Fuel and fertiliser pressures

Australia agribusiness monthly

RaboResearch Food and Agribusiness *April 2026*

Rabobank

Disclaimer

Please read the disclaimer below prior to reviewing this publication.

This publication is issued by Coöperatieve Rabobank U.A., registered in Amsterdam, The Netherlands, and/or any one or more of its affiliates and related bodies corporate (jointly and individually: "**Rabobank**"). Coöperatieve Rabobank U.A. is authorised and regulated by De Nederlandsche Bank and the Netherlands Authority for the Financial Markets. Rabobank London Branch is authorised by the Prudential Regulation Authority ("**PRA**") and subject to regulation by the Financial Conduct Authority and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. Registered in England and Wales No. BR002630. An overview of all locations from where Rabobank issues research publications and the (other) relevant local regulators can be found here: https://www.rabobank.com/knowledge/raboresearch-locations

The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any transactions described and/or commercial ideas contained in this document. This document is for information purposes only and is not, and should not be construed as, an offer, invitation or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment by Rabobank to enter into any agreement or transaction. The contents of this publication are general in nature and do not take into account your personal objectives, financial situation or needs. The information in this document is not intended, and should not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). You should consider the appropriateness of the information and statements having regard to your specific circumstances and obtain financial, legal and/or tax advice as appropriate. This document is based on public information. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness.

The information and statements herein are made in good faith and are only valid as at the date of publication of this document or marketing communication. Any opinions, forecasts or estimates herein constitute a judgement of Rabobank as at the date of this document, and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. All opinions expressed in this document are subject to change without notice. To the extent permitted by law Rabobank does not accept any liability whatsoever for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of Rabobank. The distribution of this document may be restricted by law in certain jurisdictions and recipients of this document should inform themselves about, and observe any such restrictions.

A summary of the methodologies used by Rabobank can be found on our website.

This report is based on information available as at 2/4/2026

Commodity outlooks

Conflict in the Middle East

The conflict in the Middle East is driving concerns about supply of inputs, including diesel and fertiliser, and prices of both have increased significantly. Inflation in Australia is also likely to further rise due to increased costs, especially in transport and packaging.

Climate

March rainfall delivered short-term relief across parts of northern and southern Australia, including the Western Australian wheatbelt. However, climate signals are turning less favourable, with drier conditions and rising El Niño risk for the second half of 2026.

Wheat and barley

Grain markets have stabilised after recent volatility, with global benchmarks and Australian prices lifting on geopolitical risk and tightening local balances. While global supplies remain ample, rising input costs and regional production constraints point to firmer prices and upside potential later in the year.

Canola

Oilseed prices have strengthened due to the Middle East conflict, supported by firm, rising energy markets and strong crush margins. Canola offers a better risk-reward profile than cereals, which may lead to an increase in cropping area despite rising inputs prices and availability headwinds.

Beef

Cattle prices remain firm. Buoyed by favourable rain through large parts of Queensland in March, the market remains firm despite some areas selling higher numbers due to dry conditions. While markets are expected to remain firm, the cost and availability of transport will need to be managed in the coming months.

Sheep

Lamb and mutton prices have continued to hold firm despite disruptions to the large export market of the Middle East. Domestic supply and processor procurement pressure appear to still be the driving forces in the market and we believe these pressures will continue for the coming month.

Wool

Wool prices performed relatively well in March, with EMI prices rising 3.2%. However, demand slowed down towards the end of the month. The market will be watching to see whether sentiment can pick back up again in early April.

Cotton

Cotton prices bounced 6.5% higher MOM, with the jump in crude oil prices likely supporting cotton markets. Looking forward, the market will focus on US plantings, with the USDA set to release its planting intentions report at the end of the month.

Farm inputs

For fertilisers, attention has once again turned to urea prices, which have risen by around 50% over the past four weeks. An immediate supply shock to urea exports, combined with the secondary impact of higher natural gas prices, is exerting a prolonged upward influence on pricing.

Sugar

Sugar prices have risen on oil-driven volatility, with tighter global oil and sugar supply key. Brazilian ethanol decisions and Indian exports will shape near-term price directions.

Dairy

Commodity milk values have bounced, which provides better support for farmgate values moving forward. Global dairy markets remain well supplied with steady production growth across key export regions for now, which may limit upside in the commodity basket.

Consumer foods

Australian consumer confidence set to plunge, reshaping discretionary spending, while good inflation remains stuck at 3% even before any impacts from the global energy supply shock start to hit the consumer basket.

Interest rate and FX

The RBA raised the cash rate to 4.10% in March and is expected to hike rates further as war-related supply chain interruptions put sharp upward pressure on inflation. The AUD has been resilient so far but has fallen below USD 0.6900 in recent days as interest rate expectations have risen elsewhere.

Oil and freight

Diesel prices have soared since the outbreak of war in the Middle East and supply is being tested in many areas. A reopening of the Strait of Hormuz will be critical to restore supply and bring down prices.

Rabobank

Impact of conflict in the Middle East

Diesel and urea supply crunch and skyrocketing prices

Diesel prices have jumped well above AUD 3/litre at the pump and that might not be the end as supply is very tight

Australia imports over 90% of its fuels from the world market, particularly from Asian refineries in Korea, Singapore, and Malaysia. Those countries in turn scramble for the supply of the crude oil they require to refine it into diesel. Most of the crude oil imported into those Asian refineries that supply Australia comes from the Persian Gulf area, which has been disrupted since Iran closed the Strait of Hormuz for most of the shipping. Alternative supplies of crude oil into Asia might come from Russia (following the removed US sanctions allowing countries to buy Russian oil again), the US, and other smaller suppliers. Diesel stocks in our country are low, but shipments of diesel are still arriving, and importers are also contracting volumes from the US and other origins. Mining is Australia's largest diesel consumer, accounting for 35%, followed by transport which accounts for 27%. Agriculture, construction, commercial, and all other sectors combined, each use about 10%.

Urea prices are high, as farmers try to secure supplies for the season

Many farmers have supplies for planting and early growth of winter crops but will have to buy more for later in the growing season. 40% of the world's urea trade traditionally flows through the Strait of Hormuz and the disruption of shipping for several weeks resulted in a doubling of Australian urea prices in several regions from levels seen early in the year. Australia imports most of its nitrogen and is therefore more exposed than many other major agricultural producers – producers in other countries often have domestic nitrogen fertiliser production and sufficient supplies of the required natural gas to produce urea.

Inflation in Australia is likely to rise driven by increased fuel and transport costs

The RBA surprised the market somewhat when they raised interest rates by 25 basis points in March, and continued inflationary pressure is expected. The longer the Iran war lasts, and fuel prices are high, the larger the risk of continued rate hikes by the central banks around the world, including the RBA, which we forecast to hike in May and August by 25 basis points each.

What to watch:

- **Signs of reopening of the Strait of Hormuz:** Shipping has come to a grinding halt at the Strait and might resume if 1) Iran allows more selected countries to move volumes through, including China and Japan – but that is a fragile agreement, 2) The US and Iran agree to end the war, but that's difficult to predict, 3) The navy is involved in escorting ships – this seems a tough task as typically >130 commercial ships move through the Strait, 4) US troops on the ground in Iran clear a wide region, which once again is not a guarantee for shipping to be successful.
- **Escalation and duration of the conflict in the Middle East:** Threats of escalation from both sides are ongoing and there's a risk that shipping might be disrupted for a prolonged period of time.

Stefan Vogel
General Manager

Stefan.Vogel01@rabobank.com

Vitor Pistoia
Senior Analyst
Grains & Oilseeds

Vitor.Cacula.Pistoia@rabobank.com
X: @victor_agri

Climate

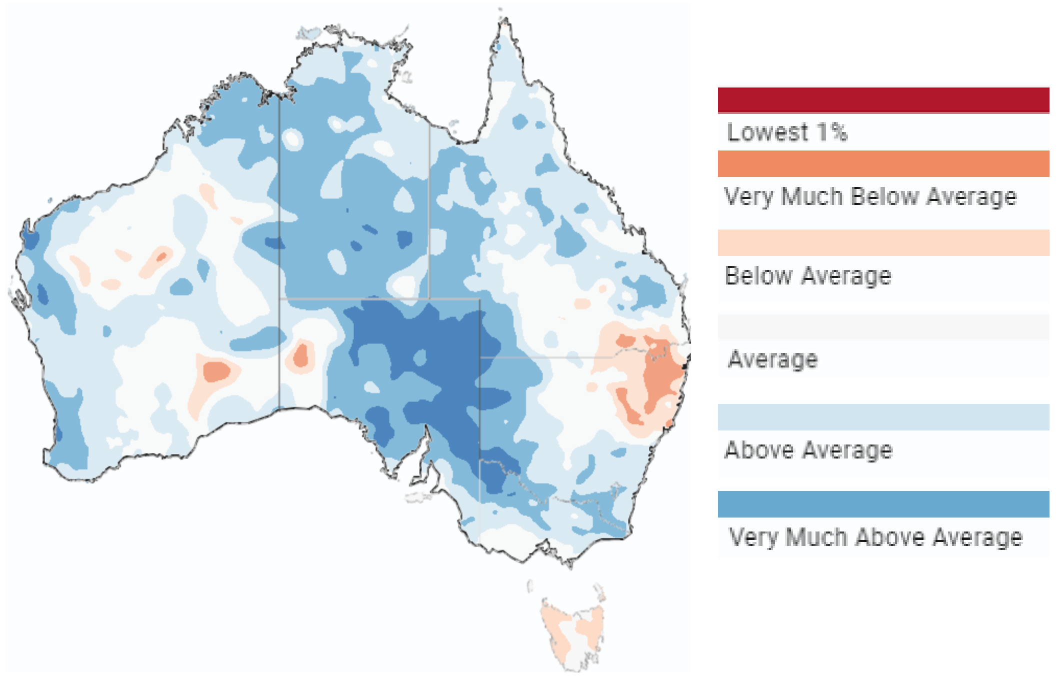
March rainfall brings relief, but El Niño risk builds

Tropical cyclone Narelle delivered widespread heavy rainfall across far-northern Australia, causing another wave of damage to infrastructure, crops and livestock. Importantly for grain markets, the system extended far enough south to benefit parts of the western-Australian wheatbelt. Additional rainfall occurred earlier in the month across pastoral regions of south Australia and the Northern Territory, extending into the south-Australian wheatbelt and parts of western Victoria.

Looking ahead, the outlook for April to June has become increasingly adverse, with **growing consensus across climate models pointing to below-average rainfall across much of Australia**. Pacific Ocean temperatures have entered a clear warming phase, lifting the probability of El Niño development, potentially persisting until early Q4 2026. Stronger-than-normal trade winds observed recently suggest a temporary return to neutral ENSO conditions in early autumn, although continued warming is forecast.

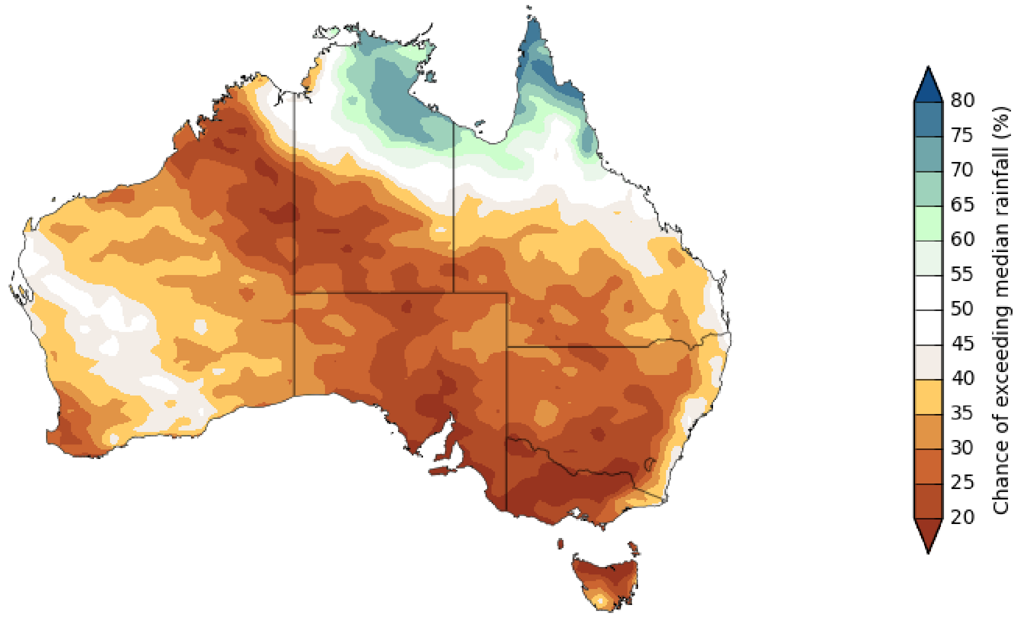
Most models indicate a shift towards El Niño by the end of winter, though timing remains uncertain, ranging from as early as May to late winter depending on ocean-atmosphere coupling.

Root zone soil moisture



Note: *As of 28 March 2026*
Source: *BOM*

April to June chance of exceeding median rainfall



Note: *As of 26 March 2026*
Source: *BOM*

Rabobank

Vitor Pistoia
Senior Analyst
Grains & Oilseeds

Vitor.Cacula.Pistoia@rabobank.com
X: @victor_agri

Wheat and barley

Finding firmer price-footing

Wheat and barley prices have been volatile over the past month amid heightened tensions in the Persian Gulf. On an Australian dollar basis, the CBOT front-month wheat contract rose 5.7% month-on-month (MOM) to around AUD 323/tonne, and by mid-March was showing a 14.2% increase. MATIF followed with a more moderate but firm move, rising 4.8% to approximately AUD 344/tonne. Domestic prices tracked global benchmarks – Kwinana APW increased 5.3% MOM to AUD 340/tonne, while Geelong rose 3.5% to AUD 326/tonne.

