September 2026

AGRICULTURE REPORT

Quarterly update on the Australian Agriculture Industry

CONTENTS

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The Westpac Agriculture report is produced by Westpac Economics.

Editor: Sian fenner
Internet: www.westpac.com.au
Email: economics@westpac.com.au

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The next issue will be published in Q4 2026

Key points

- We have revised up our outlook for the farm sector, and now expect farm GVA to grow 0.9% in 2026, from the 0.8% contraction forecast previously. The upgrade reflects stronger crop production than previously anticipated alongside more resilient livestock production. Still, growth is expected to slow from the exceptional pace experienced in 2025 and remain more subdued further out, as activity normalises and production returns closer to long-run levels.
- ABARES has upgraded its crop projections following favourable rain through autumn and winter. Even so, both the wheat and canola harvests are expected to be lower than last year, with wheat falling on lower planted area and canola on lower yields.
- Trade conditions are tightening for livestock exporters. China's beef safeguard quota was reached in mid-June, lifting the tariff on further shipments to 55%. South Korea's quota was also exhausted in late July. Meanwhile, the US has launched an investigation into whether rising lamb imports are harming its domestic industry, with a finding due later this year that could see new tariffs on Australia's highest-value lamb market from early 2027.
- Westpac's Agriculture Commodity Price Index firmed in the June quarter, and we expect it to rise by an average 6.8% in 2026. Wheat prices are expected to remain elevated on tighter global balances and Black Sea uncertainty while we have raised our sugar outlook as El Niño conditions weigh on several global producers. Beef prices have also continued to surprise to the upside on strong US demand, prompting a lift of around 15% to our end-2026 forecast. We then expect most prices to moderate through 2027 into 2028 as supply responses emerge and input cost pressures from the Middle East conflict fade.
- El Niño has strengthened and is expected to persist into mid-2027, though this does not guarantee a drought and even where it does turn dry the impact will be uneven. Soil moisture, water availability and the Indian Ocean Dipole matter as much as El Niño's strength. Australian winter crops and livestock are most exposed, particularly in eastern and northern NSW as well as southern QLD. We see the macroeconomic impact as manageable under our central case, though a more severe event would add to inflation pressures.

Key agriculture indicators

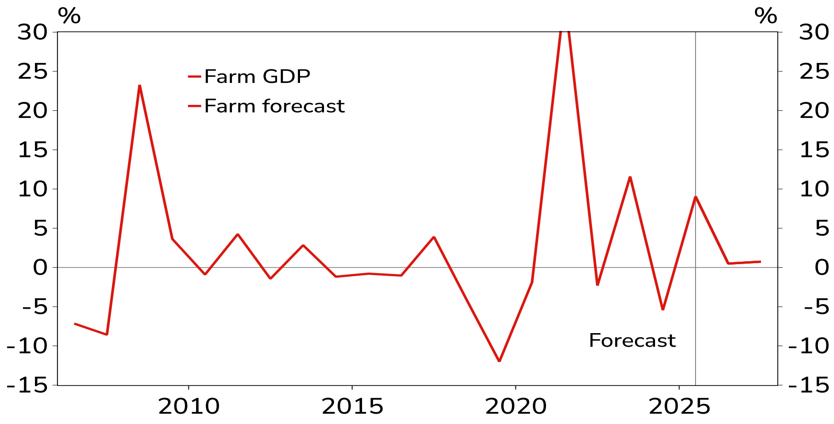
% change	2025	2026	2027	2028
Farm GDP, %yr avg	7.8	0.9	1.1	1.7
Real GDP, %yr average	2.0	1.7	1.3	2.2
Westpac Commodity Price Index, % yr (avg)	–0.3	6.8	–2.3	–7.8
Brent Crude Oil, US$ per barrel, yr end	63.60	85.0	72.0	65.0
A$ vs US$, yr end	0.68	0.72	0.73	0.72
RBA Cash Rate, % yr end	3.60	4.35	3.85	3.60

Westpac Market Outlook August 2026, 14th August 2026.

Farm sector holding up better than feared

- Activity in the agriculture industry (including fisheries and forestry) eased further in Q2, rising 0.2% over the quarter, with farm GDP up a similar rate. The industry nonetheless fared better than expected, despite the higher diesel, fertiliser and borrowing costs facing farmers. The moderation follows exceptional growth last year, when the farm sector expanded by an upwardly revised 11.6%, and was always expected as conditions normalised.
- We have revised up our outlook for the year and now expect farm GVA to grow 0.9% in 2026, compared to a 0.8% contraction forecast previously. The upgrade reflects stronger crop production than we assumed earlier in the year with beef and lamb production also set to be better than anticipated. Still, growth is expected to remain slow in H2, as the industry continues to normalise from last year's strong outcome and tighter trade access weighs on livestock export prices.
- Livestock production is expected to hold up better than we expected in our last report. ABARES has revised up its flock projections, with the sheep flock now forecast to rise 2% as better pasture growth supports ewe retention, though it remains historically low. Beef production is set to ease from record levels but remain elevated.
- ABARES has also upgraded its crop projections, following favourable rain through autumn and winter. Even so, both the wheat and canola harvests are expected to come in below last year's. Wheat production is expected to fall due to lower planted area, as some growers switched to other crops including canola. Canola area has risen, but lower yields are still expected to leave production down 5% on the year. Of the two, wheat is more exposed to a dry spring.
- On external demand, US demand for meat products is expected to remain solid, supported by low domestic supply and firm demand for Australian lean trim. The US has, however, launched an investigation into whether rising lamb imports, mainly from Australia and New Zealand, are harming its domestic industry. The finding is due in November and could see new tariffs applied to Australia's highest-value lamb market. Meanwhile, wheat export volumes have softened, falling 34% on the year in Q2, led by lower shipments to Indonesia, Japan and South Korea, while exports to India came to a standstill. In China, the safeguard quota has now triggered, and this, together with increased competition from Brazil, is expected to weigh on beef export volumes and prices.
- Domestically, household spending has held up better than expected against higher inflation and interest rates, with spending on basic food rising 0.8%qtr in Q2. We expect spending to remain sluggish over the coming year, with the RBA set to hold rates at 4.35% and inflation staying above 3% until the second half of 2027. Food demand is less sensitive to interest rates, though cost-of-living pressures may see households substitute towards lower-value items.
- El Niño is a risk to the outlook (see page 10). A drier, warmer spring would weigh on winter crop yields and pasture growth, with the eastern states most exposed. Our central case remains that the impact is manageable, though a more severe event would weigh on production and add to inflation pressures.
- Outside of weather, the main risk is a more prolonged Middle East conflict, which would keep energy and fertiliser prices elevated for longer, squeezing margins and weighing on activity into 2027.

Farm GDP, yr avg

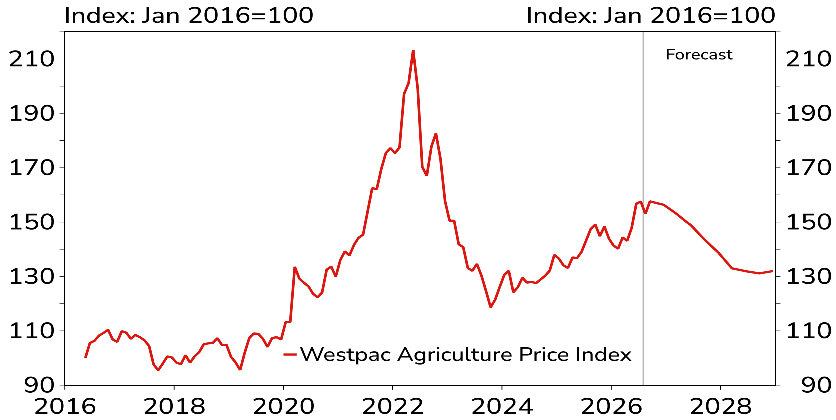


Source: ABS, Macrobond, Westpac Economics

Westpac Agriculture Price Index

- Most prices across Westpac's Agriculture Commodity Price Index firmed in Q2, with the index up 5.2%qtr, and 8.2%yr higher than a year earlier. Skim milk powder was the standout, with Oceanic prices rising sharply through the quarter on a demand shift from fats to proteins, though prices have eased in more recent months. Canola continued to benefit from biodiesel demand, and lamb prices stayed elevated on tight domestic supply, while sugar softened.
- Energy, fertiliser and freight costs remain elevated following the Middle East conflict, and continue to feed through to commodity prices. Weather and geopolitical developments have also become increasingly important drivers. Wheat prices rose sharply through August, as strikes on Ukrainian and Russian export facilities raised supply concerns, while sugar rose 13.7%mth as lower global production and tightening Indian supply shifted the outlook. Beef prices also pushed higher into late August, supported by resilient US demand.
- We have revised up our wheat, sugar and beef price forecasts through the remainder of 2026. Wheat prices are expected to remain elevated through the rest of 2026, supported by tighter global balances and Black Sea uncertainty. Prices are then expected to ease in 2027, though from a more constrained base than previously assumed. We have raised our sugar outlook, as drier El Niño conditions weaken production in key exporting regions. Beef prices are also expected to run around 15% above our previous baseline through the rest of 2026. Canola is revised modestly higher, while lamb is largely unchanged.
- We expect the Index to rise 7.6%yr by end 2026, before moderating through 2027 as supply responds and Middle East-related cost pressures ease. Even so, prices across several commodities are expected to stay above their longer-run averages, with the index around 2.6% above its three-year average to June 2026 by end-2027.

