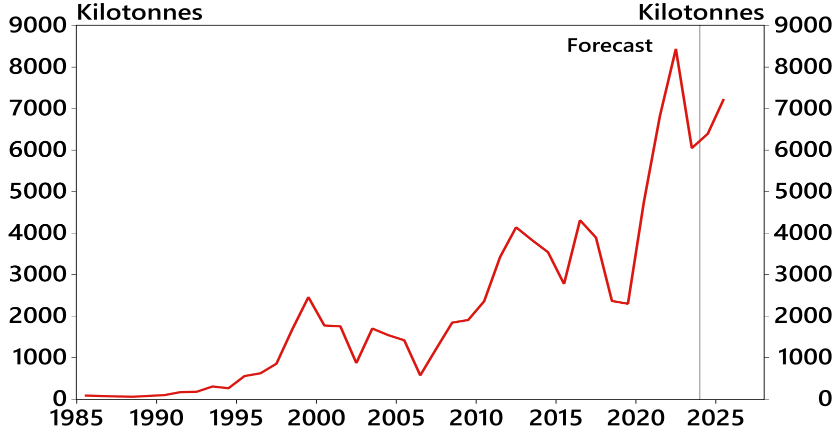
Canola: Chinese shipments resume

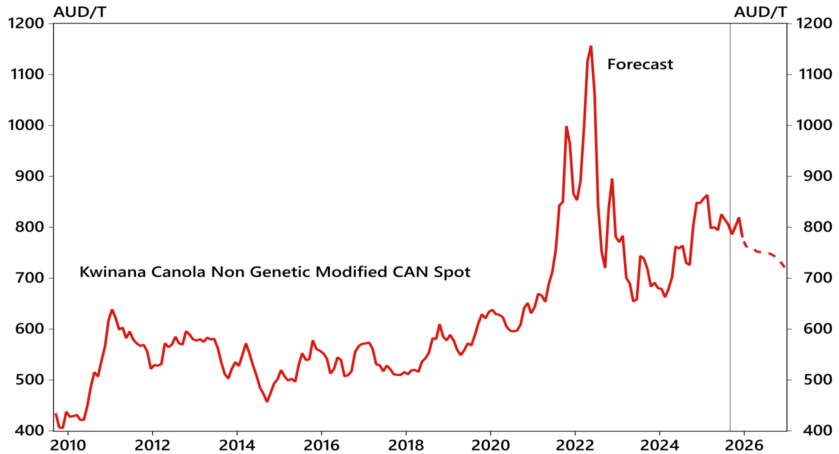
- For 2025–26, ABARES estimates Australia's canola production to have risen by around 13% from the previous year to roughly 7.2 million tonnes. This is around 50% above the 10-year average, highlighting the structural expansion in recent years.
- The uplift was led by WA, which accounts for just over half of national output. Timely winter rainfall and warmer growing conditions through July and August supported crop establishment and yield potential. In contrast, outcomes across the eastern states were mixed. While NSW and parts of QLD benefited from improved rainfall later in the season, lower planted area constrained output growth.
- Stronger than expected Australian supply has coincided with a broader recovery in global production. Global canola output in 2025–26 is expected to rise materially, with Canadian production rebounding after recent weather-related volatility, while EU yields have improved following last season's weakness.
- At the same time, global demand remains resilient. Crush demand is expected to lift modestly in 2025–26, supported by food use and ongoing biofuel demand for vegetable oils. However, supply growth is likely to outpace demand, pushing global ending stocks higher and easing the tightness that characterised markets through 2022–24.
- These dynamics are weighing on prices. The Kwinana canola price eased from above A$850/t in early 2025 to below A$800/t by Q4. Meanwhile European rapeseed futures softened as expectations for higher Southern Hemisphere supply became more entrenched.
- Looking ahead, ample global supply and reduced EU import requirements are expected to place further downward pressure on prices in H1 2026. Consistent with this, Westpac forecasts canola prices to ease towards A$720/t by end 2026.
- A key area of uncertainty is Chinese demand for Australian exports. Australian canola exports to China resumed in November, after a near five year hiatus. Around 629th tonnes were shipped to China, around 10% of total canola exports in the month. A sustained reopening of the Chinese market could partially offset weaker EU demand and lend support to Australian prices. However, a thawing in Canada – China relations will also see the resumption of Canadian canola shipments, with tariffs on Canadian product cut from 80% to around 15% from 1 March – likely limiting any demand and price support.