While the conflict in the Middle East is expected to reshape global supply-demand dynamics later in the year and weigh on production profitability, wheat and barley fundamentals remain broadly balanced for now. **A large 2025 global harvest continues to cushion markets, with global wheat supply last year estimated at around 7% above the 2020-24 average**. This has slowed the transmission of higher fuel and fertiliser costs into grain prices. However, rising energy prices and tightening nitrogen availability are now beginning to influence seeding decisions and margin structures.

Globally, spring cereal sowings across parts of Europe, Asia, Canada and Australia are expected to edge lower as growers **reassess risk-adjusted returns under elevated input costs, partially by reducing inputs use, and partially by replacing cereals for pulses and oilseeds.**

Beyond geopolitics, sub-optimal soil moisture across meaningful parts of the US cropping belt has supported CBOT wheat prices, alongside a significant reduction in managed money short positions. With speculative positioning now largely neutral, further gains are likely to depend on a material weather shock elsewhere in the Northern Hemisphere.

In Australia, wheat margins were already under pressure prior to the conflict, and low soil moisture across northern New South Wales and Queensland adds to production uncertainty for 2026/27. High cattle-on-feed numbers, expected to persist into 2026, are already tightening local feed grain markets. This is evident at Brisbane port, where APW prices have risen 11.5% month-on-month to AUD 369/tonne and feed barley 13.3% to AUD 371/tonne, well-above southern East Coast ports. **As input-led supply constraints build through supply chains, grain prices are expected to remain firm, pointing to the upside later in the year.**

What to watch:

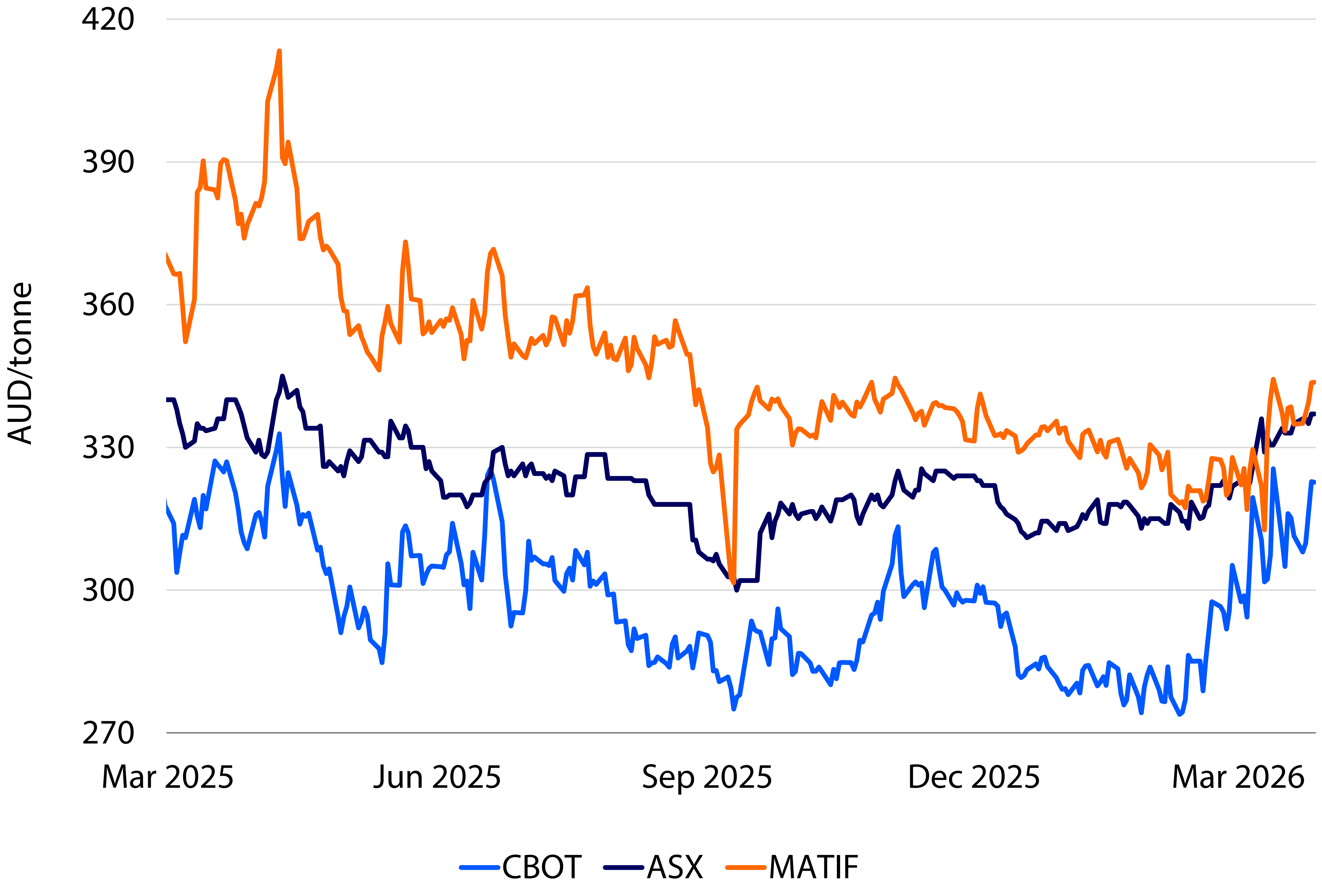
- **Strait of Hormuz vessel flow –** Global fuel stocks are being drawn down rapidly in the absence of Persian Gulf exports. With key countries such as Brazil, India and Australia harvesting and sowing crops, any disruption to field operations could materially compromise production and tighten stocks later in the year.
- **US prairies wheat –** Recent reports point to winterkill and weak crop development across the US prairies. NOAA forecasts for April-June suggest below-average rainfall for many of the winter-wheat-growing states, as well as spring-growing regions in the northwest. With managed money having largely unwound its net short position on CBOT wheat, a shift towards net longs on deteriorating US crop conditions would add further upside momentum to prices.

Rabobank

Wheat and barley

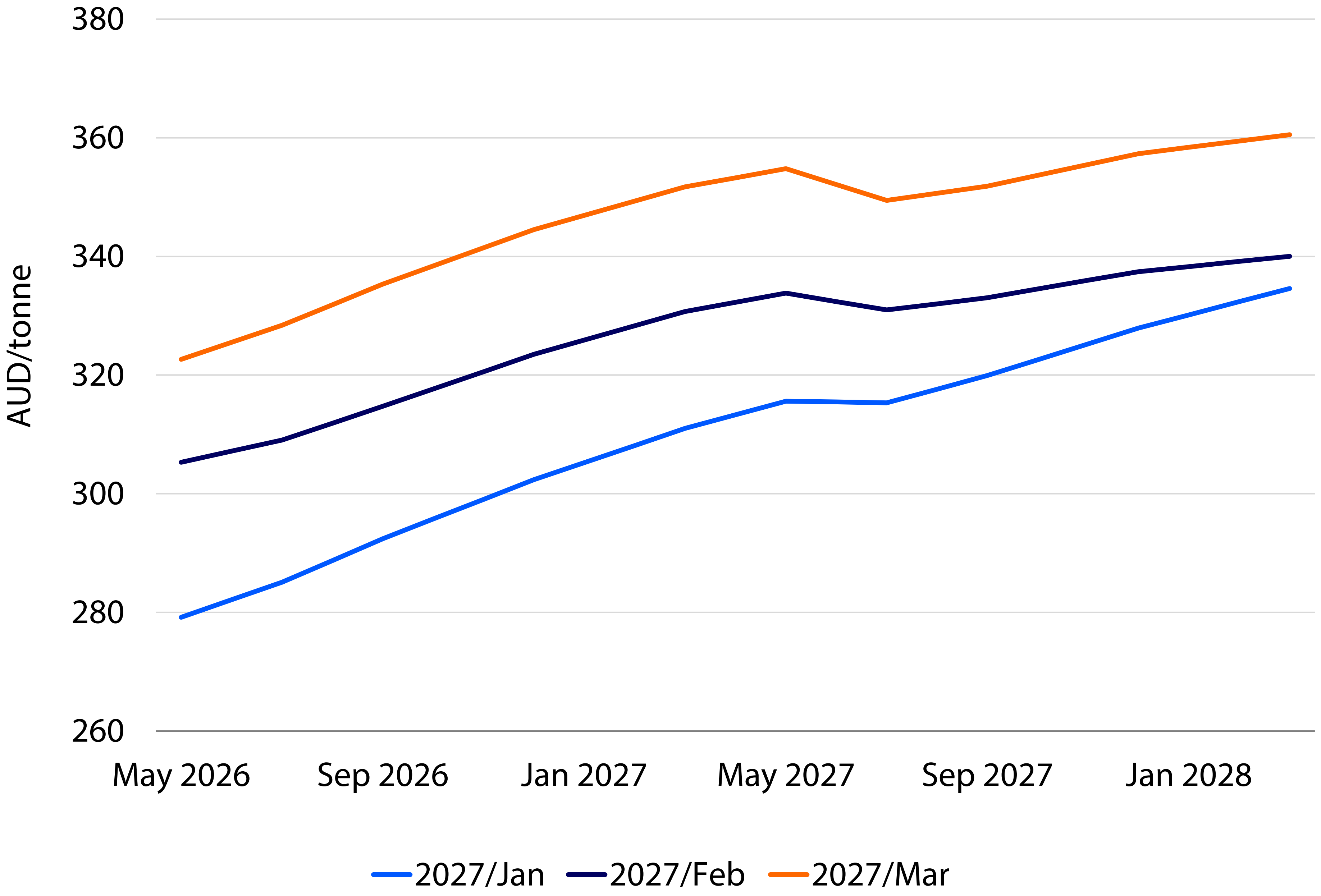
Wheat markets in flux – spot strength and forward curve surge

Global front-month wheat prices and basis are adjusting to a tightening 2026 supply-demand outlook…



Source: *Bloomberg, RaboResearch 2026*

…and the CBOT wheat forward curve is beginning to price the Middle East conflict into 2027-28



Source: *Bloomberg, RaboResearch 2026*

Rabobank

Canola

It is not all about crude oil

Over the past 30 days, oilseeds markets have been supported by a combination of energy-linked tailwinds and improving oilseed-specific fundamentals. Higher crude oil prices, alongside concerns over fuel and fertiliser availability, have underpinned expectations for firmer margins across the oilseed complex. **Front-month MATIF canola rose 4.0% month-on-month to AUD 841/tonne, while ICE canola gained 9.9% to AUD 764/tonne**. In Australia, price movements were mixed: Kwinana GM canola eased 3.2% to AUD 667/tonne, while Geelong non-GM increased 2.1% to AUD 729/tonne and GM canola strengthened 7.3% to AUD 670/tonne.

Importantly, **oilseeds strength predates the recent escalation in the Middle East**. Even before the conflict, oilseeds were expected to gain area over cereals this season, reflecting a relatively stronger profitability outlook. Recent energy disruptions have reinforced this trend, with higher nitrogen costs and historically strong correlations between crude oil and vegetable oils improving canola's competitiveness versus wheat, barley and corn. **In general, despite rising farming costs, canola has a better risk-reward relationship than wheat and barley.**

Global oilseed markets are also benefiting from momentum in the wider vegetable oil complex. A rally in soybean oil has lifted crush margins, encouraging higher processing demand and supporting prices across competing oilseeds. **US policy announcements around biofuel mandates for 2026 and 2027 further boosted soybean oil prices – up 41.5% year-to-date.** Changes in the eligibility for credits for biofuel feedstock imports have not been confirmed, preserving demand for Canadian canola oil. As US domestic crushing expands and soybean export availability is likely to soften, alternative oilseeds have extra room to find demand.

Fuel and fertiliser availability remain key swing factors for oilseeds production globally. **While elevated input costs present short-term margin headwinds, any tightening in supply would be rapidly reflected in higher prices, particularly given strong processing demand.** In Australia, favourable February and March rainfall across WA, SA and Victoria adds support to an expansion in canola area year-on-year, largely at the expense of cereals. The longer the conflict in the Middle East lasts, the higher canola prices are likely to be by Q4 2026.

What to watch:

- **Biofuel mandates in response to energy price shock –** Many countries have changed biofuel blending mandate volumes and implementation timing to cushion crude oil price hikes – for example, Thailand moving biodiesel blending from 5% to 7%, and Vietnam anticipating a 10% ethanol mandate from June to April. Further biofuel blending increases are tailwinds for canola.
- **Oilseeds meal allocation –** Global oilseed crushing continues to rise, driven by strong demand for vegetable oils from biofuels, resulting in rapid growth in oilseeds meal supply. However, demand from the livestock sector may struggle to absorb the surging volume. As a result, oilseeds meal markets are likely to remain relatively well supplied, open to downside risk unless feed demand strengthens or supply is disrupted.