Agricultural Commodity Price Index, monthly



Source: RBA, Macrobond, Westpac Economics

Westpac Agriculture Commodity price forecasts*

		Latest	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Australian Standard White FOB Port Adelaide	A$/t	327	331	332	329	317	301	290	268	271	272	273
Canola – FOB Kwinana	A$/t	812	820	836	832	805	777	727	697	666	656	656
Cotton – Cotlook A Index	USc/lb	88.7	84.5	91.0	92.8	91.9	88.2	83.4	81.7	81.7	80.9	80.9
Sugar – ICE, futures contract	USc/lb	17.7	16.1	16.3	16.5	16.4	15.9	14.9	14.4	13.8	13.6	13.6
Beef – Eastern Young Cattle Indicator	A$/kg cwt	9.64	9.40	9.49	9.20	9.02	8.84	8.58	8.25	7.93	7.82	7.82
Lamb – National Trade Lamb Indicator	Ac/kg cwt	1,156	1,210	1,170	1,140	1,100	1,030	1,010	970	960	970	980
Dairy – Whole milk powder	US$/t	3,463	3,480	3,500	3,530	3,580	3,640	3,720	3,770	3,810	3,750	3,750
Dairy – Skim milk powder+	US$/t	3,275	3,220	3,140	3,110	3,140	3,180	3,230	3,270	3,300	3,250	3,250
Dairy – Cheddar cheese	US$/t	4,488	5,040	4,830	4,810	4,840	4,900	4,990	5,070	5,130	5,110	5,070

*August 2026 Bloomberg.

Exports: Set to soften on supply and tariffs

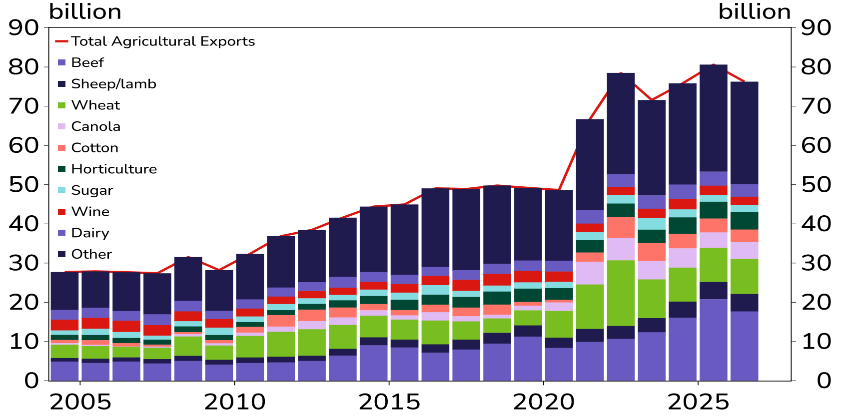
- Rural export volumes fell 0.6% in Q2, following a 0.3% contraction in Q1. This saw volumes 0.8% lower in the first half of 2026 compared to the same period a year ago. Still, 2025 was a very strong outcome for rural exports, which rose 6.9%. From already elevated levels, total beef export volumes were up 1.1%yr in H1, and remained the standout, supported by still elevated slaughter rates and strong external demand from the US and China. Canola export volumes also rose sharply, albeit from a low base, following the resumption of shipments to China. Meanwhile, sheepmeat exports continued to fall on reduced supply and wheat export volumes were also down, around 13%yr compared to last year.

- We expect external demand for Australian exports to remain resilient. Beef in particular continues to benefit from limited substitutes in the US market amid low US domestic supply and strong demand for Australia's lean trimmed beef. In contrast, China has tightened trade conditions with its Safeguard tariff rate quota, implemented from January 2026. Australia's quota is 205,000 tonnes in the first year, increasing by around 2% annually to 2028, and represents around 75% of last year's exports. Volumes above this threshold now face a 55% tariff. With the quota reached in mid-June, exports to China fell and were 71% lower than a year ago. South Korea's quota was also exhausted in late July, lifting its out-of-quota tariff from 5.3% to 24%.

- Meanwhile, lamb faces its own trade risk. In mid July, the US launched an investigation into whether rising lamb imports, primarily from Australia and New Zealand, are harming its domestic industry. The decision is due 13th November. If the finding is yes, this could see tariffs or quotas applied from early 2027. This is a downside risk to Australia's largest lamb export market. That said, the US has a lack of viable alternatives with its own flock unable to meet demand, at least for now.

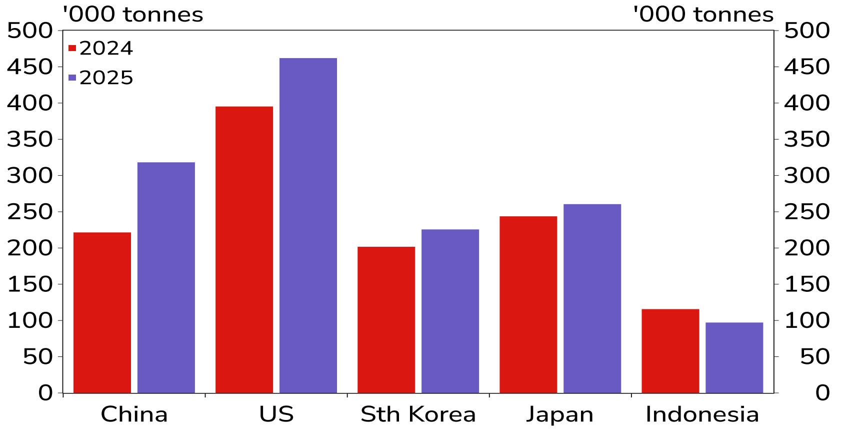
- Overall, we expect Australian agriculture exports to moderate over the coming year as domestic supply tightens. Livestock turn-off rates are set to moderate and a herd and flock rebuild in beef and sheep is expected. Meanwhile, we look for lower wheat and canola export volumes as domestic supply falls after several very strong harvests. Unlike last year, firmer global grain prices are providing some offset in value terms, as tightening global supply and the Black Sea risk premium support prices even as volumes fall. 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 limit the increase in Australian canola exports to China. However, increased biofuel demand will be an offsetting support.

Agricultural Exports AUD



Source: ABARES, Macrobond, Westpac Economics

Beef export volumes



Source: , Macrobond, Westpac Economics

Energy costs: Off peaks but still elevated

- **Crude oil prices:** Oil prices have come down from their March peaks but have stayed volatile, swinging between US$80 and US$100 in August, with a lasting deal between the US and Iran still some way off. In late August, hostilities escalated again, the first exchange of fire between the two sides in around a month.

  Our baseline is for Brent to ease to an average US$85/bbl in the December quarter, as supply and demand fundamentals reassert themselves and the geopolitical premium unwinds. However, the risks sit clearly to the upside, as neither side appears willing to make the concessions needed for a lasting deal. Even if a new deal is reached, our long-term view is that it will take time for shipping through the Strait to normalise, with prices easing only gradually to end 2027 at US$72/bbl.

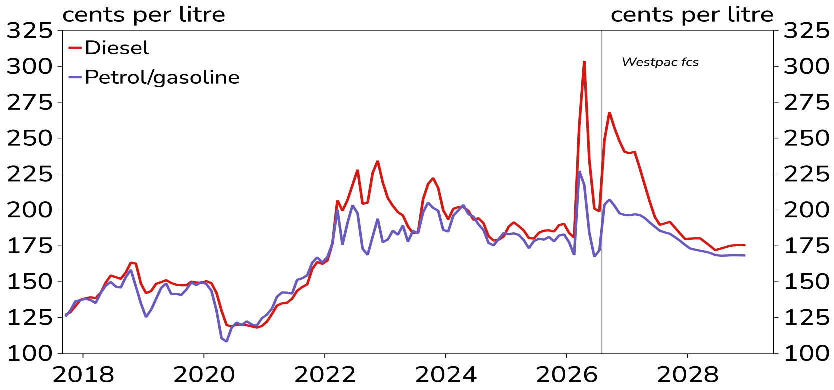
- **LNG gas prices:** Unlike oil, LNG prices continue to hold near recent highs. Damage to the world's largest LNG export complex at Ras Laffan in Qatar, closure of the Strait of Hormuz, limited vessel availability and constrained spare liquefaction capacity continue to weigh on supply. Coupled with strong demand from a hot summer across Northeast Asia, Japanese LNG prices rose 10.1% in July, with average prices reaching US$19.0/mmbtu, around 75% above pre-conflict levels. With supply likely to remain constrained, we do not expect prices to return to pre-conflict levels until 2028. For Australians, domestic supply should be shielded by the FY2027 Federal Budget's gas reservation scheme, which requires exporters to divert the equivalent of 20% of exports to the domestic market.