Australian canola production



Source: ABARES, Macrobond, Westpac Economics

Australian Canola Prices

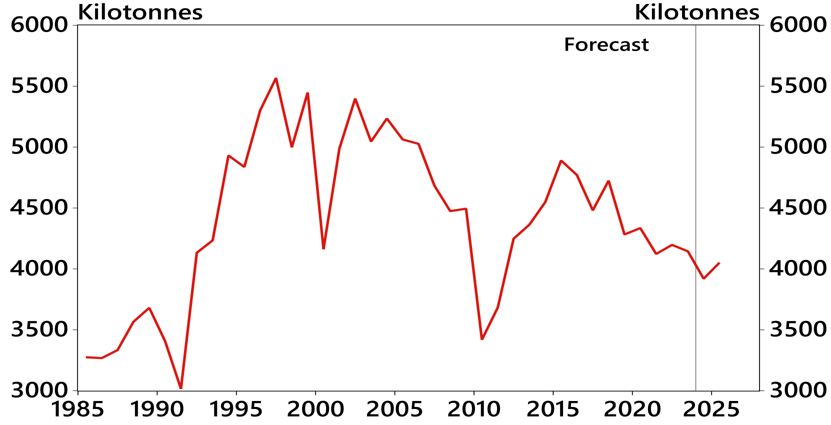


Source: , Macrobond, Westpac Economics

Sugar: Prices stuck around 5-yr lows

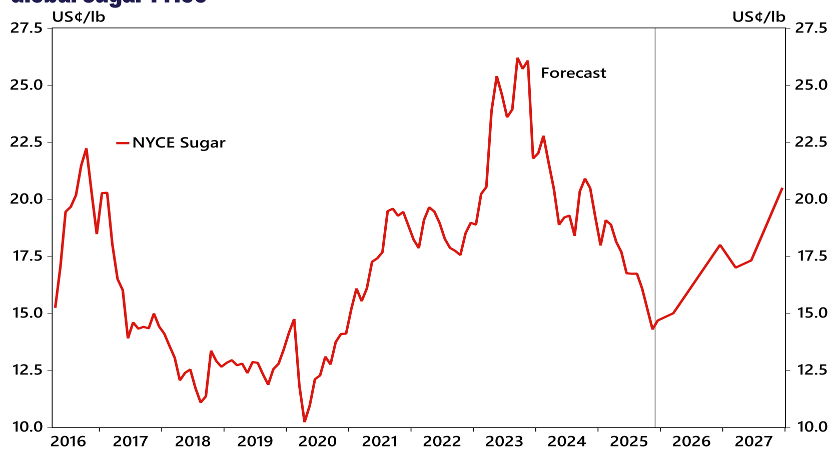
- Global sugar supply is set to expand materially in 2025–26. USDA projects global sugar production to increase by more than 8mn tonnes to around 189mn tonnes with stronger production expected in Brazil and India. Combined with additional gains in Thailand and China these are more than offsetting weaker output in the EU.
- Australian production for 2025–26 has also been upgraded with reports from northern QLD indicating that the ex-cyclone Koji had little impact on sugar cane fields. That said, this is only the beginning of the cyclone season. Still, USDA and industry estimates point to Australian raw sugar production of around 4.0 mn tonnes, up from earlier expectations of around 3.8 mn tonnes, reflecting improved seasonal conditions and higher yields in key cane-growing regions.
- The outlook for global demand is mixed. While Chinese import demand continues to be resilient, Indonesia has banned imports of sugar for households while capping sugar imports for industrial use to around 3.12 million tonnes. Pakistan has also capped imports to protect domestic producers.
- Australian export volumes are still expected to lift to around 3.1–3.2 mn tonnes, as previously deferred shipments are completed. However, prices are under pressure as global ending stocks are forecast to rise. International raw sugar prices (ICE No.11) fell a further 4% in Q4 2025 with prices easing to a five year low of under US¢15 /lb. Prices continued to trade below this level as expectations of ample supply continue to weigh on prices.
- While short-term rallies remain possible, particularly during Brazil's inter-harvest period, the scale of the projected global supply surplus is expected to cap any sustained recovery in H1 2026. Consistent with this, we expect sugar prices to recover only gradually into the second half of 2026, as global producers respond to lower prices. Indeed, there are reports that sugar mills in India have been struggling to export big volumes at current price. Meanwhile, Thailand farmers are also reporting plans to switch from beet to casava production.