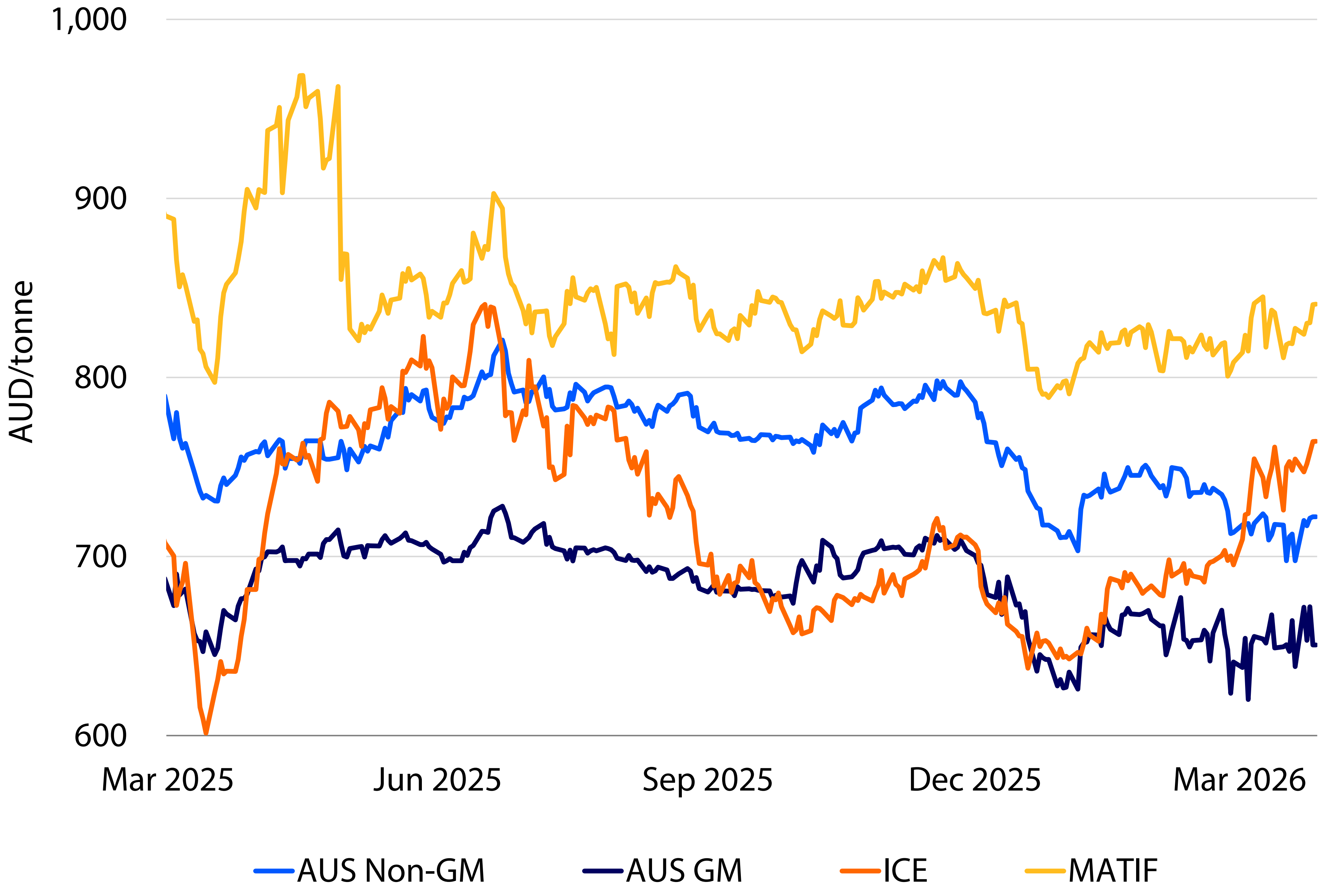
Vitor Pistoia
Senior Analyst
Grains & Oilseeds

Vitor.Cacula.Pistoia@rabobank.com
X: @victor_agri

Canola

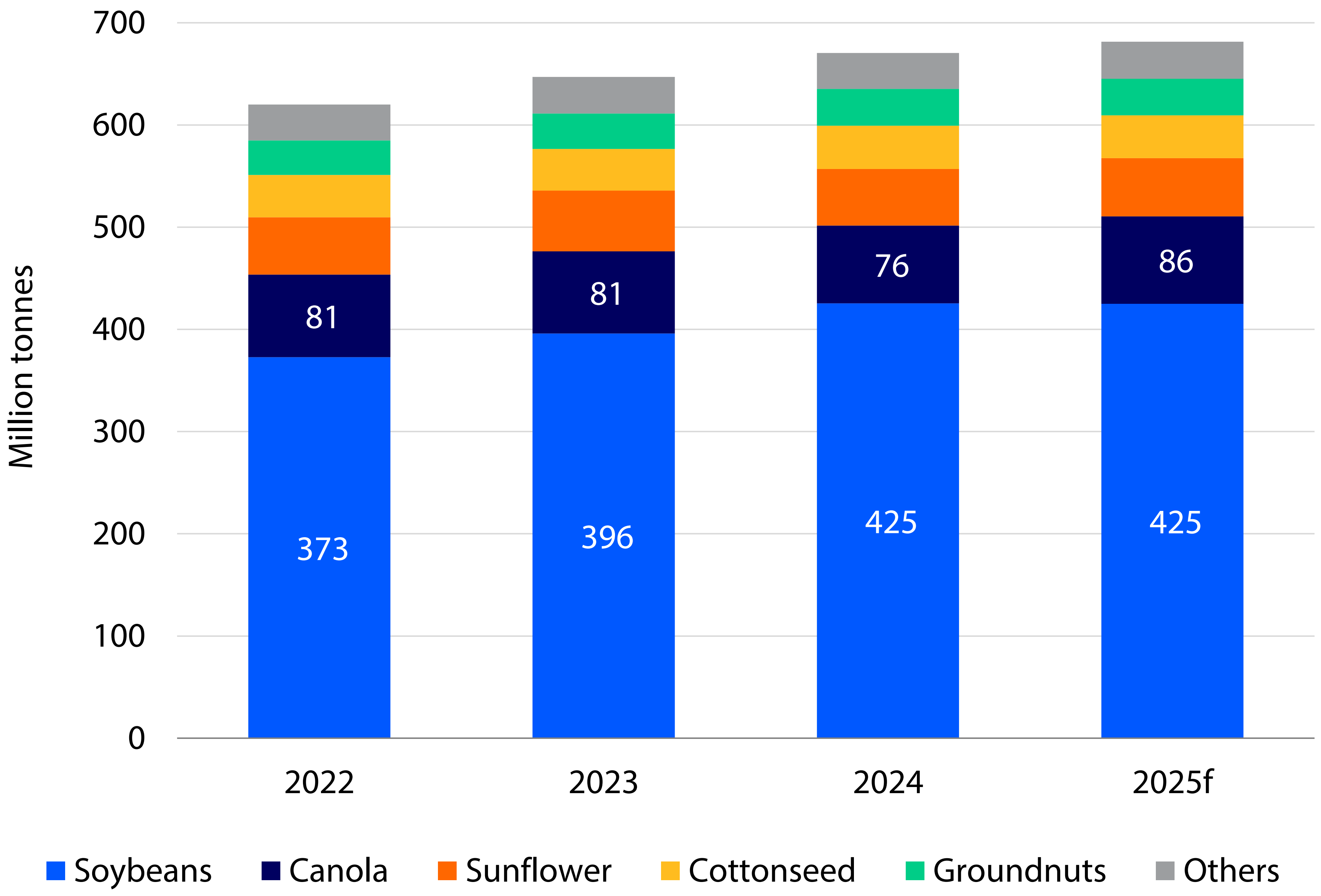
Prices react on Persian Gulf conflict despite an expansion of global oilseeds supply

Overseas canola benchmarks strengthen on the back of Middle East conflict, and Australian prices trail

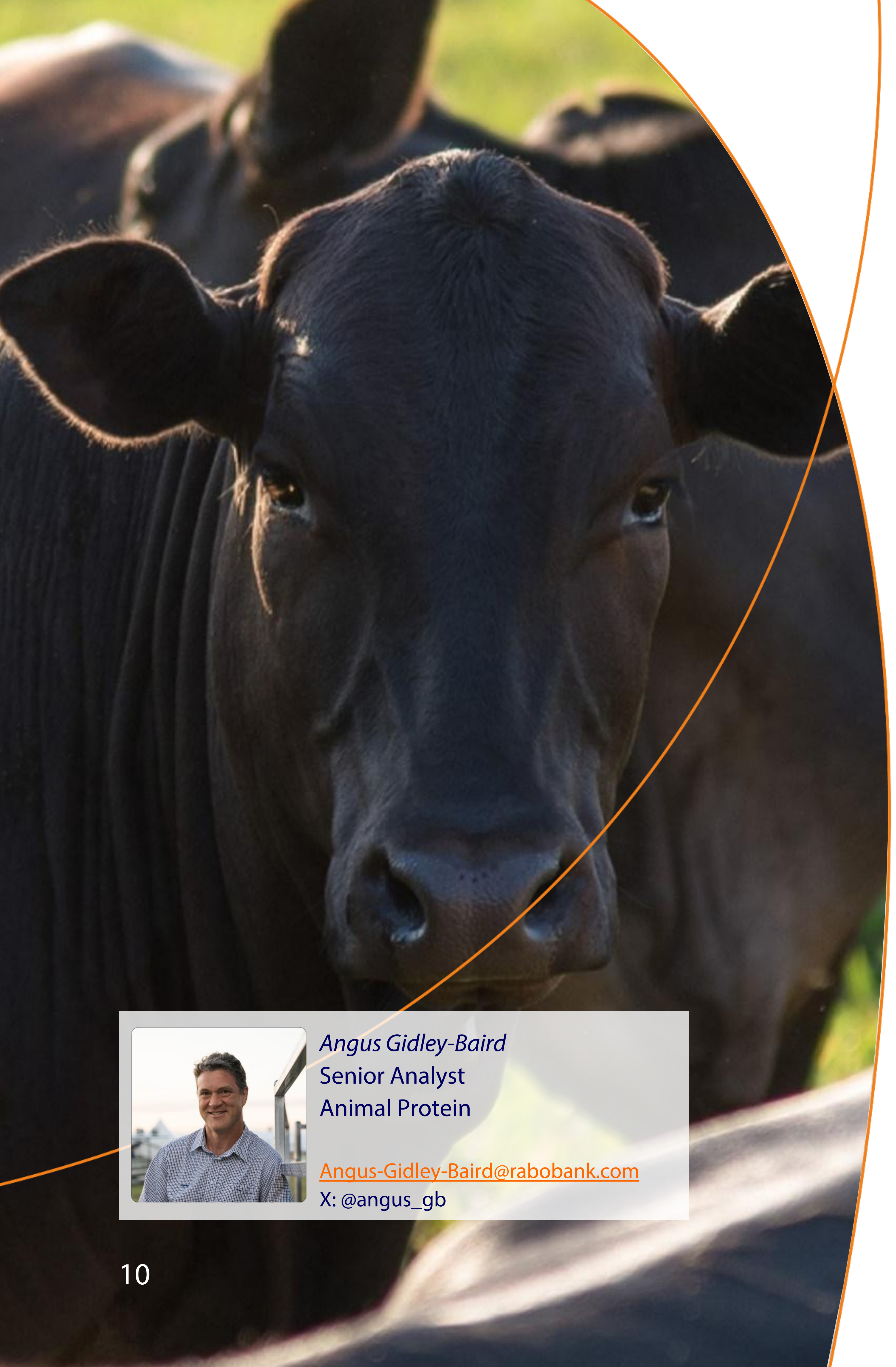


Note: *Australian prices refer to the port price average*
Source: *Bloomberg, RaboResearch 2026*

Global supply of major oilseeds has been rising in recent years on the back of biofuel demand and profitable crushing margins



Source: *Oil World, RaboResearch 2026*



Beef

Market continues to hold, EU agreement brings little gains

Australian cattle prices continued their stable path through March. Some favourable rain through large parts of Queensland possibly limited some cattle getting to the markets and also provided a bit of spark among the producer buyers to keep prices firm. The National Young Cattle Indicator was AUD 4.46/kg on 28 March down 6% from the end of February but still 5% above the five-year average. Finished cattle prices continue to remain high off the back of strong global demand, with heavy steers and processor cows trading 28% and 34% above the five-year average. Interestingly feeder cattle prices continue an upward trend, sitting around AUD 4.85/kg, about 21% above the five-year average, at the end of March suggesting strong demand remains for feeder cattle. This is despite the prospect that Australia will reach the China import quota in about June. China is the largest export market for grainfed beef.

RaboResearch believes the recent rains through large parts of Queensland will provide some assurances to the market and mean prices will remain around current levels into the next month. This assurance is reflected in the recent northern NSW cattle sales, where producers are offloading larger numbers due to drier conditions. Prices are remaining firm as processors and buyers out of the area are picking up the increased numbers.

Weekly cattle slaughter numbers remain strong, up 6% year-to-date compared to the same period last year, with Victorian numbers up 11%. Large numbers of cattle being slaughtered in Victoria are understood to be sourced from interstate and with the recent rises in fuel costs and potential limitations in supply, it will be interesting to see if this sourcing activity continues. RaboResearch believes cattle slaughter will continue to remain strong due to high cattle numbers, but we may see a slight shift in volumes among the states.

Cattle on feed numbers for Q4 2025 released in March, showed a new record of 1.6m head on feed. Grainfed cattle turned off also reached a new record at 947,200 head. The turnover of cattle on feed has been gradually increasing since late 2023 and these numbers continue this trend.

Australian beef export data for the month of March had not been released at time of writing, but indications were that volumes were up on the same period last year with stronger volumes to South Korea, the US and even Japan. According to an announcement by the Chinese Ministry of Commerce on 27 March, Australia has reached 50% of the allocated (205,000 tonne) quota. With January being a lower export volume month and exports sent in December being cleared through Chinese customs in this calendar year, we estimate Australia is likely to reach the 205,000 tonne quota before mid-June. This may generate some volatility in the market as processors and exporters redistribute volumes.

What to watch:

- **Trade agreement with Europe –** Australia reached a trade agreement with Europe but the benefits for beef appear to be limited. A positive is that the 20% tariff is removed from beef within the Hilton country-specific quota (3,389 tonne), supporting Australian beef price competitiveness. Another benefit is the identification of a 30,600 tonne quota at 0% duty. This is started at 10,200 tonnes, then increased after five years but still remains far lower than access provided to other supplying countries. A note also that 55% of this is required to be grassfed beef, which means Australia's total grainfed allocation is reduced. RaboResearch estimates that 20%-25% of recent exports have been grassfed beef so there will be more opportunities for grassfed beef.