- **Diesel:** Disruptions to oil supply through the Strait of Hormuz, alongside Russian diesel export restrictions and damage to refining infrastructure from Ukrainian attacks, have tightened the global diesel market, pushing diesel crack spreads, the premium over crude, to record highs. In Asia, the crack spread between Brent crude and Singapore Gas10, the key benchmark for Australian fuel prices, remains more than US$50/bbl. Given tight refined product and logistics, we expect margins to stay elevated. As such, we expect national diesel and petrol prices to average $2.40/litre and $1.99/litre by end 2026, with the temporary cut in the fuel excise having ended in July. Prices are expected to moderate but hold above pre-conflict levels well into 2027, easing to around $1.80/litre for both by end-2027.

- **Fertilisers:** Urea prices have fallen well below their April highs, even as LNG, a key input, stays high and traffic through the Strait of Hormuz remains limited. In part, the fall reflects softer demand, with buyers substituting towards cheaper nitrogen sources. In contrast, phosphate fertiliser prices have risen. A severe shortage of sulphur, a key input, is constraining global phosphate production, with Gulf supply disrupted and export restrictions in China and Russia. Overall, average fertiliser prices may ease from here, but we expect any moderation to be modest, given the supply crunch and that LNG prices are set to stay elevated.

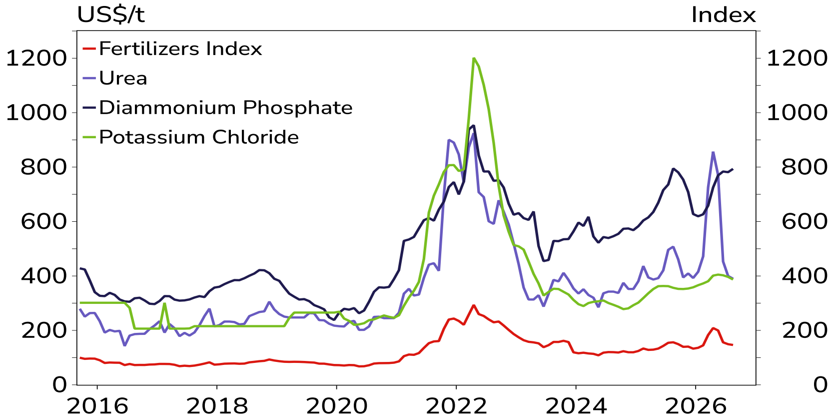
Australian pump prices for auto fuel

Monthly averages



Source: , Macrobond, Westpac Economics

Global Fertiliser prices



Source: World Bank, Macrobond, Westpac Economics

Non-energy costs: Spillovers from energy supply shock

- **Interest rates:** As widely expected, the RBA held the cash rate at 4.35% in August, and we expect it to stay on hold through the rest of the year. The Board has kept the door open to raising rates again if inflation surprises on the upside, and the stronger than expected July monthly CPI has raised the risk of a hike in November. However, we do not think one print is enough to shift our call as the monthly data are noisy and earlier readings on the labour market, wages and Q2 CPI were softer than the RBA had expected. But the risks have clearly moved up, and there are scenarios in the data ahead that would see us move to a November hike. Based on our central case of rates on hold, we expect the first cut in August 2027, with the cash rate ending 2027 at 3.85% and 3.60% by end 2028.

- **Exchange rate:** The A$ has held the gains made earlier in the year, driven by a weaker US dollar, with Australia's interest rate advantage and its position as a net energy exporter adding support. More recently it reached a fresh high above US$0.72 in late August before easing back slightly, as a stronger than expected July CPI prompted a hawkish repricing of RBA expectations.

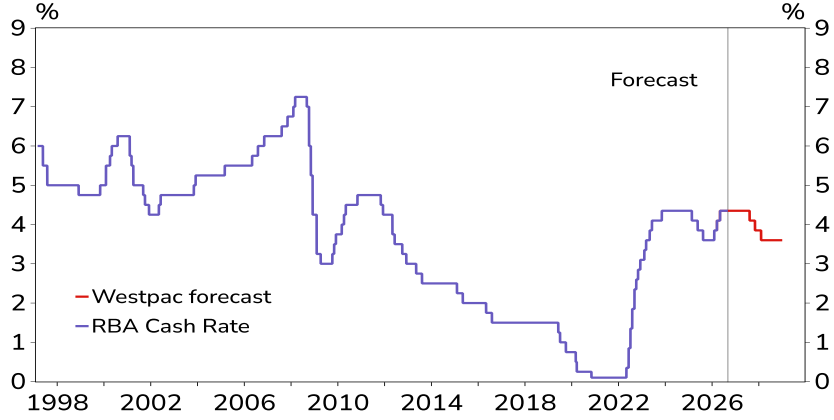
  Near term gyrations are likely as markets respond to developments in the Middle East, shifts in global risk appetite, and expectations of US Federal Reserve and RBA interest rate decisions. We expect the A$ to remain well supported through 2026, though with it already close to the top of its recent range, we see limited room for it to move much higher. We look for the A$ to end 2026 at US$0.73 against the US$ and 4.89 against the CNY, with a modest appreciation in 2027 to 0.74 and 4.74 respectively.

- **Shipping costs:** Ocean freight rates were slow to react to the Middle East conflict, but the global composite index has climbed steeply since May and by the end of July stood 70% above a year earlier. Higher oil prices have pushed up rates across every route, with the largest increases in the Asia-Pacific. Rates are expected to ease as oil prices fall, though elevated insurance costs will keep them higher than otherwise. A fresh flare-up that drags oil back up remains a risk.

- **Labour and productivity:** After a solid showing through 2025, labour productivity started the year on a softer footing. Growth in labour productivity slowed to 2.9% y/y in Q1 – below the sector's historic average of around 4.5% y/y, though it is still far stronger than the broader market sector (excl. mining) at 0.5% y/y.

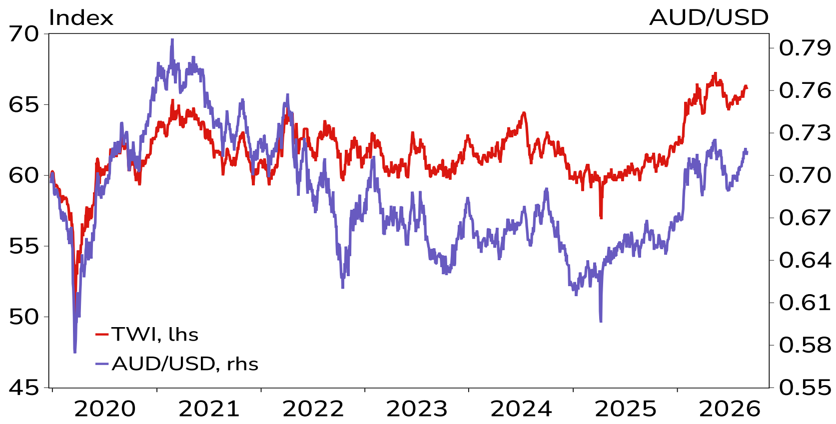
- However, this has little to do with an increase in labour usage. Indeed, jobs growth was virtually flat in Q1 2026 and average hours growth only ticked slightly higher, up 0.4% q/q. That has kept total hours work in contraction at the start of the year, down –3.5% y/y, consistent with the long-run decline in agriculture's share of economy-wide employment and hours.