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			
%qtr / %yr end	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2024**	**2025f**	**2026f**	**2027f**
Household consumption	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.9	2.5	2.5	2.8
Dwelling investment	1.8	1.2	1.3	1.6	1.7	1.7	1.7	1.5	5.3	5.9	6.6	5.5
Business investment *	3.4	0.6	0.8	0.9	1.1	1.1	1.1	1.1	–0.7	3.9	4.0	4.6
Private demand *	1.2	0.6	0.7	0.8	0.9	0.9	0.9	0.9	1.0	3.1	3.3	3.4
Public demand *	1.1	0.7	0.8	0.7	0.5	0.6	0.6	0.6	5.6	1.5	2.6	2.5
Domestic demand	1.2	0.6	0.7	0.8	0.8	0.8	0.8	0.8	2.2	2.6	3.1	3.2
Stock contribution	–0.5	0.1	0.1	0.0	–0.0	0.0	–0.0	–0.1	0.0	–0.1	0.1	–0.1
GNE	0.6	0.8	0.8	0.8	0.7	0.8	0.8	0.8	2.3	2.5	3.2	3.1
Exports	1.0	0.3	0.4	0.4	0.4	0.5	0.6	0.7	1.7	3.4	1.7	2.5
Imports	1.5	0.8	1.3	1.3	1.3	1.3	1.2	1.2	6.2	4.8	5.3	4.9
Net exports contribution	–0.1	–0.1	–0.2	–0.2	–0.2	–0.2	–0.1	–0.1	–0.9	–0.3	–0.8	–0.6
Real GDP %qtr / %yr avg**	**0.4**	**0.9**	**0.7**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**1.0**	**1.9**	**2.4**	**2.5**
%yr end	**2.1**	**2.4**	**2.8**	**2.6**	**2.9**	**2.6**	**2.5**	**2.5**	**1.3**	**2.4**	**2.6**	**2.5**
Nominal GDP %qtr / %yr avg	1.7	1.6	1.0	0.9	1.0	0.9	0.9	0.9	3.7	4.6	4.8	4
%yr end	5.4	5.4	5.2	5.4	4.6	3.9	3.8	3.8	3.5	5.4	3.9	4.4
Real household disp. income	0.9	0.3	0.8	0.5	1.8	–0.6	1.3	0.9	3.1	2.9	2.4	3.1

Other macroeconomic variables

	2025		2026				2027	
% change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**
Unemployment rate % **	4.3	4.2	4.3	4.3	4.4	4.5	4.5	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.8
%yr end	3.4	3.4	3.2	3.1	3.0	3.0	3.1	3.1
Headline CPI %qtr**	1.3	0.5	0.8	0.6	0.8	0.4	0.6	0.5
%yr end	3.2	3.5	3.3	3.2	2.6	2.6	2.4	2.3
Trimmed Mean CPI %qtr**	1.0	0.7	0.6	0.6	0.6	0.4	0.6	0.5
%yr end	3.0	3.1	3.1	3.0	2.5	2.4	2.3	2.3
Current account $bn, qtr	–16.6	–13.8	–13.6	–14.1	–16.2	–16.5	–16.8	–17.3
% of GDP	–2.3	–1.9	–1.8	–1.9	–2.2	–2.2	–2.2	–2.2
Terms of trade %yr avg	–3.3	–1.9	–0.3	1.1	1.6	1.4	0.6	–0.2
Population %yr end	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4

Westpac Market Outlook December 2025 and Australia and NZ weekly 26 January 2026
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. **Australia and NZ weekly 26 January 2026 *** Quarter-averages.

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