Angus Gidley-Baird
Senior Analyst
Animal Protein

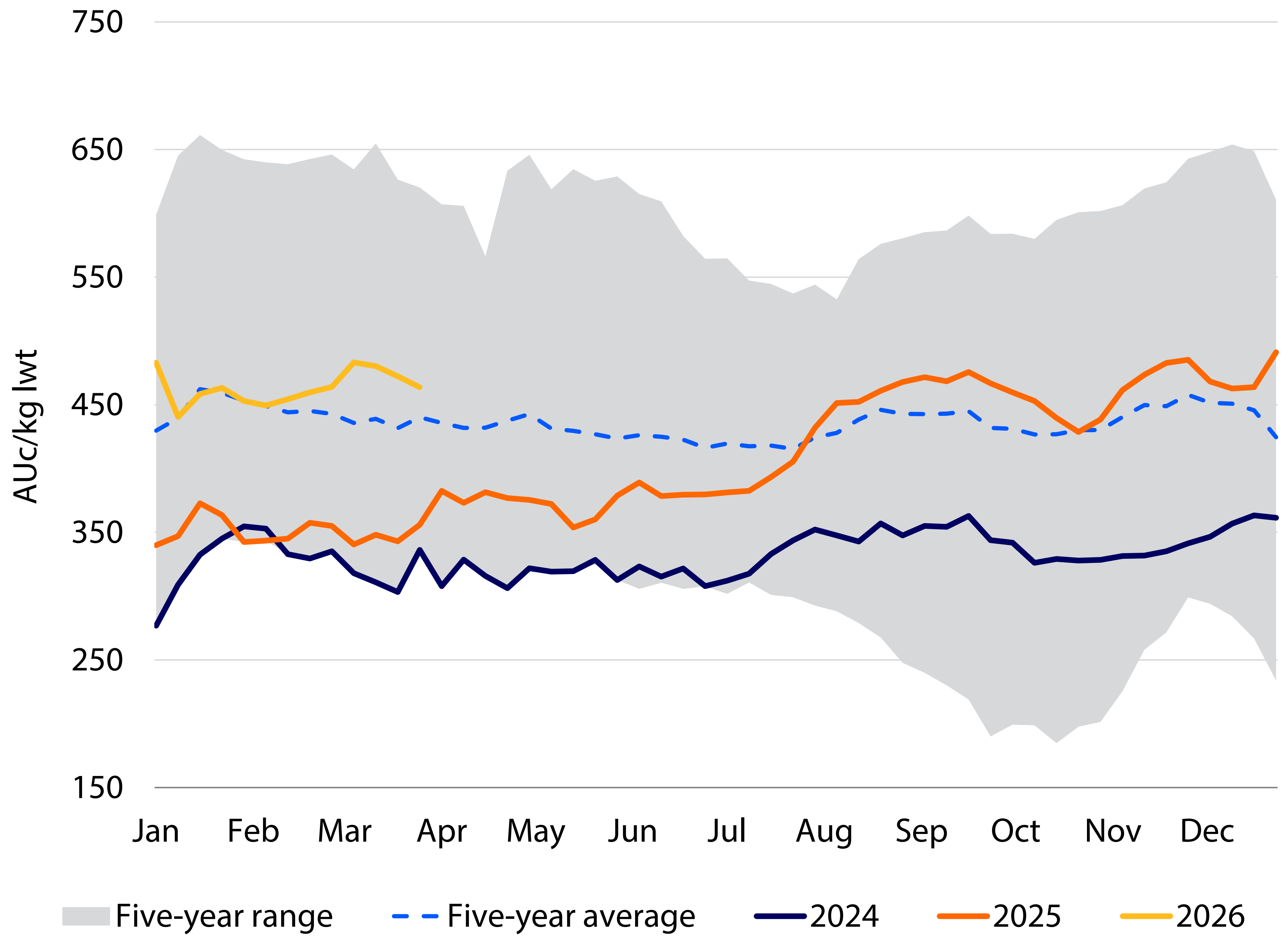
Angus-Gidley-Baird@rabobank.com
X: @angus_gb

Rabobank

Beef

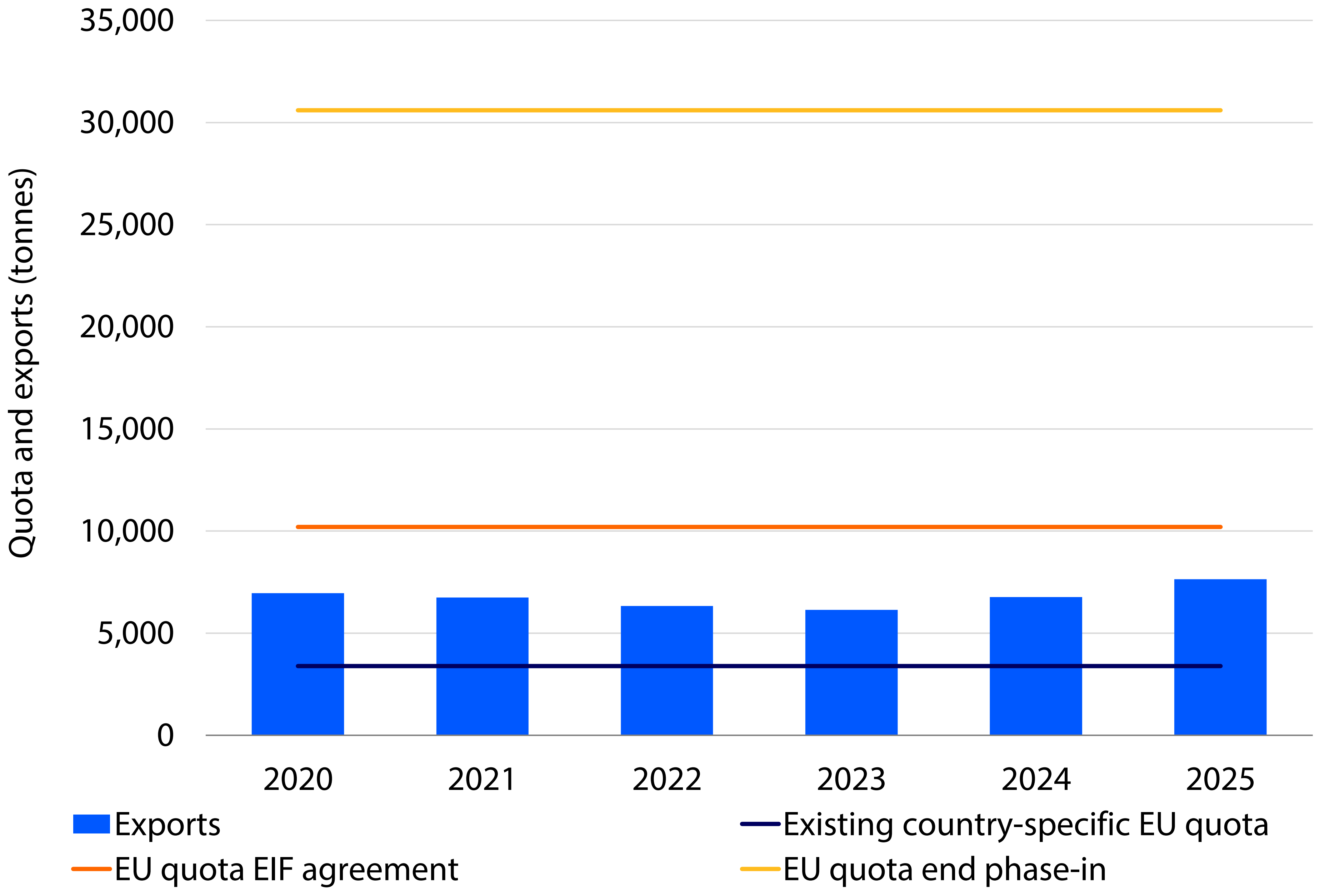
Australian cattle prices hold, EU agreement provides some opportunities but less than competitors

NYCI continues tracking sideways



Source: *MLA, RaboResearch 2026*

Opportunities to grow EU exports but still less than other major exporters



Source: *DAFF, RaboResearch 2026*

**note Australian exports are in shipped weight but EU quotas are in carcass weight equivalent*

Rabobank

Sheepmeat

Prices hold despite Middle East market disruption

Most price categories of lamb and mutton pushed higher through March, possibly a result of rainfall through large parts of southeastern Australia, which led to producers holding lambs and sheep in an already limited supply market. Interestingly, despite the trade disruptions caused by the conflict in the Middle East – see what to watch below – prices in Middle East-exposed markets such as Tasmania, Western Australia and Victoria (mutton) have finished the month with rising prices. This suggests the lower availability of lambs and sheep and the processor demand to keep plants running is the stronger force in the market at the moment.

RaboResearch believes the ongoing shortage of lambs will continue to support prices at current levels for the coming month. However, the Middle East is a significant market and despite the lower lamb and sheep slaughter volumes, the absence of this market over a longer period will require some adjustment to markets – in particular some of the more specialized markets such as the bag lamb trade. An added complication caused by the conflict is the availability of fuel and the potential restrictions on transport. Large volumes of Tasmanian sheep rely on transport to the mainland and we have seen large volumes of WA sheep transported to the east.

Weekly lamb slaughter volumes picked up towards the end of March after the Victorian public holiday early in March. However, they are continuing to follow their downward trend. Year-to-date lamb slaughter is down 11% with the biggest drops in Queensland (down 21%) and SA (down 28%). Sheep slaughter is down 31% for the year-to-date, with the largest drops in SA (down 44%) and NSW (down 31%). Both lamb and sheep weekly slaughter volumes are currently hovering around the five-year average. **But we believe sheep volumes will drop in the coming months, similar to 2019, while lamb should hold near the five-year volumes.**

Export volumes for March had not been released at time of writing, but preliminary figures show a drop of approximately 10%, in line with the decline in slaughter. Volumes to the US appear to be holding similar to February. Meanwhile, volumes to the Middle East are starting to show the impact of the closure of the market, with lamb volumes down approximately 65% and mutton export volumes down approximately 69%. Export volumes of live sheep for March had not been released at time of writing but industry sources indicate that trade to the Middle East has been suspended. February to June usually shows the largest live sheep export volumes and the timing of the conflict will impact trade.

What to watch:

- **Middle East conflict –** 83% of live sheep exports, 19% of lamb exports and 31% of Australia's mutton exports were sent to the Middle East last year with some states having greater exposure than others. Following the start of the conflict, there have been news reports that shipments of sheepmeat on their way to the Middle east have been stopped. With ~70% lamb exports to the Middle East exported in chilled form, the shorter shelf life would make it more difficult to deal with any delays. While the shortage of lambs and sheep means prices are currently holding, the prospect that the conflict and therefore market access may be limited for an uncertain amount of time, could start to influence markets.

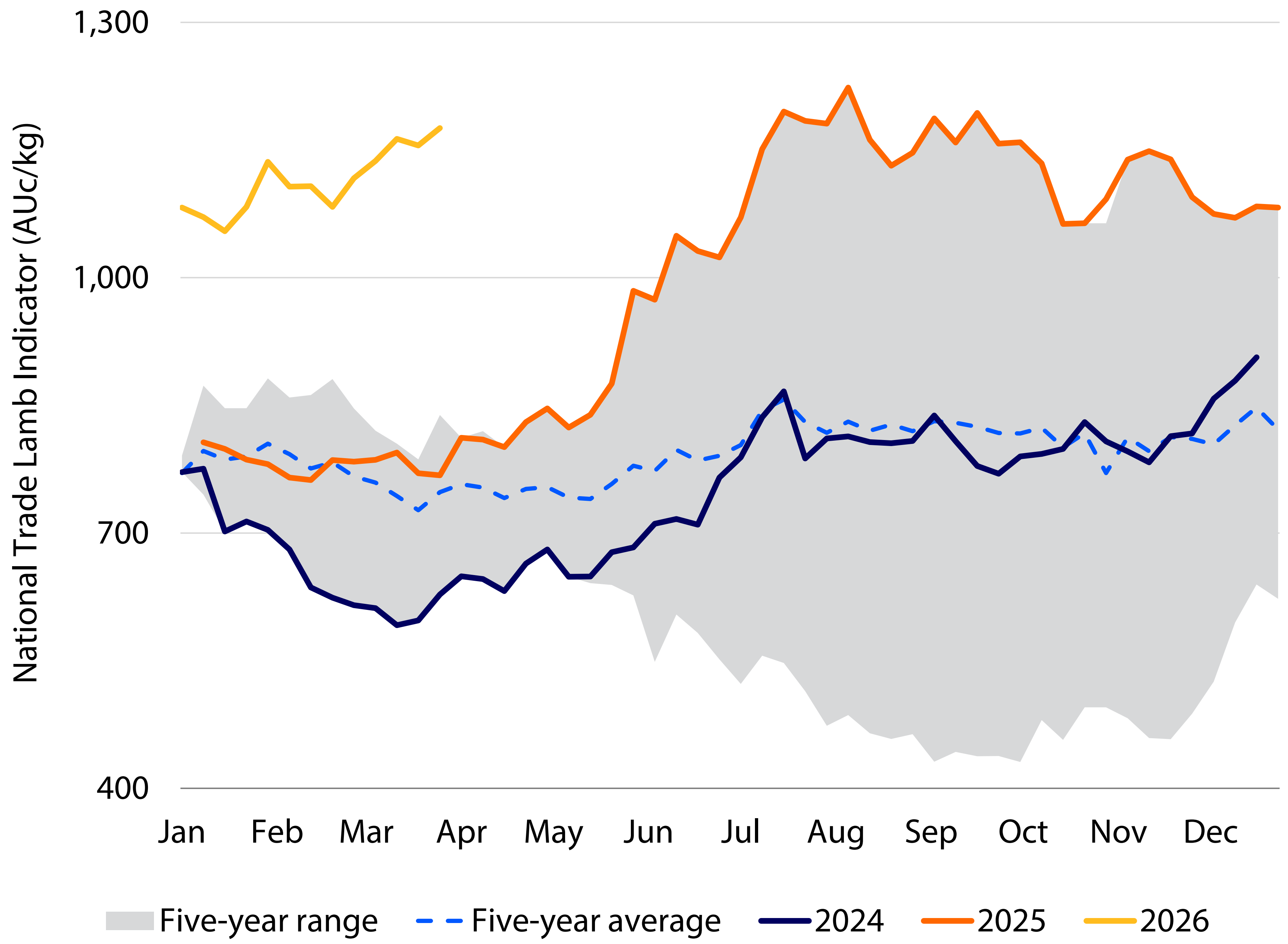
Angus Gidley-Baird
Senior Analyst
Animal Protein