RBA cash rate



Source: RBA, Macrobond, Westpac Economics

Australian dollar – spot USD rate and TWI

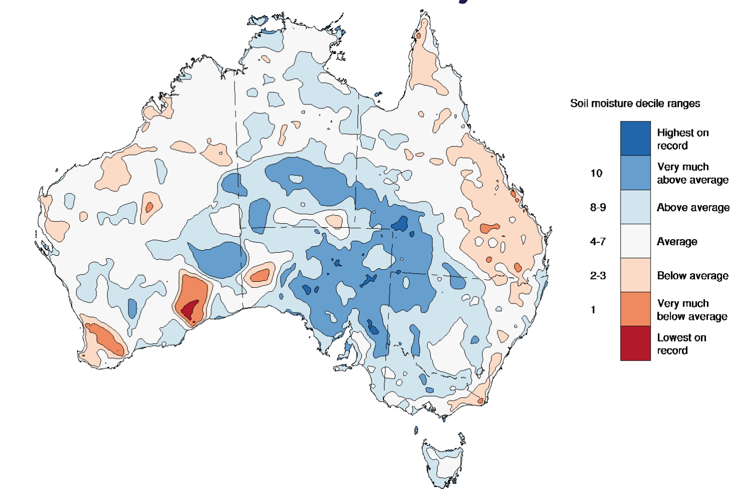


Source: Bloomberg, Macrobond, Westpac Economics

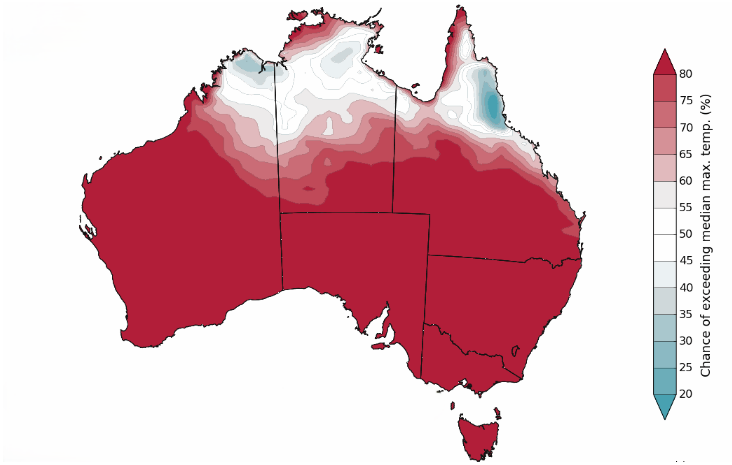
Climate: A drier spring ahead

- A wetter autumn left soil moisture above average across much of the south and east ahead of planting, though WA missed out on the heavy rainfall. However, conditions turned in July, with below-average rain across much of the south, east and WA, while the NT and far north QLD was wetter than average.
- Over the three months to November, Australia's Bureau of Meteorology (BOM) sees a high chance of below-average rain across south-eastern Australia and parts of QLD, while the western half of the country is likely to be wetter. Meanwhile, a strong El Niño has been declared and is likely to persist into summer (see page 10-12). Overall, this adds to a drier and warmer spring, with above-average temperatures, which is a risk to winter crop yields.
- Total water storage across the Murray-Darling Basin was at 60.7% of capacity at the end of July, up 7.4% over the month on winter inflows but still below a year ago. There remain considerable regional differences. Many storages across Victoria, the southern Basin and central QLD were below 50% of capacity, with 56 storages nationally below half full.
- BOM also expects a later than usual start to the northern wet season across the east and far north, and an earlier onset elsewhere. A late start would delay summer crop planting and slow the recovery in northern pasture.

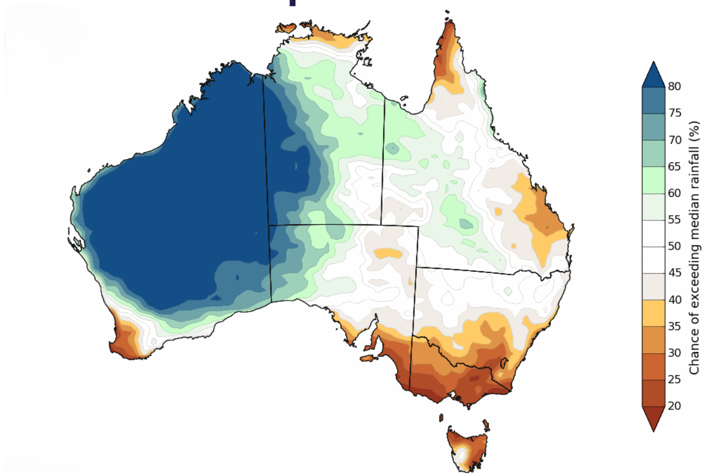
Root soil moisture July 2026



Temperature September to November 2026



Rain forecast September – November 2026



Special Topic: A declared El Niño event does not equal a drought

- A strong El Niño event has been declared by the World Meteorological Organisation and the Australian Bureau of Meteorology (BOM). Both expect it to strengthen over the next three months and persist into mid 2027. The declaration tilts the odds towards a drier, warmer winter and spring across the east and south, with the BOM forecasting below-average rainfall across parts of southern and eastern Australia. An El Niño event raises the risk of drought but does not make one inevitable. Since 1900, around two-thirds of events have coincided with widespread drought, but the most recent, in 2023-24, delivered a wetter than average eastern summer despite a strong signal. The strength of an event is also not a reliable guide to its impact. The weak 2002 event hit eastern Australia hard, while the very strong 1997-98 event proved relatively benign. What matters is whether a number of reinforcing conditions fall into place.

- The Indian Ocean Dipole is important. A positive IOD develops in winter and peaks in September and October, squarely inside the winter grain-growing season. It is currently neutral, but models point to a positive event developing over winter, which would reinforce the dry signal from El Niño. How much damage follows will also depend on soil moisture and water storage entering the season.
  The risk is regional. WA, SA and VIC began the year with average to above average sub-soil moisture, but levels were lower in NSW and southern QLD. Murray-Darling Basin storages rose to 60.7% at the end of July on winter inflows, but the lift was uneven and levels remain low in the southern Basin and central QLD, and below a year ago.

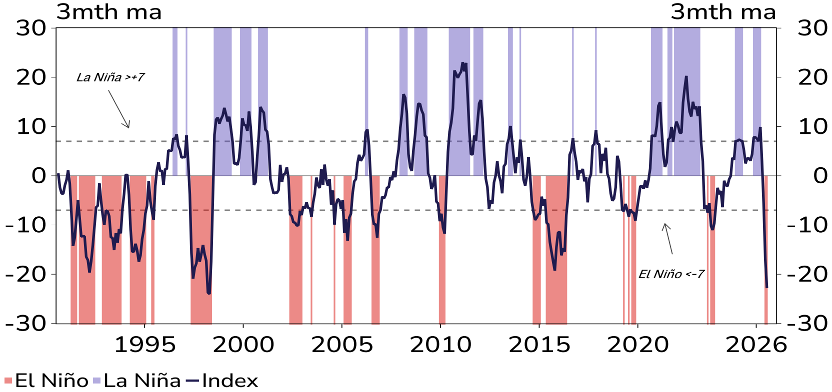
- On the sum of these conditions, our central case remains that an extreme drought is avoided. That said, farm activity is still expected to contract this year. A drier and warmer season, combined with elevated diesel and fertiliser costs, will see some growers scale back planting area and fertiliser applications, leading to lower yields.

Commodity impacts are uneven

- Still, even without an extreme drought, the impact of drier conditions will vary across commodities. Winter crops are the most exposed. ABARES already expects the combination of El Niño dryness and higher input costs will see the national winter crop drop to around 54.5Mt, 21% below last year. However, this would still be the seventh-largest on record and above the ten-year average. Growers are accounting for this shift by favouring barley over wheat given its lower fertiliser need and better dry-tolerance. Because Australia has a meaningful share of world wheat trade, a domestic shortfall tends to firm global prices and cushion sector revenue even as volumes fall.

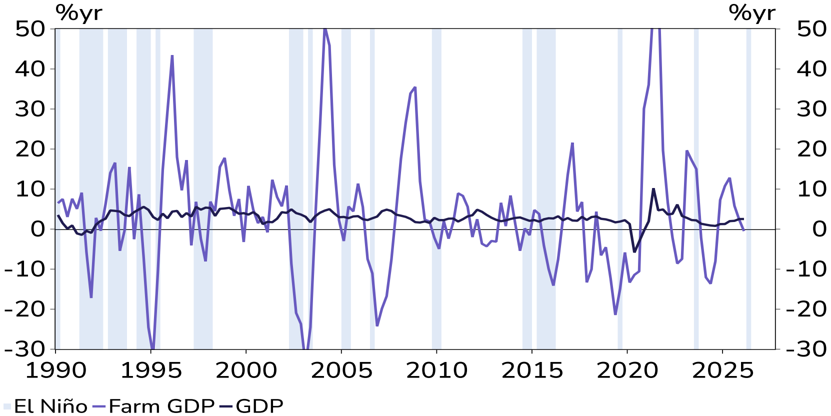
Southern Oscillation Index

Indicator of the development and intensity of El Niño or La Niña events



Source: BOM, Macrobond, Westpac Economics

El Niño impact on Australia



Source: BOM, ABS, Stats NZ, 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.

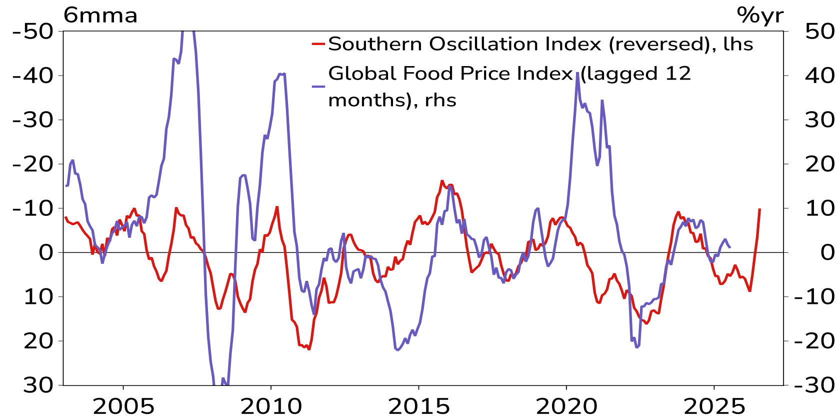
Special Topic: A declared El Niño event does not equal a drought

- The other key exposure is livestock. We still expect meat prices to remain elevated, supported by tight supply and firm external demand, although they are likely to drift lower through the year. In a more severe scenario, we would expect meat to move through two stages. First, lower rainfall will slow pasture growth and lift feed costs. This will drive higher turnoff and slaughter, weighing on prices, before a smaller herd and flock tighten supply and lift prices later. A key risk is that producers respond to the El Niño declaration rather than actual weather conditions. In 2023, early destocking increased supply and weighed on livestock prices, only for prices to rebound as rainfall conditions proved more favourable than anticipated.
- Beyond grains and livestock, water availability matters most for Australia's rice and cotton. Other sectors, such as Queensland sugar, are largely insulated because the crop is well advanced and the El Niño-rainfall link is weaker in the key growing regions. On balance, we expect El Niño's impact to be limited and largely concentrated in the eastern dryland belt.

Limited hit to growth

- Agriculture accounts for around 1.8% of gross value added in Australia, so a poor season barely registers in headline output. But the weight runs beyond the farm gate through to exports, regional incomes and supply chains. The RBA has estimated that previous major El Niño droughts cut annual GDP growth by around 0.5 percentage points, and up to a full point in the worst cases. The impact today may be smaller. Agricultural production is less exposed to drought than in previous decades, reflecting improvements in water management, crop selection and farming practices. Australia's eastern electricity generation is also less dependent on rainfall-sensitive generation than during earlier droughts, reducing one channel through which dry conditions can affect prices and activity.
- On the inflation front, our current forecasts already carry some rise in fruit and vegetable prices from August, although this reflects not just drier conditions but also the impact of higher fertiliser costs leading to lower yields. Still, a more severe scenario would add to an already above-target inflation problem.
- For policy, the RBA treats weather-driven food-price moves as temporary and looks through them, so absent a broader shock we would not expect El Niño to feature in its rate path. But there comes a point where a central bank can no longer ignore the inflation shock. For the RBA, the room to discount a food-price rise is narrower while it is still fighting an above-target problem.

El Niño event a growing risk to global food prices



Source: BOM, Our World in Data, FAO, NOAA, Macrobond, Westpac Economics

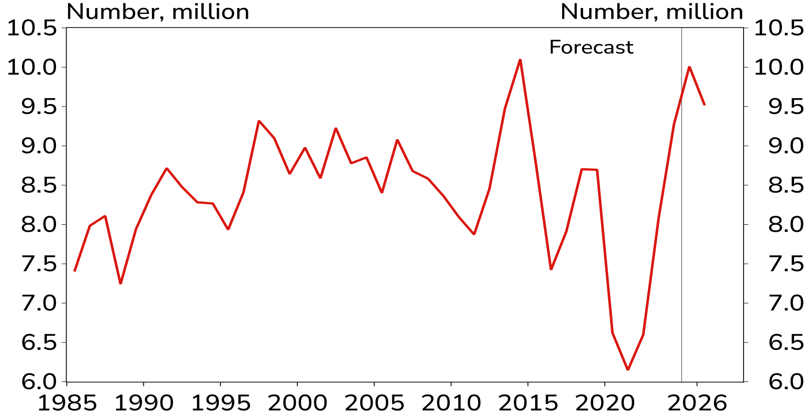
What we are watching

Overall, we see this as a manageable and regionally concentrated risk rather than a national shock. The 2026-27 El Niño raises the odds of a difficult season, but strong signals have delivered benign outcomes before. The sector is in a good place to manage risks, balance sheets are healthier than in past droughts and the role of the IOD means it could still turn either way. Nor is the global effect large, with losses in Australia and South-East Asia frequently offset by better South American harvests. A genuine food-price spike tends to require a coincident shock, such as an export ban, energy price spike or conflict, rather than El Niño on its own. Historically, the largest food-price shocks have occurred when weather disruptions coincide with broader supply shocks, amplifying what would otherwise be a manageable production shortfall. So, for now, we treat this as a risk to watch rather than a base case.

Beef: Uneven period ahead as tariffs bite

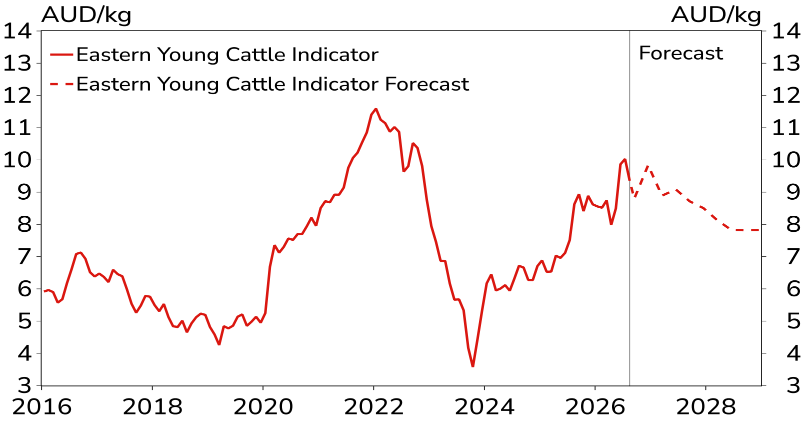
- Following a strong first half, Australian cattle markets are expected to face a more uneven period ahead. Total beef exports rose 1.1%yr in H1 from already elevated levels with exports to the US up 1.2%yr in H1, supported by a domestic herd at multi-decade lows and firm demand for Australian lean trim.
- Meanwhile, following strong growth in the first five months of the year, China's safeguard quota, tariff free to 205,000 tonnes with a 55% tariff above, was reached in mid-June, and exports to China were 71% lower than a year ago as the tariff took effect. The 55% tariff applies until 1 January 2027, when the quota resets for the new calendar year. Brazil reached its own China quota in late August, with its out-of-quota shipments now facing a 67% tariff, leaving Australia relatively better placed into China. There is also the prospect that despite the higher tariffs shipments firm again in Q4. There are reports that Chinese buyers are securing product for 2027, buying now but holding it in Australia to ship late in 2026 for arrival early in the new year, so it enters under the fresh 2027 quota and avoids the 55% out-of-quota tariff. That quota rises around 2% to 209,000 tonnes, but bringing demand forward risks filling it earlier than this year's, pointing to a sharper downswing in H2 2027.
- Meanwhile, South Korea's quota was also exhausted in late July, but demand there is likely to prove more resilient, as it was last year when the 24% out of quota tariff rate was implement. Australian exporters are also facing increased competition as Brazil redirects supply across Asian markets.
- Elevated prices continue to support high slaughter rates, with weekly slaughter tracking around 150,000 head. We expect softer export returns and prices to see slaughter ease over the year ahead. ABARES expects the beef cattle herd to fall 5% to 25.0 million head in 2026-27 (27.0 million including dairy), with beef production forecast to fall 5% to 2.9 million tonnes cwt, still the second highest on record, driven by a smaller slaughter as carcase weights hold broadly steady.
- The National Young Cattle Indicator rose 2.0%qtr in Q2 to stand 24.8% above a year earlier. Gains have broadly been maintained through Q3, with softness at the start of August reversing. Near term prices are expected to remain supported, but we still expect limited upside over the rest of the year as Chinese trade constraints take effect. By end 2026, prices are expected to be around A$9.49/kg cwt, easing further to around A$8.58/kg cwt by end 2027. This would still place prices 24% above the three year average to June 2026.
- El Niño is the key risk, including the prospect that the market moves on the declaration rather than the weather, as in 2023. In a severe scenario, livestock prices tend to move in two stages: lower rainfall drives higher turn-off, weighing on prices initially, before a smaller herd tightens supply and lifts prices later.