Angus-Gidley-Baird@rabobank.com
X: @angus_gb

Sheepmeat

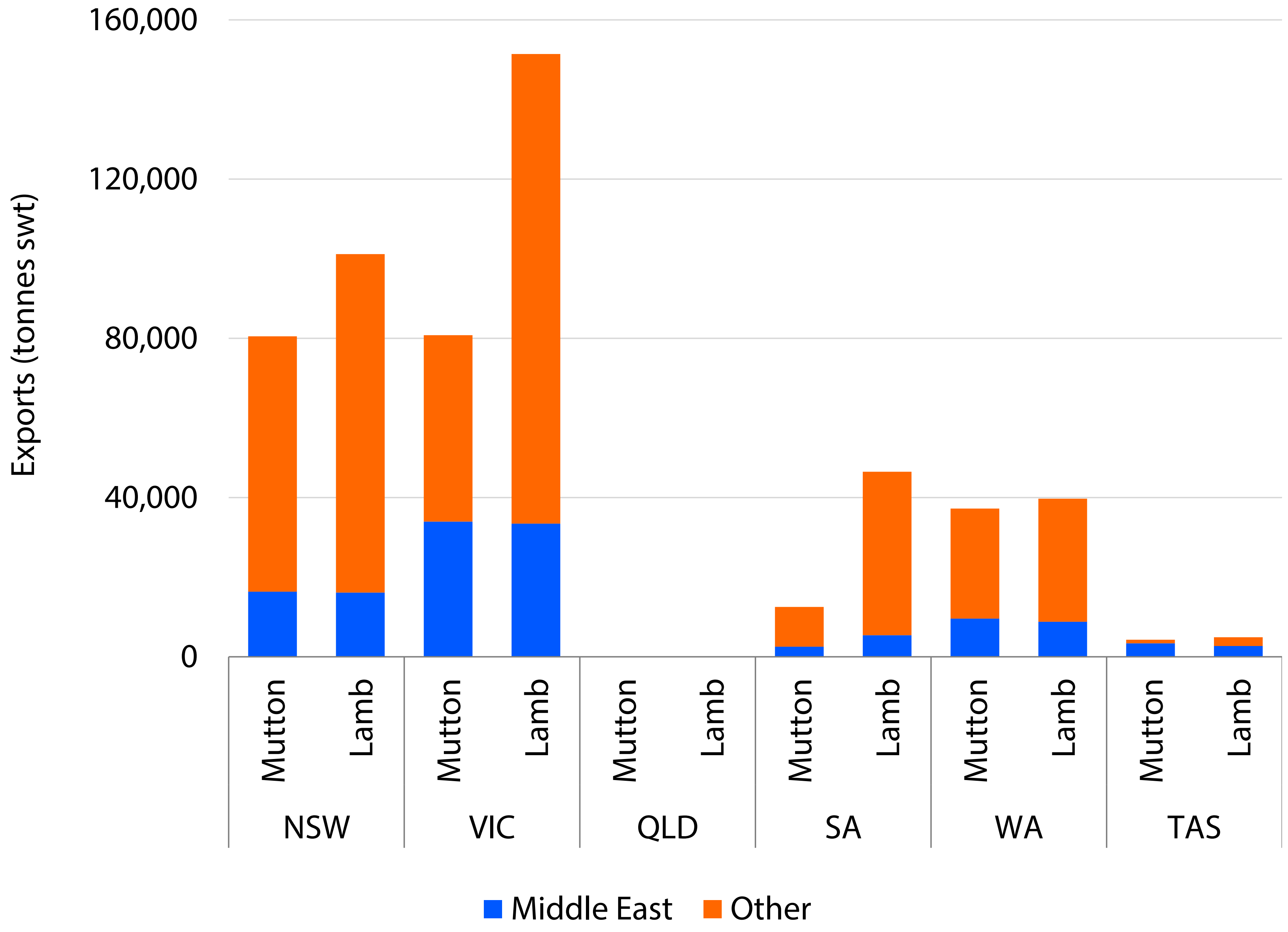
Lamb prices remain strong despite uncertainty of Middle East markets

National Trade Lamb Indicator (NTLI) remains elevated

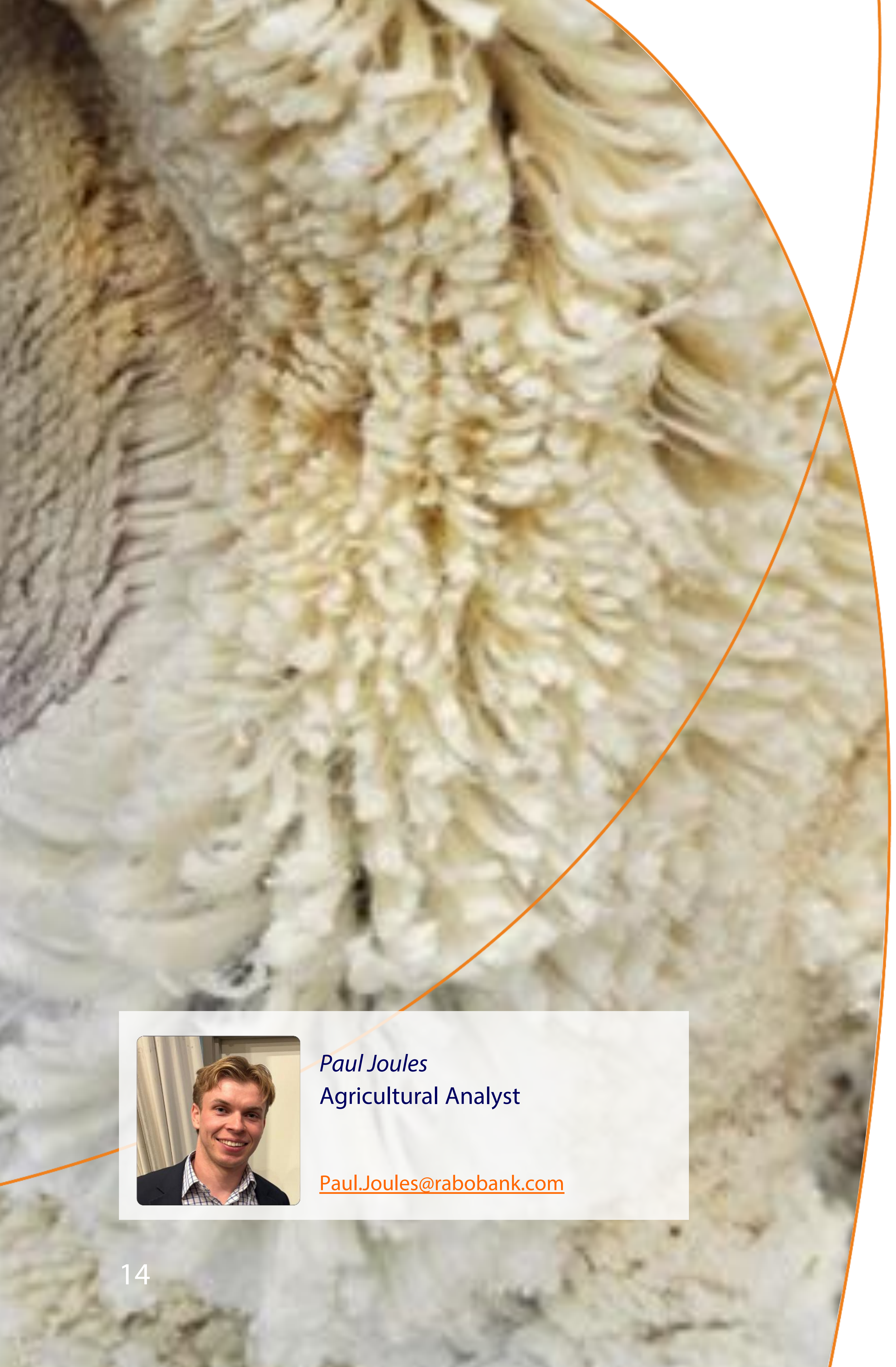


Source: *MLA, RaboResearch 2026*

Middle East market exposure by state of processing



Source: *DAFF, RaboResearch 2026*



Wool

EMI prices rise 3.2% MOM despite mixed demand signals

Australian wool markets delivered a mixed performance over March, with modest gains at the finer end offset by renewed weakness in coarser micron categories. Over the past 30 days, the Eastern Market Indicator (EMI) rose 3.2% month-on-month, reflecting continued support for fine Merino types. Prices for 17-micron wool increased by 3.2%, while 18-micron wool recorded a stronger gain of 4.9%. Nineteen-micron wool also moved higher, rising 3.7% over the month.

In contrast, coarser wool categories underperformed sharply. Thirty-micron wool declined by 5.8% month-on-month, while 28-micron wool fell 6.8%, highlighting persistent demand challenges for broader microns.

After a strong period of post-Chinese New Year gains, market momentum softened toward the end of March, with prices pulling back slightly. This may reflect a more risk-off approach to procurement, as market participants remain cautious amid the ongoing Middle East conflict and the potential inflationary pressures it could generate.

Despite a sluggish end to the month, March still delivered an overall positive outcome in terms of price action. Demand was evident earlier in the month, particularly at the start of March, when finer Merino wool performed especially well.

Looking ahead, upcoming sales volumes and buyer participation will be closely watched to assess the market's capacity to absorb current supply levels and re-establish upward momentum. The balance between selective demand, currency movements, and downstream margin pressure will remain critical in shaping near-term price direction. Over the past five days, the Australian dollar has retreated by 1.3%, which could help encourage some buyers to secure volumes.

What to watch:

- **Developments in the Middle East will remain critical and could have an extended impact on consumer confidence further down the line.** Wool buyers will be mindful of this, and it could potentially weigh on near-term demand.