Australian cattle production



Source: ABARES, Macrobond, Westpac Economics

Australian Cattle Prices

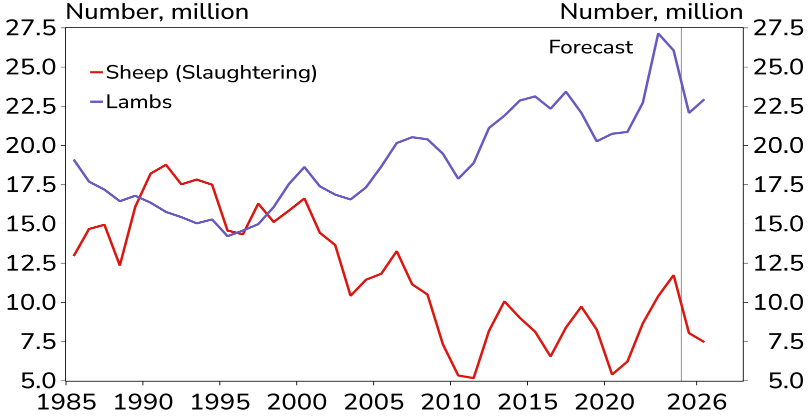


Source: Bloomberg, Macrobond, Westpac Economics

Sheep: Tight supply key support for prices

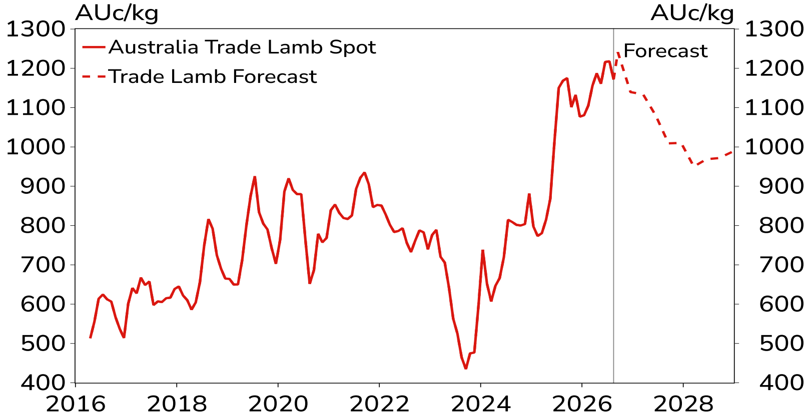
- The national lamb indicator eased slightly in late August but remains near record highs as tight supply continues to support prices. Lamb slaughter was down 14% in H1, with June the lowest for that month since 2020, after several years of below-average rainfall across VIC, SA, TAS and southern NSW limited pasture and drove destocking. However, ABARES expects the flock to rise 2% to 66.7 million head in 2026-27 as better pasture growth supports ewe retention. Even so, the flock remains historically low, down more than 20% over the past two decades. A drier spring under El Niño is the key risk to this rebuild.
- Export volumes have fallen with supply, while prices have climbed. The US and China accounted for nearly half of lamb export volumes in the first half of this year, with both markets growing even as total lamb exports fell 11.1%. Lamb export unit prices averaged $12.48/kg, up 14.4% on the year.
- Middle East demand remains constrained by the conflict and elevated prices, and live exports are down sharply. Middle East demand remains constrained by the conflict and elevated prices. This is particularly challenging for exporters supplying the region, with higher freight and energy costs further increasing costs.
- A further risk is to the US, Australia's highest-value lamb market. The US International Trade Commission is investigating whether rising lamb imports, mainly from Australia and New Zealand, are harming its domestic industry, with initial findings due in November. An affirmative finding could bring additional tariffs or quotas from early 2027, on top of the existing 12.5% tariff.
- On the supply side, sheep flocks in New Zealand, the UK and parts of Europe have been declining for several years, reducing the volume of lamb available for export. Further flock declines should continue to support prices. Offsetting this, Australian lamb production and exports are expected to rise, supported by a large breeding flock and higher lambing rates. As the world's largest lamb exporter, higher Australian supply is likely to temper price gains.
- We expect prices to remain elevated in the short term, with winter keeping supply tight, before drifting lower into year-end as new-season lambs come on board. Even so, we expect the national lamb indicator to end 2026 around 5% above a year earlier. Further out, prices are projected to normalise but hold above early 2025 levels as external demand stays firm.

Australian sheep and lamb



Source: ABARES, Macrobond, Westpac Economics

Australian Trade Lamb

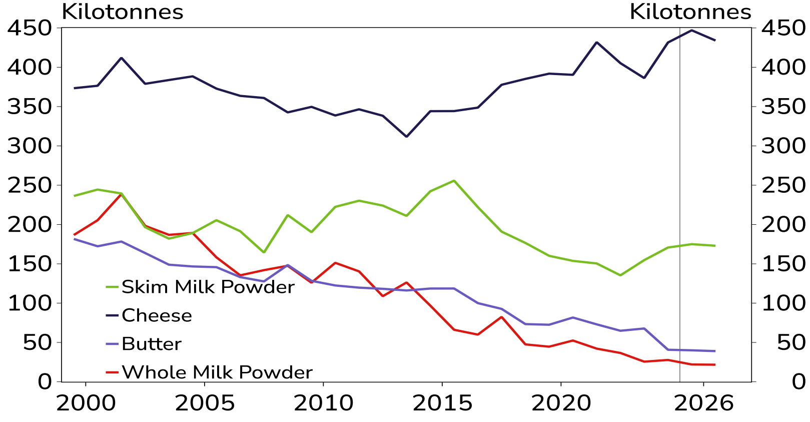


Source: Bloomberg, Macrobond, Westpac Economics

Dairy: Global prices ease but farmgate prices hold

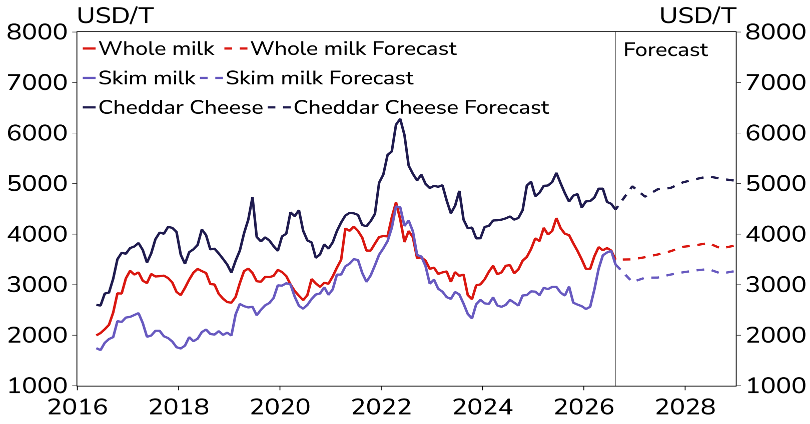
- Global dairy prices have fallen heading into the September quarter, as global supply remains healthy, with US milk production up 2.3% on the year in June to 19.7 billion pounds and the US dairy herd at a 30-year high and milk collections in the main exporting countries are up around 2% on a year ago. The Middle East conflict has put pressure on energy, feed, fertiliser and freight costs, while a heatwave in Europe has weighed on milk production in some countries. Cheese was the weakest performer, growing 3% in Q2 with price declines from June extending into July and August. Skim milk powder has fared better than other products, as global demand has turned from fats towards proteins. Overall, Oceanic dairy commodity prices barring skim milk powder were 2% to 5% below their March peak across August.
- Australian farmgate prices have not followed global returns down to the same extent, supported by domestic demand for fresh milk, cheese and cream rather than export returns. Opening prices for 2026-27, published on 1 June, ranged from $7.65 to $10.38/kgMS and averaged $9.28/kgMS. Lactalis opened at $9.30, Bega at $9.04 and Saputo between $8.80 and $8.90. ABARES expects the farmgate milk price to rise 4% to 76.1c/litre (around $9.8/kgMS) in 2026-27 as milk supply tightens, even as domestic demand for market milk holds stable.
- However, competitively priced imports are likely to limit further farmgate step-ups. Import volumes were up 8% season-to-May to around 293,000 tonnes, close to the historical high reached in 2022-23. The US share rose to 24% from a more typical 14%, with volumes sourced from the US up 78%.
- National milk production continued to improve following a weak start to 2025-26. Output was up 5.4% on the year in May, taking season-to-date production 0.2% higher. QLD and NSW led the gains. VIC, which accounts for around two-thirds of national production, was only just closing on the previous year's level, while SA remained well behind. However, the outlook for milk production remains soft. ABARES expects a smaller fall of 1%, reflecting a decline in the milking herd only partly offset by higher yields.
- We now expect whole milk powder to average around US$3,500/t by end 2026 and US$3,720/t by end 2027, a modest upgrade on our previous view. Skim milk powder is forecast to ease to US$3,140/t by end 2026 before recovering to US$3,230/t by end 2027, a much larger upgrade than for WMP. Cheddar cheese is expected to ease to US$4,830/t by end 2026 and US$4,990/t by end 2027, with prices revised down further out as US competition and soft demand from Japan weigh on the outlook.
- El Niño is a downside risk to production and an upside risk to prices. Poor pasture growth could bring forward cow dry-offs and push production towards the lower end of our forecast range, supporting dairy commodity prices and export returns.

Australian Dairy Production



Source: ABARES, Macrobond, Westpac Economics

Australia



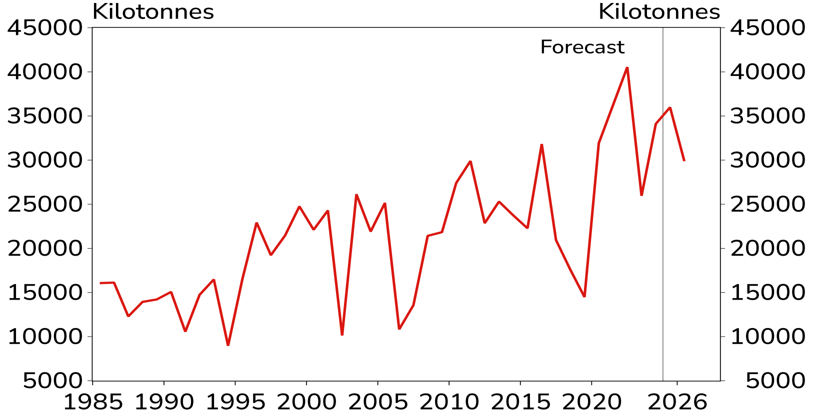
Source: Bloomberg, Macrobond, Westpac Economics

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.

Wheat: Tighter supply to support prices

- Global wheat prices rose over July and August, with CBOT futures up 11.8% to A$345/t, though Australian cash prices saw a more modest increase with APW rising only around 1%. The rally in futures prices was led by Black Sea supply risk. Strikes on Ukrainian and Russian export facilities, which account for around 30% of global wheat exports, lifted risk premia, and the August WASDE trimmed Russian and Ukrainian export volumes. Still, it is worth noting that the risk is to export logistics rather than the crop itself, with the combined Ukraine and Russia harvest still projected to be around 1 mt above its five-year average.
- Looking to the upcoming season, global production is set to fall, with output down around 3% to roughly 819 mt in 2026-27 from last season's record. The reduction is broad based across the major exporters, on a synchronised cut in planted area as higher fertiliser and diesel costs squeeze margins. The US stands out, with planted area the lowest on record and production the smallest since the early 1970s, while output is also expected to be lower in the EU, Argentina and Australia.
- Indeed, ABARES expects domestic wheat production to fall 17% to 29.9 mt in 2026-27, though this still sits 3% above the ten-year average. The fall is driven by lower area rather than yields, which winter rain has improved, with growers favouring less fertiliser intensive grains such as barley. Still, the rain was not uniform, with parts of QLD and northern NSW still dry and pockets of southern WA also under moisture stress, leaving the outlook for Australian wheat supply lower than in recent years. Still it is worth noting that, farmers 2025/26 ending stocks stood at 5.11 Mt compared with 2.41 Mt a year earlier. This leaves Australia well placed to respond to any increase in external demand due to disruptions elsewhere.
- While supply is set to be lower, domestic feed use is expected to remain firm, supported by still elevated livestock numbers on feed, with feed use forecast to rise around 1.0 mt in 2026-27. However, export volumes have weakened this year. Wheat export volumes fell 34% on the year in Q2, led by Indonesia, Japan and South Korea. Exports to India also came to a standstill.
- We expect the Black Sea risk premium to stay in play through the rest of 2026, before partly unwinding into 2027 as the conflict risk is gradually priced out. Even so, the underlying balance is tighter than we assumed previously, with lower global and local production and tighter exporter stocks expected to see supply relatively more constrained. As a result, prices ease only gradually from their recent highs and hold above our previous projections well into 2027. We expect ASW prices to end 2026 at A$332/t before easing to A$290/t by end-2027.
- The risks around wheat prices are skewed to the upside, as wheat is the most exposed to El Niño (see page 10). A drier spring would lower yields and reduce the crop further.

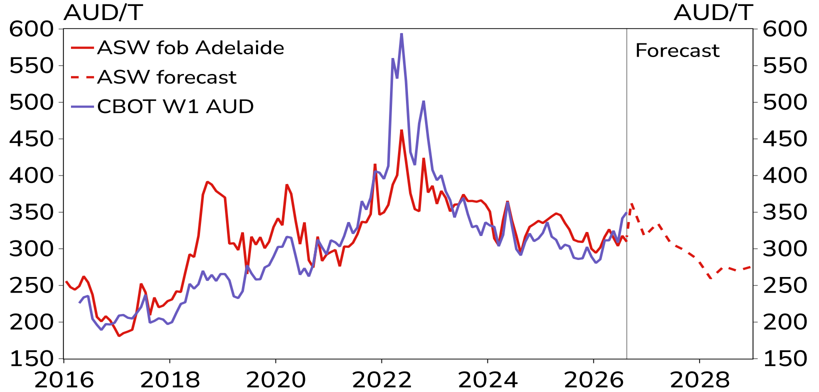
Australian wheat production



Source: ABARES, Macrobond, Westpac Economics

Australian Wheat Prices

Are underpinned by global wheat prices

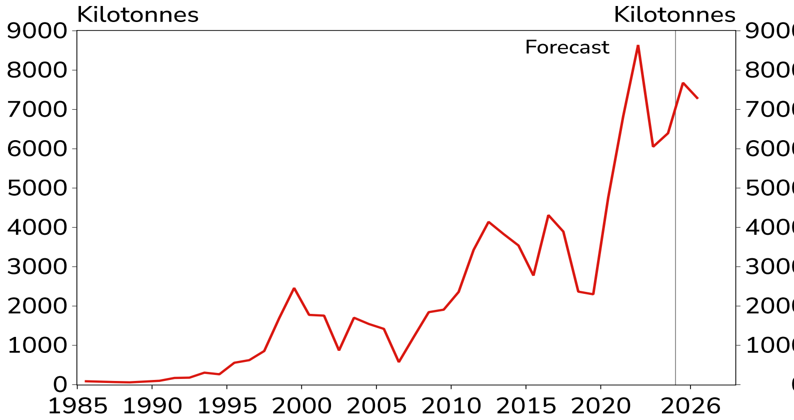


Source: Bloomberg, Macrobond, Westpac Economics

Canola: Biodiesel demand supports prices

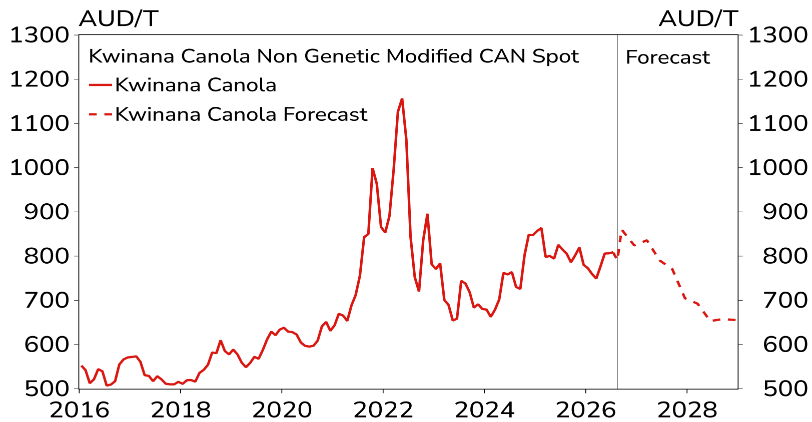
- Global canola prices firmed over July and August, with the global benchmark reaching its highest level since September 2023 before easing off the peak. Higher energy prices have lifted diesel and fertiliser costs and have led to increased rapeseed oil values and improved margins for renewable diesel and biodiesel. Heatwaves across Europe also cut sunflower yield forecasts, tightening feedstock for EU crush. 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 production is forecast to rise 1% to a record 97 Mt, as higher Canadian and European area is offset by a return to average yields. In contrast, ABARES expects Australian production to fall 5% to 7.3 Mt in 2026-27, as solid yields in SA, VIC and southern NSW are offset by lower yields in WA and reduced planting area in the north. Even so, this would leave production around 37% above the 10-year average.
- Export dynamics remain closely tied to supply, but access for Australian producers has improved. China has extended its canola crush trial beyond COFCO to approved private crushers, who can now apply for licences to receive Australian cargoes. This gives Australian growers direct access, alongside the EU, for the first time since 2020. Canada nonetheless remains China's primary supplier following the tariff reductions on Canadian canola in March, and increased Canadian supply into China is expected to limit the upside for Australian export volumes.
- We expect prices to remain supported through the remainder of 2026 and into 2027, underpinned by firm biofuel demand and tight European feedstock. Thereafter, we look for prices to ease only gradually as global supply normalises and the energy-related premium fades with lower oil prices. We expect prices to end 2026 at A$836/t and A$726/t by end 2027.
- The risks are two sided. A strong El Niño event is now well established, and while the advanced state of winter crops leaves them less reliant on spring rainfall, it remains a risk. There is also a risk that China's trial access is reversed.