Paul Joules
Agricultural Analyst

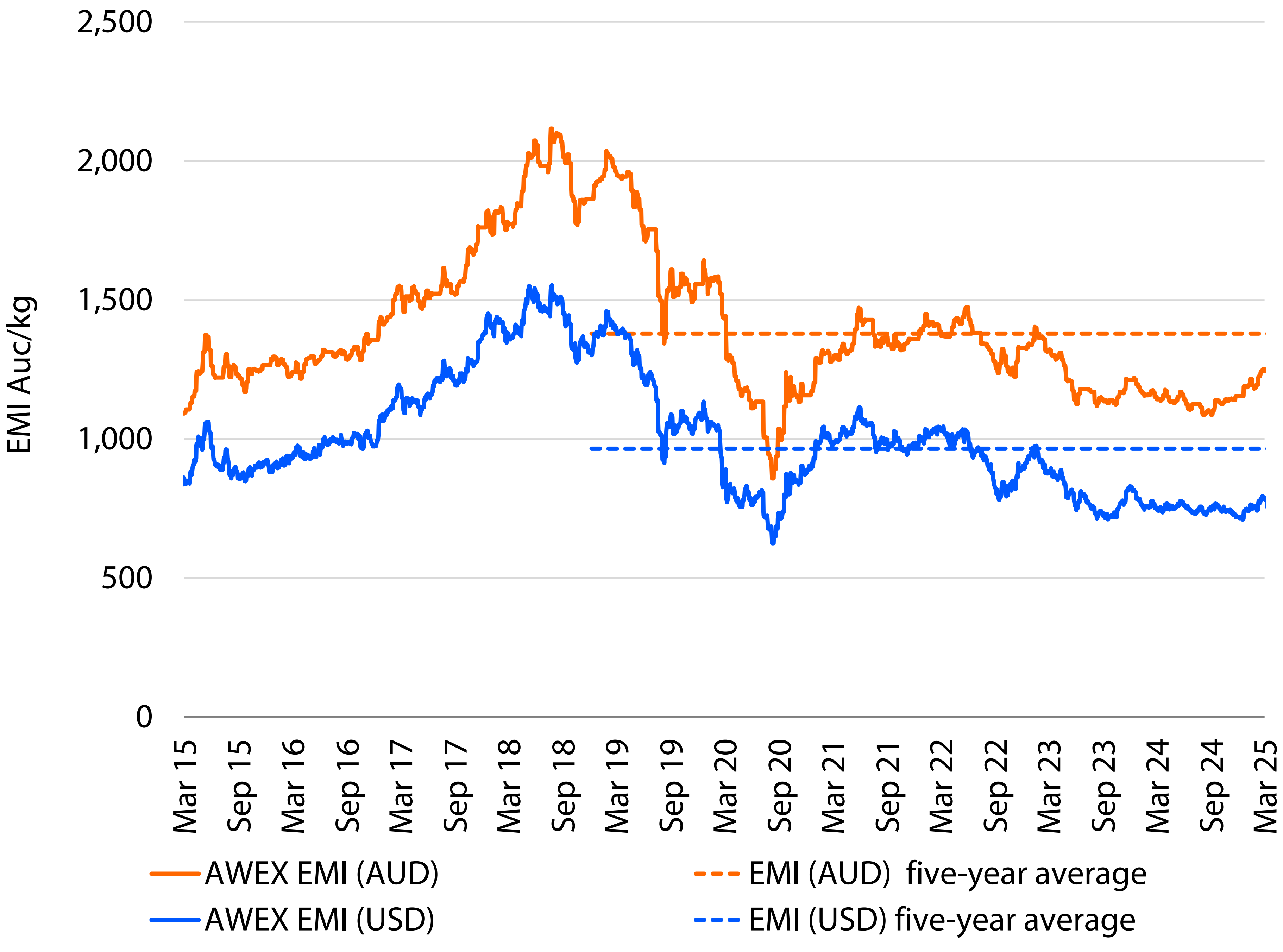
Paul.Joules@rabobank.com

Rabobank

Wool

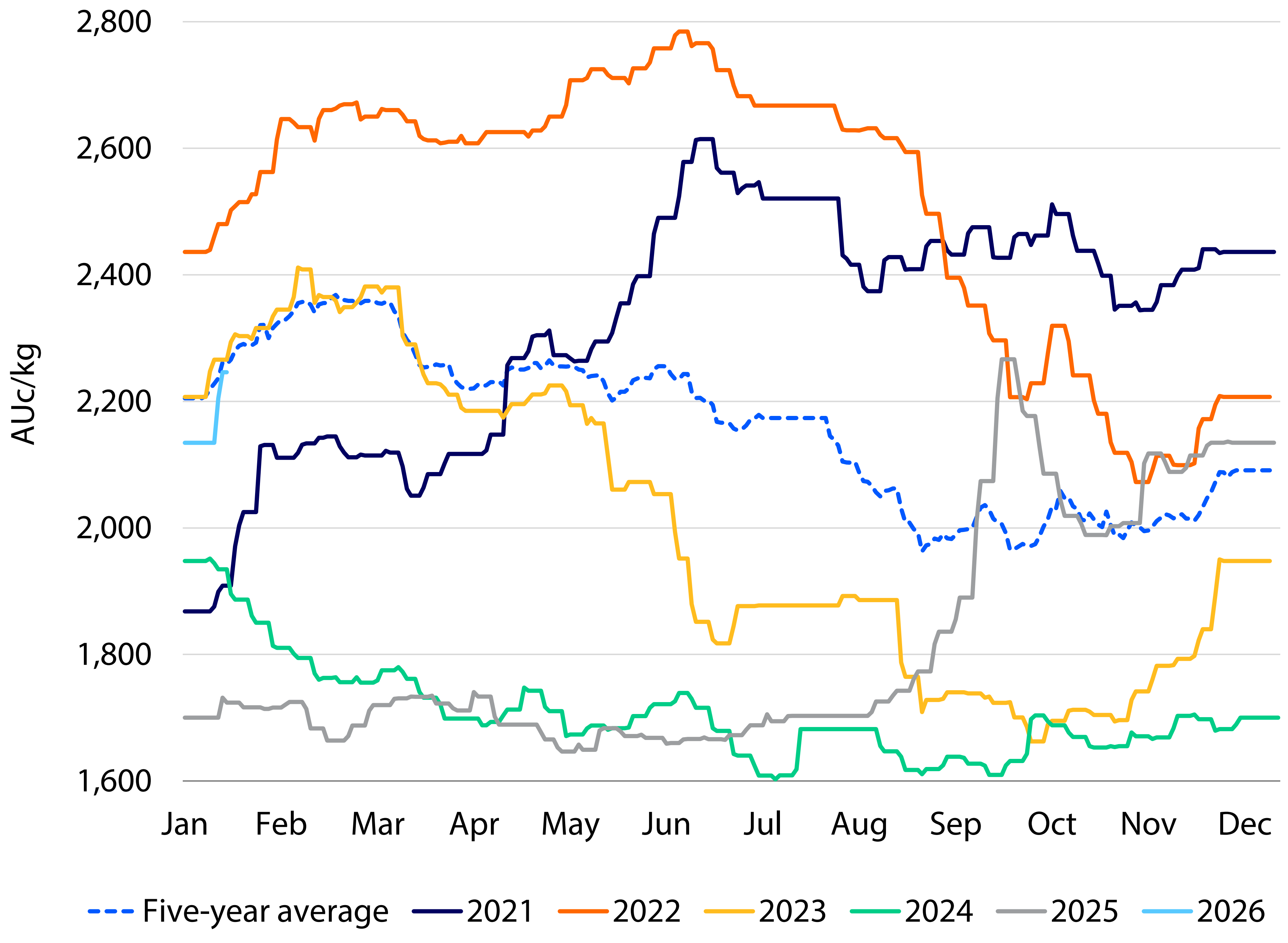
It was a relatively muted month for wool price action, despite exports underperforming

EMI prices rose 3.2% month-on-month



Source: *Bloomberg, RaboResearch 2026*

17-micron prices gained 3.2% month-on-month



Source: *Bloomberg, RaboResearch 2026*

Cotton

Australian cash prices rise month-on-month

Cotton prices found support over March, with the ICE #2 May-26 futures contract rising 6.5% month-on-month. This uplift translated into stronger Australian cash prices, which moved above the mid-AUD 500s. The sharp rise in crude oil prices – up around 40% over the month – appears to have been a key factor underpinning cotton markets.

RaboResearch notes, however, that higher crude prices can have mixed implications for cotton demand. On the positive side, rising oil prices lift polyester production costs, improving cotton's relative competitiveness and potentially allowing it to gain market share in fabric consumption. Using US export sales as a proxy for demand, recent weeks have shown relatively strong buying activity, suggesting concerns around higher synthetic fibre costs may already be influencing purchaser behaviour.

Conversely, elevated oil prices can weigh on broader consumer confidence and discretionary spending. In such an environment, retail sales may soften, increasing the risk of weaker apparel demand. These opposing forces imply that the ongoing Middle East conflict is likely to introduce greater volatility into cotton markets, as importers attempt to gauge downstream consumer impacts.

Beyond demand, production prospects among major exporters remain a key focus. For several months, RaboResearch has highlighted Brazil as an early indicator of supply-side adjustment, with acreage responding to persistently tight farm margins. Over the past month, the sharp escalation in Middle East tensions has driven urea prices approximately 50% higher, further eroding cotton profitability globally. Against this backdrop, it now appears unlikely that exceptional yields will materialise across major producing regions, a pullback that could lend support to prices as the season progresses.

Over the past month, managed money have cut their net-short position in half, with speculators appealingly adopting a risk-off approach given the situation in the Middle East. We could well see increased activity in terms of speculative activity in the coming weeks depending on the outcome of the war. This could translate into more volatile cotton markets in general.

What to watch:

- **Attention is now shifting to US planting intentions, which could prove pivotal for market direction in the months ahead.** The USDA's prospective plantings report, released at the end of March, will be closely scrutinised. Given elevated fertiliser costs and comparatively stronger pricing for competing crops such as corn and soybeans, US cotton area is expected to remain subdued. With US plantings last season at 9.3 million acres, a materially weaker year-on-year outcome could provide further price support by reinforcing concerns around future production potential.

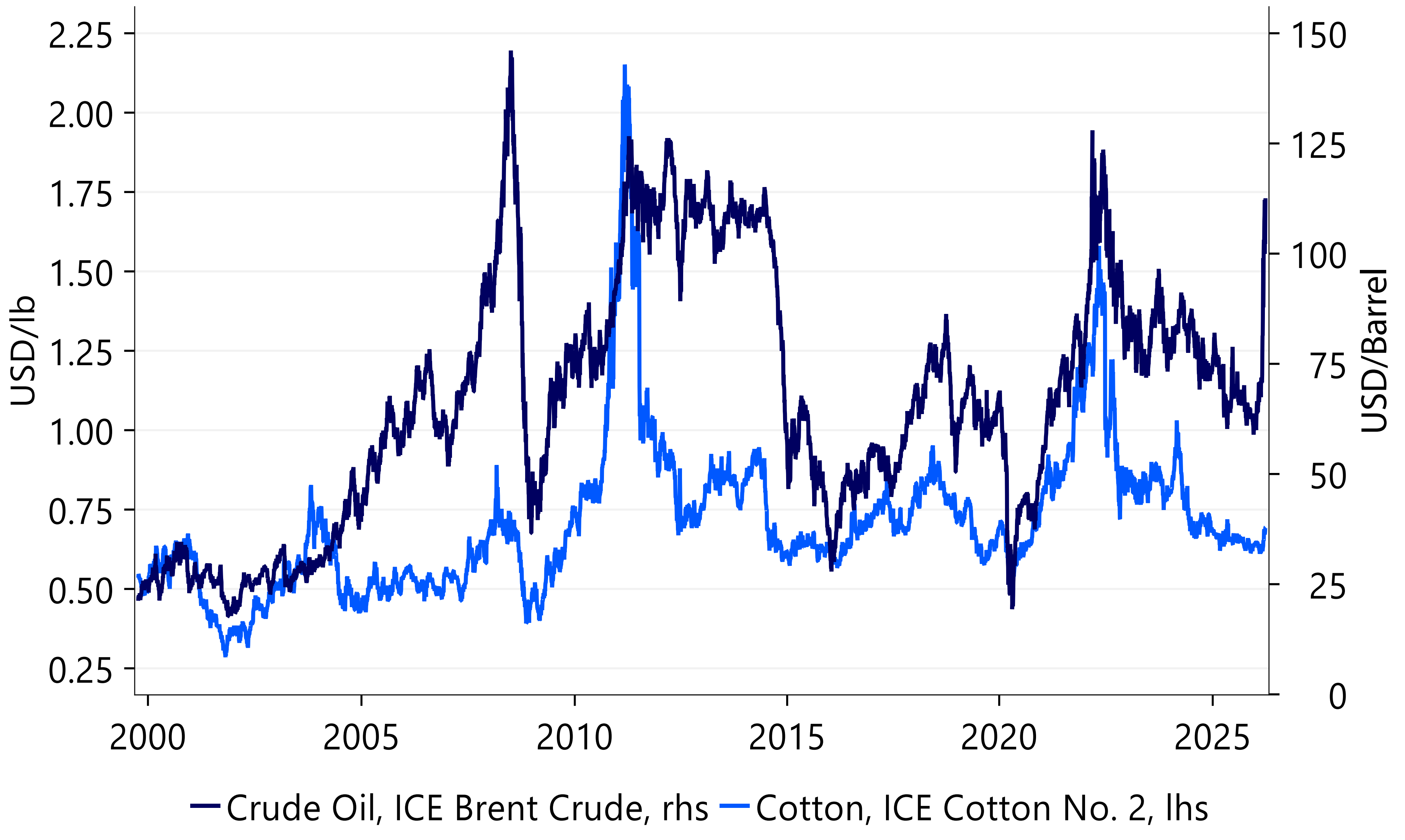
Paul Joules
Agricultural Analyst

Paul.Joules@rabobank.com

Cotton

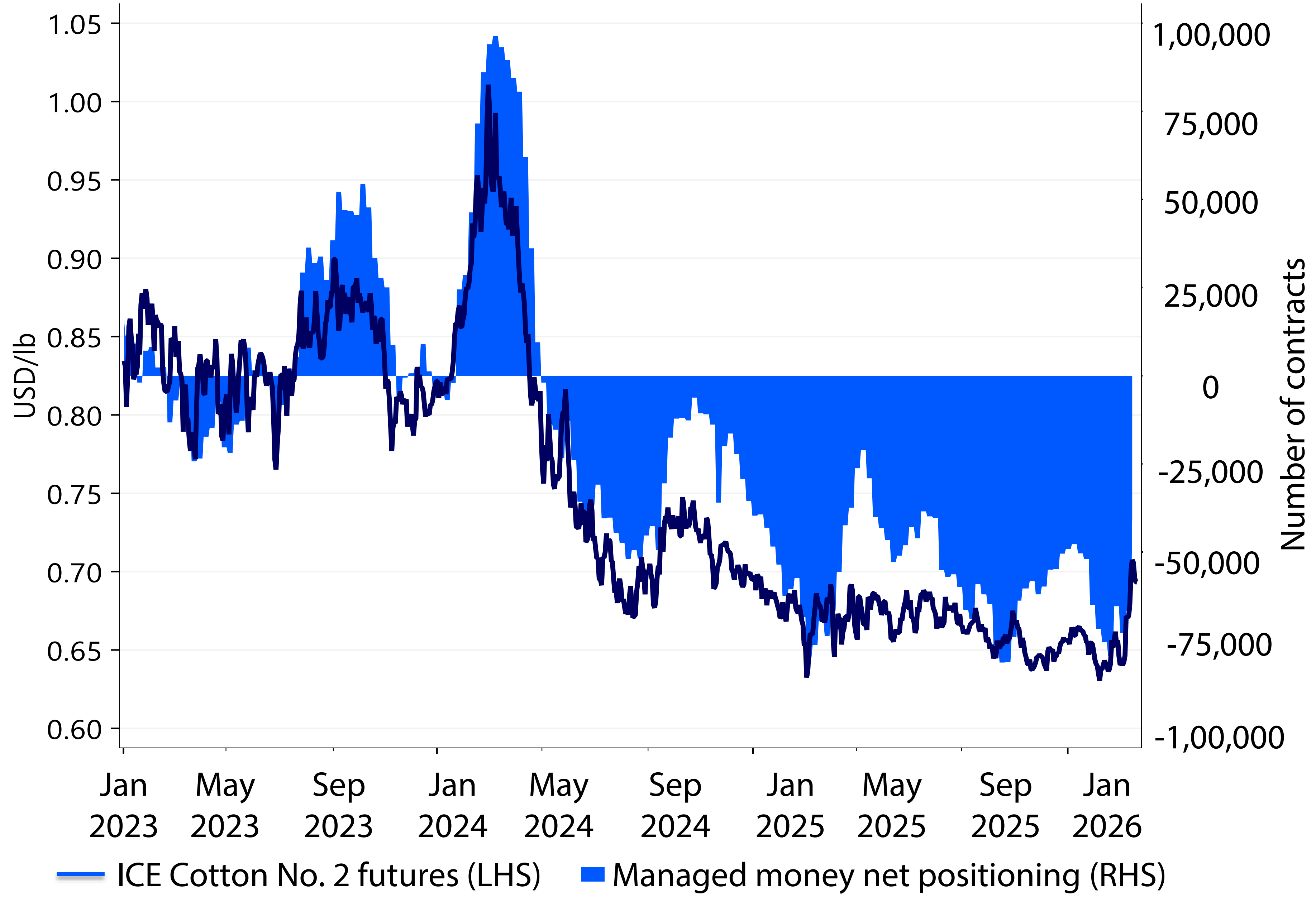
ICE #2 futures rose sharply, with crude oil prices likely providing support

The imperfect relationship between crude oil and cotton prices



Source: *Macrobond, RaboResearch 2026*

Funds extended their net-short position in recent weeks to near-record levels



Source: *CFTC, Macrobond, RaboResearch 2026*

Farm inputs

Urea prices continue to rise amid ongoing war

Over the past month, fertilizer markets have been truly rocked by the ongoing Iran war. Urea prices have been hit the hardest, with granular bulk FOB Middle East spot prices rising 62% over the past four weeks to AUD 1,099/tonne. Conversations on the ground in Australia point to considerably higher retail prices. On the phosphate side, spot Morocco DAP prices increased 10% over the same period to reach AUD 1,145/tonne.