Australian canola production



Source: ABARES, Macrobond, Westpac Economics

Australian Canola Prices

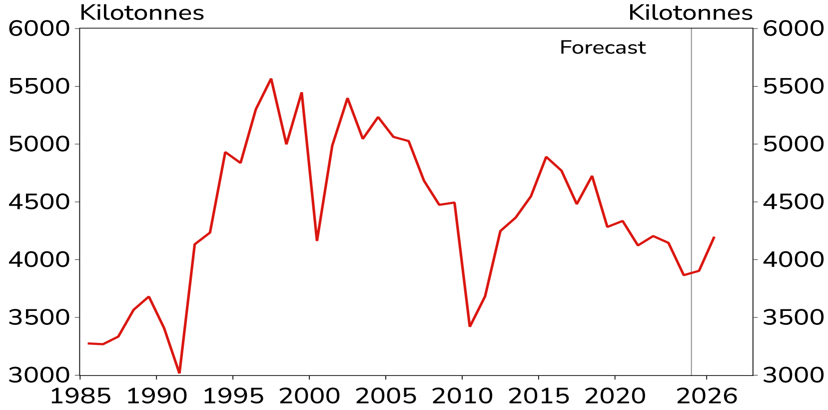


Source: Bloomberg, Macrobond, Westpac Economics

Sugar: Weather hurts supply and lifts prices

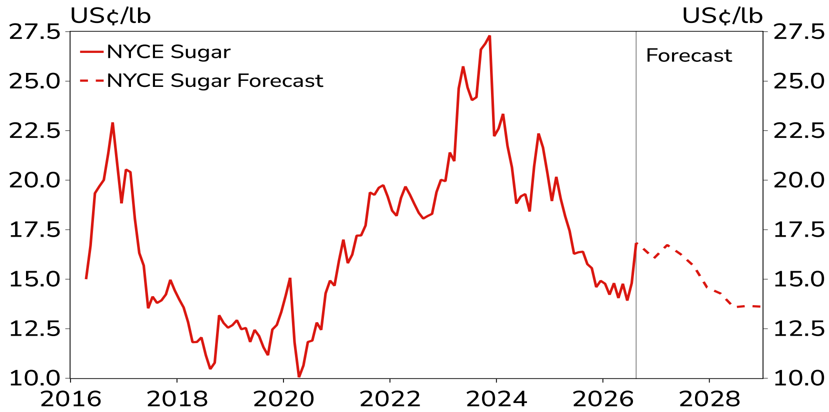
- Sugar prices firmed in August, with the ICE No.11 rising above US18 cents/lb, its highest level in more than a year and a turnaround from the first half of 2026, when prices fell below 14c. The improvement reflects lower supply projections for 2026-27 after the previous year's surplus. The ISO projects global production to fall 1.1% to 180 million tonnes [confirm source], moving the balance from surplus to deficit.
- The fall follows the declaration of a strong El Niño, which threatens cane in India, Thailand and Brazil. In India, weather and a weaker crop have already tightened domestic supply and pushed prices sharply higher. This prompted the government to allow duty-free imports of up to 1 million tonnes of raw sugar until the end of October, the first time in a decade.
- Brazil sugar supply is more finely balanced. Higher crude oil prices since the Middle East conflict have pulled cane from sugar into ethanol, and rain has slowed the harvest, with June cane crush below both 2025 and 2024 levels. Against this, Brazil's ethanol market is now oversupplied, with high production and rising inventories weighing on ethanol prices. If that weakness holds, mills could shift back toward a higher sugar mix, which would work against the move into deficit.
- In Australia, production remains more positive. ABARES expects sugarcane production to rise 3% to 29.9 million tonnes in 2026-27, supported by favourable seasonal conditions and an early end to last season's harvest, which allowed a full year of growth for the cane to mature.
- We expect prices to ease from their recent highs before holding well above the lows seen earlier in the year, supported by the tighter global balance. We expect sugar to end 2026 at around US16.3 cents/lb and hold near those levels through much of 2027.
- The risks are two-sided and centre on weather and energy. If El Niño proves as severe as warned, crude stays higher and Brazilian mills continue to favour ethanol, or India restricts exports further, prices could push above forecast. The downside is if El Niño under-delivers, with the market already pricing an event that has not fully played out, or if a Middle East resolution takes crude lower and pulls Brazilian mills back toward sugar.

Australian sugar production



Source: ABARES, Macrobond, Westpac Economics

Global Sugar Price



Source: Bloomberg, Macrobond, Westpac Economics

Activity forecasts

	2026				2027				Calendar years			
%qtr / %yr end	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026f**	**2027f**	**2028f**
Household consumption	0.6	0.2	0.4	0.4	0.4	0.5	0.5	0.6	2.4	1.6	2.0	3.3
Dwelling investment	0.5	1.3	1.0	0.9	0.8	0.8	0.9	0.7	5.5	3.8	3.2	5.5
Business investment *	5.9	0.3	3.8	1.5	3.7	1.1	1.3	1.1	4.4	11.9	7.3	4.5
Private demand *	1.4	0.2	0.7	0.6	1.1	0.6	0.7	0.7	3.2	3.0	3.1	3.7
Public demand *	0.1	0.8	0.6	0.6	0.6	0.6	0.6	0.6	2.1	2.1	2.4	2.6
Domestic demand	1.0	0.4	0.7	0.6	0.9	0.6	0.7	0.6	2.9	2.8	2.9	3.4
Stock contribution	0.0	–0.1	–0.1	0.0	0.0	–0.1	0.0	0.0	0.1	–0.2	–0.1	0.1
GNE	1.0	0.3	0.6	0.6	0.9	0.6	0.6	0.7	3.0	2.6	2.8	3.4
Exports	–1.1	0.7	0.4	0.4	0.6	0.7	0.6	0.6	5.2	0.4	2.5	2.4
Imports	1.8	1.2	2.2	1.9	2.6	1.7	1.6	1.5	6.7	7.2	7.6	5.8
Net exports contribution	–0.7	–0.1	–0.4	–0.4	–0.5	–0.3	–0.3	–0.2	–0.3	–1.6	–1.3	–0.9
Real GDP %qtr / %yr avg	**0.3**	**0.2**	**0.2**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**	**2.0**	**1.7**	**1.3**	**2.2**
%yr end	**2.4**	**1.7**	**1.5**	**1.0**	**1.1**	**1.3**	**1.4**	**1.5**	**2.6**	**1.0**	**1.5**	**2.5**
Nominal GDP %qtr / %yr avg	0.6	0.1	1.2	1.1	0.5	0.8	0.7	0.8	4.7	4.2	3.1	4.3
%yr end	5.3	4.6	3.9	3.0	2.9	3.6	3.2	2.9	6.1	3.0	2.9	5.1
Real household disp. income	–0.2	–0.1	1.8	–1.5	0.7	0.6	1.5	0.0	3.8	0.0	2.8	2.8

Other macroeconomic variables

	2025		2026				2027			Calendar years		
)% change	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2029(f)**	**2027(f)**	**2028(f)**
Employment %qtr **	0.6	0.3	0.6	0.3	0.4	0.5	0.6	0.5	–	–	–	–
%yr end **	1.5	1.1	1.7	1.8	1.6	1.9	1.8	2.0	1.1	1.8	2.0	2.6
Unemployment rate % **	4.2	4.4	4.6	4.8	4.9	4.9	4.8	4.8	4.3	4.8	4.8	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	3.3	3.2	3.4	3.4	3.4	3.4	3.2	3.2	3.4	3.4	3.2	3.4
Headline CPI %qtr	1.4	0.6	1.1	0.8	0.6	0.6	0.8	0.5	–	–	–	–
%yr end	4.1	3.9	3.7	3.9	3.1	3.2	2.9	2.6	3.6	3.9	2.6	2.4
Trimmed Mean CPI %qtr	0.8	0.8	0.8	0.8	0.8	0.7	0.6	0.6	–	–	–	–
%yr end	3.5	3.6	3.5	3.3	3.2	3.1	2.9	2.7	3.3	3.3	2.7	2.4
Current account $bn, qtr	–27.1	–33.5	–30.8	–33.3	–37.6	–39.0	–42.4	–42.6	–	–	–	–
% of GDP	–3.7	–4.5	–4.1	–4.4	–5.0	–5.1	–5.5	–5.5	–3.1	–4.4	–5.5	–5.1
Terms of trade %yr avg	–1.2	–0.7	–0.8	–0.7	–1.8	–2.1	–3.0	–4.1	–2.5	–0.7	–4.1	–1.8
Population %yr end	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.5	1.5	1.4	1.4

Data from August 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.

Corporate directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic
Economist
E: luka.belobrajdic@westpac.com.au

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clark@westpac.co.nz

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