The ongoing war in the Middle East is evolving extremely fast; however, the critical Strait of Hormuz remains effectively closed. Given that over 40% of urea exports flow through this shipping channel, it is evident why the market is rising sharply. At present, RaboResearch's base case is that the Strait of Hormuz remains effectively closed for all of April, with vessel traffic beginning to pick up thereafter. However, movement may be sluggish, as the shipping industry will be looking for evidence that safe transit through the Strait is likely before proceeding. Under this scenario, prices would not return to "normal" levels immediately, as the severe bottlenecks caused by the ongoing blockade would take a number of months to unwind, meaning prices would retreat only gradually.

It is not just the immediate disruption to global urea flows that is driving prices higher, but also the secondary impact of higher natural gas prices – the key feedstock in urea production – which some estimates peg at well over 60% of the total cost of urea fertiliser production.

Last week's strike on Qatar's Ras Laffan LNG terminal (the largest LNG export facility in the world) sent global gas prices sharply higher, with QatarEnergy reporting that the damage has taken 17% of capacity offline, which could take three to five years to rectify. In response to the recent escalation, RaboResearch has revised its TTF natural gas forecast higher, with average prices expected to peak in Q2 this year before slowly pulling back over the following months. Should our expectations prove correct, this means fertiliser producers will likely have to pass on higher production costs in the short to medium term.

What to watch:

- **The scenario mentioned above is our base case, but given the nature of events unfolding, things can change very quickly.** The US claims peace talks with Iran are advanced, which, if successful, could speed up the timeline for commodities moving through the Strait. From a fertiliser perspective, this would certainly help on the price front and alleviate supply fears later in the season on both the urea and fuel sides. These talks will hinge on Iran agreeing to the list of proposals being required by the US – such as no uranium enrichment facilities.

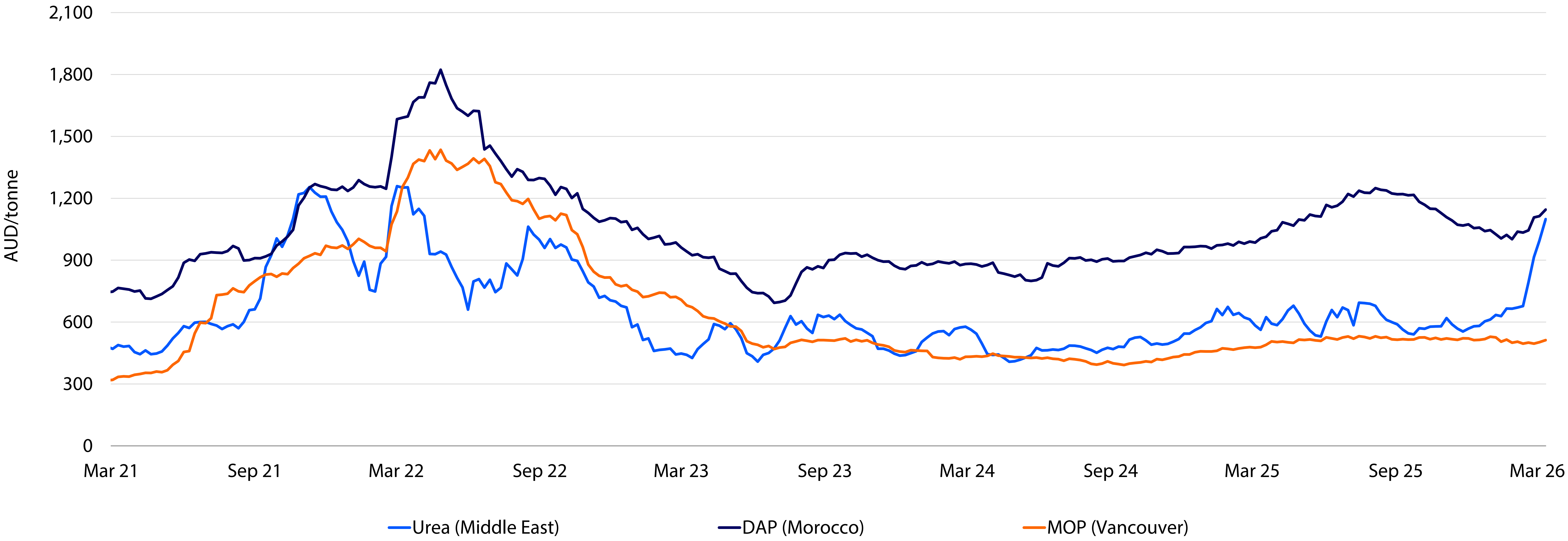
Paul Joules
Agricultural Analyst

Paul.Joules@rabobank.com

Farm inputs

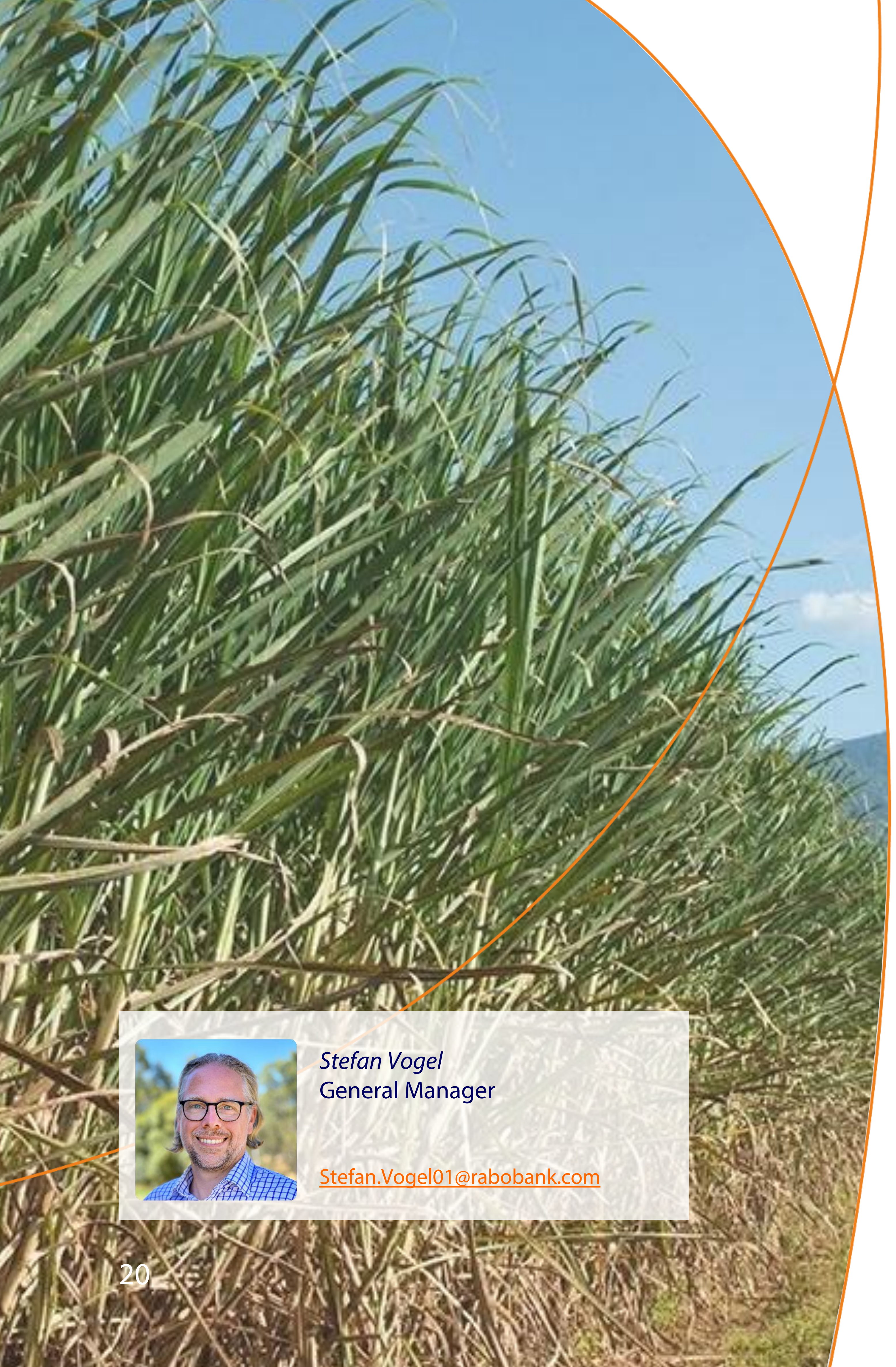
Urea prices spike, whilst phosphate prices are also up MOM

Urea prices have risen an eye-watering 60% over the past four weeks amid severe Middle-East supply disruptions



Source: *CRU, RaboResearch 2026*

Rabobank



Sugar

Sugar markets tighten amid oil volatility

Global sugar markets have strengthened sharply through March, driven primarily by heightened energy market volatility linked to the Iran conflict. ICE May-26 Sugar #11 futures rose over the past month, reaching levels last seen in late 2025. Price movements have closely tracked crude oil, reflecting sugar's exposure to higher costs for energy, processing and freight, as well as shifts in Brazilian ethanol economics.

On the supply side, the global balance for 2025/26 is still expected to show a surplus, but this surplus has narrowed. Indian sugar production estimates have been revised lower as mills ceased crushing earlier than last season. Reduced output has coincided with a rapid improvement in export economics, leading Indian mills to sign new export contracts despite higher freight and insurance costs. Elsewhere, favourable prices may encourage other exporters, such as Thailand, to release additional volumes, potentially loosening trade flows later in the season.

Brazil remains central to market direction. High crude oil prices raise the relative attractiveness of ethanol, which can reduce the share of cane diverted to sugar. Gasoline pricing decisions by Petrobras are therefore a key swing factor. While Brazilian crop conditions are currently favourable and the upcoming harvest is expected to start promptly, even small shifts in the sugar-ethanol mix could significantly alter global sugar availability, given Brazil's scale in export markets.

Demand fundamentals appear more mixed. Higher prices, a stronger US dollar, and logistics disruptions in the Middle East risk tempering import demand, particularly for raw sugar. However, tight white sugar availability and refinery risks linked to disrupted shipping through the Strait of Hormuz have pushed white sugar premiums higher.

What to watch:

- Crude oil price direction and spillover into ethanol economics
- Brazilian gasoline pricing decisions that could shift the sugar mix even more towards ethanol
- Indian production updates and export pace confirming the currently estimated lower production volumes
- Middle East conflict developments affecting freight and sugar refining e.g. in the United Arab Emirates

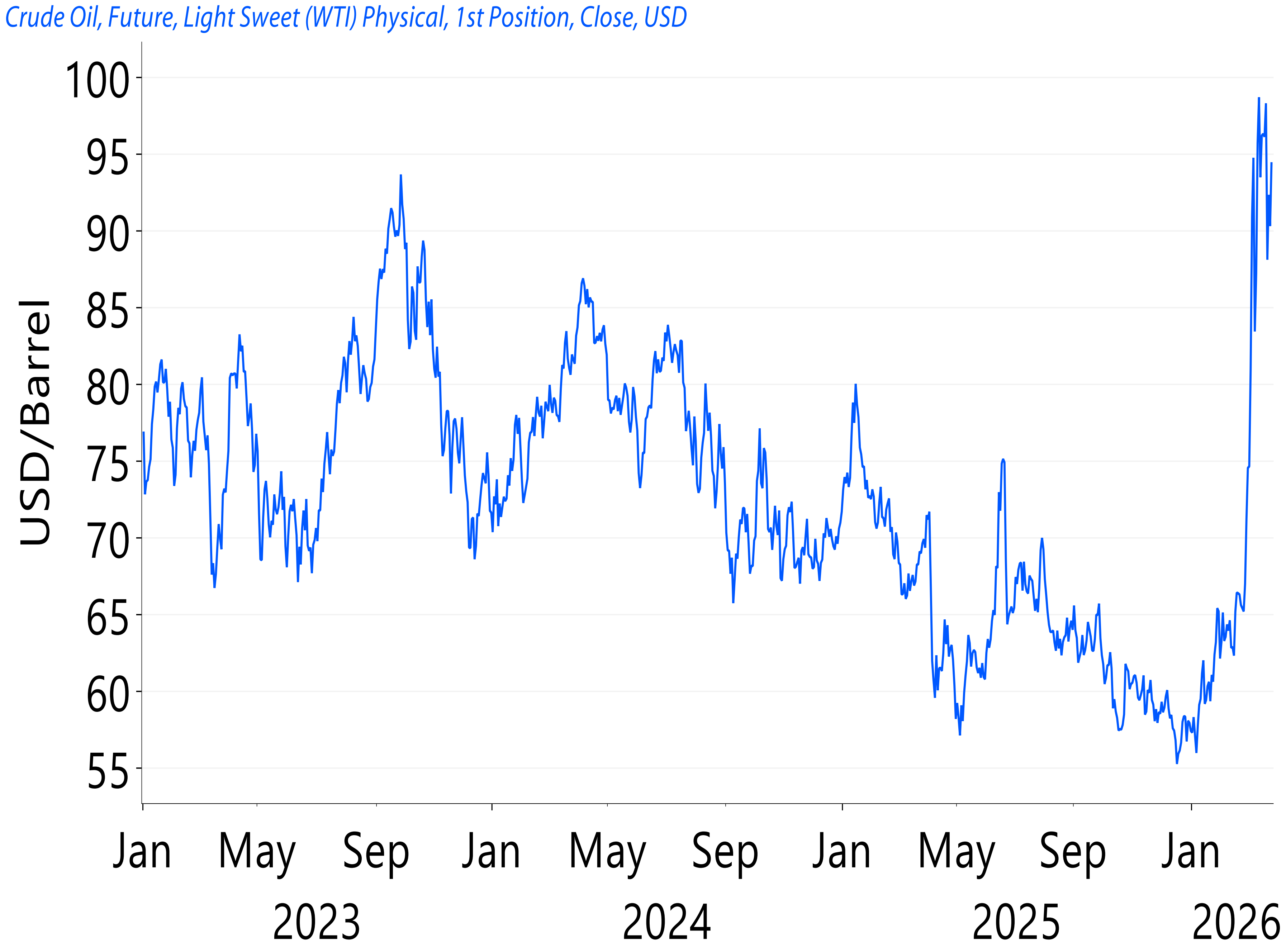
Stefan Vogel
General Manager

Stefan.Vogel01@rabobank.com

Sugar

The expected 2025/26 sugar surplus is shrinking as energy prices rise

Crude oil price volatility

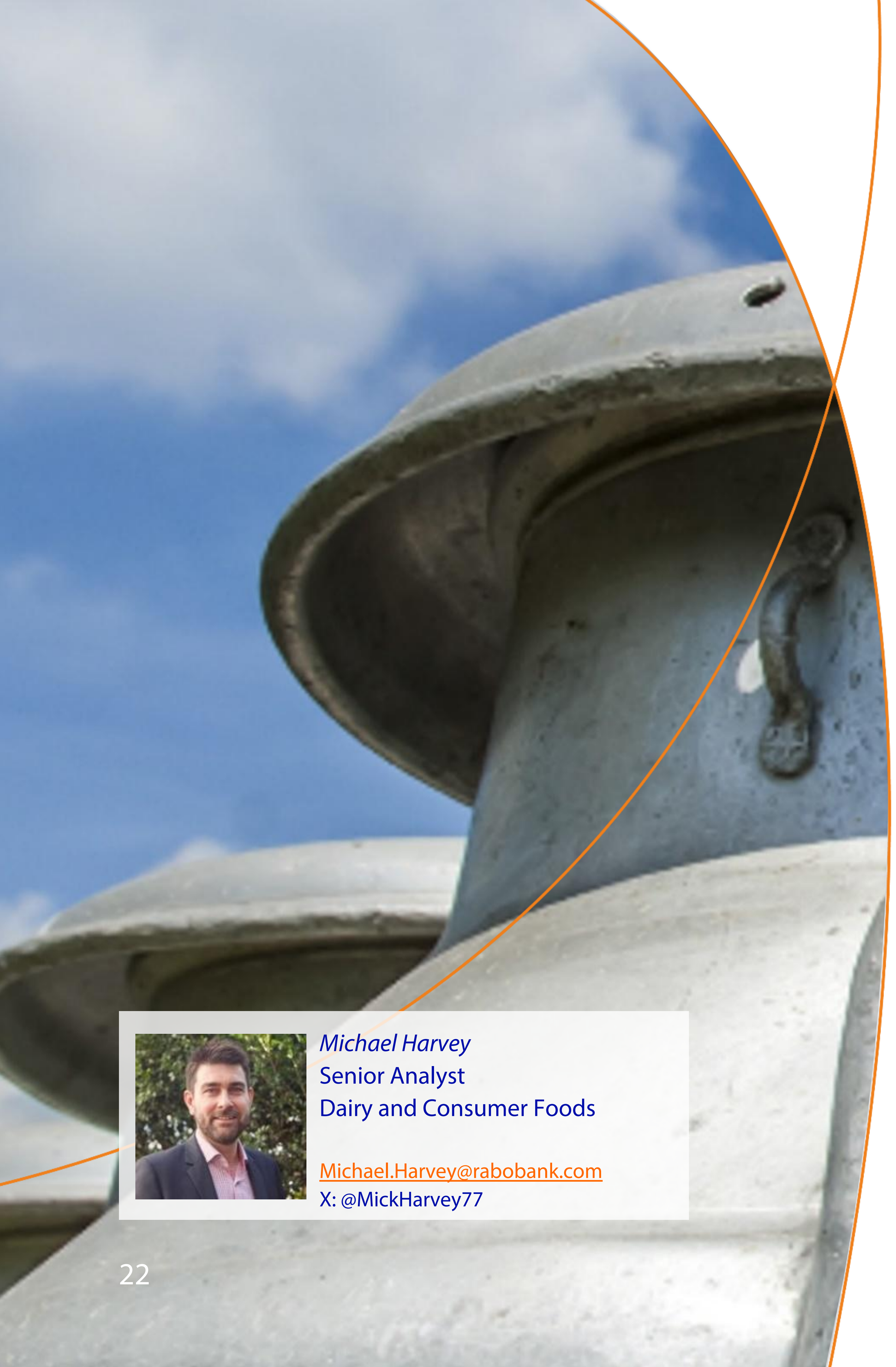


Source: *LMC, F.O. Licht, International Sugar Organization, RaboResearch 2026*

Sugar price uplift thanks to energy prices rises

Note: *Current as of 28 January 2026*
Source: *Macrobond, RaboResearch 2026*

Rabobank



Dairy

Northern Australian milk production is going strong

Australian milk production has turned the corner for now. Australia's milk production has now logged three consecutive months of year-on-year growth, with February output sitting 0.6% higher than the same month last year.

Despite this recent momentum, national production remains 1% lower season-to-date at 5.880bn litres. The improvement seen in recent months has been led primarily by New South Wales and Tasmania, where favourable seasonal conditions have supported stronger volumes. While a small production base, Queensland milk production is also growing.

n contrast, South Australia continues to show clear signs of production decline, highlighting the uneven recovery across key dairy regions. Milksolids content is also higher across protein and butterfat.

A spike in costs across the dairy supply chain will be a clear watch moving forward regarding its impact on markets.

Dairy commodity markets stabilise at higher levels after a strong start to 2026. Global milk production remains robust across all major export regions, pointing to a well-supplied international market. Nonetheless, dairy commodity values have found support from a recent spike in purchasing activity as importers move to secure supply. At the same time, a premium for Oceania-origin product has emerged, driven by logistical challenges affecting the flow of European product into the Middle East.

Milk production continues to rise in both New Zealand and the US. In New Zealand, milksolids output surged more than 7% year-on-year in February, setting a new record for the month. US milk production also increased, up 2.9% in February, with the dairy herd continuing its steady expansion, reaching its largest size in three decades.

Australia's dairy export sector has seen mixed performance year-to-date to January 2026, with total export volumes edging 1% lower. The decline has been driven largely by sharp falls in butter and whey exports, both of which have softened considerably compared with last year.

However, this has been partially offset by a strong rebound in liquid milk exports, which has helped stabilise overall trade activity. Despite the slight drop in volumes, export values are up 2.7% year-to-date, supported by firmer pricing and higher-value shipments, particularly across milk powders and liquid milk, which continue to underpin Australia's export earnings.

What to watch:

- **Global demand settings –** Fuel prices have risen across all economies, eroding household incomes and reducing consumers' purchasing power. The impact will be felt everywhere, but particularly sharply in Southeast Asian countries, where heavy reliance on imported fuel and generally lower income levels leave consumers more vulnerable to price shocks.
- **Corporate activity –** In Australia, the sale of Fonterra's assets is fast approaching, while, according to media reports, Made Group is up for sale which includes the Rokeby, who source local milk from a collection of farms located in and around Victoria.

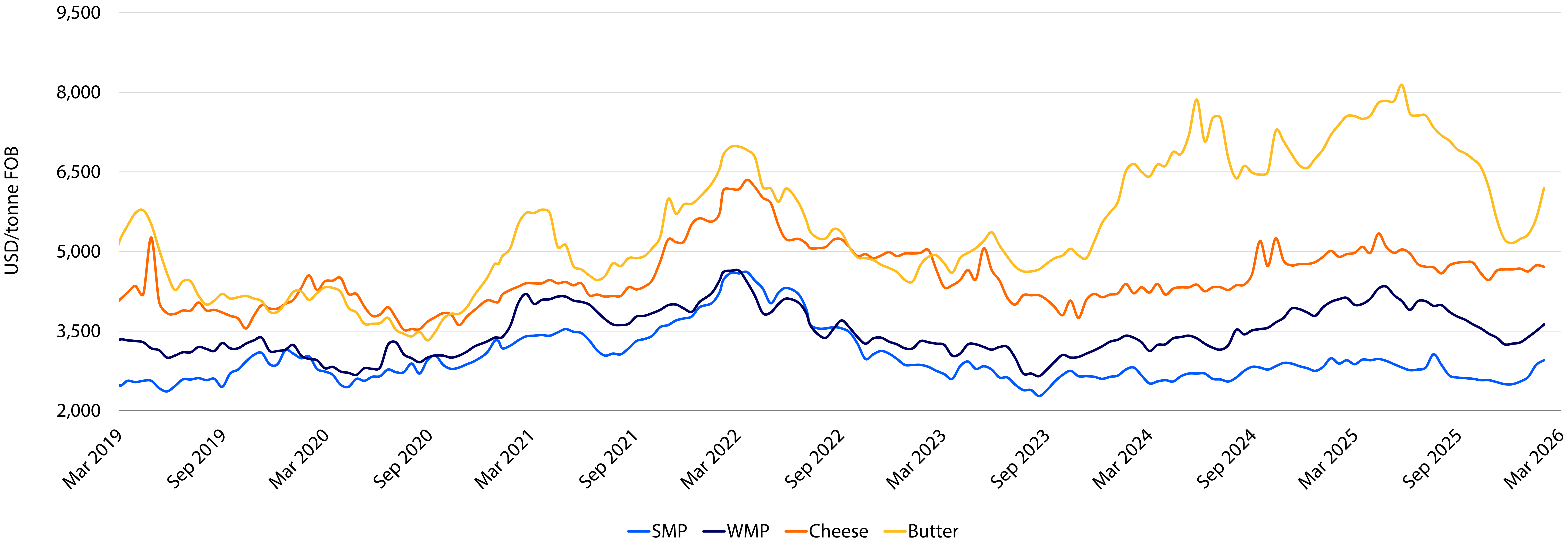
Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

Dairy

Support for Oceania-origin product amid shipping issues to the Middle East

Oceania spot prices for dairy commodities, Mar 2019-Mar 2026



Source: *USDA, RaboResearch 2026*

Consumer foods

Will weak consumer confidence lead to softer household spending?

There has been an immediate spike in production costs across the food supply chain, sharpening the focus on impacts at the consumer end and raising the risk of a renewed surge in food inflation.

Looking at the latest read on inflation price and to the beginning of the conflict, we see that food and non-alcoholic beverage inflation rose 3.1% in the 12 months to February 2026, remaining stubbornly above 3% for a sustained period. While vegetable prices fell 1.6% – driven by seasonal declines in tomatoes, capsicums and cucumbers – the annual rise in food inflation was heavily influenced by sharp increases in beef and veal (+13.5%) and lamb and goat (+12.9%) due to strong overseas demand for Australian red meat.

There is a heavy toll on consumer confidence, with the latest reading falling to its lowest since records began in 1973.

Australian consumer confidence has plunged to 63.1, its lowest level since records began in 1973, after falling 5.4 points in a single week. The decline reflects sharply weaker household views on current and future financial conditions, alongside a steep drop in willingness to buy major household items. Rising inflation expectations – reaching 6.9%, the highest on record – were driven by surging petrol prices amid Middle East tensions and the RBA's recent rate hike to 4.10%.

What this means is that Australian household spending is likely to fall – particularly on discretionary goods – as households react to financial uncertainty, higher inflation expectations and rising interest rates.

Packaging markets are under pressure, leading to rising risks to product availability on supermarket shelves. Manufacturers and retailers will need to watch for margin squeeze and potential product availability issues as supply chain pressures intensify, with shortages of rigid and flexible plastic packaging products posing a key risk.

On a positive note, according to the ABS, total household wealth in Australia increased by 2.5% – equivalent to AUD 453.7bn – in the December quarter of 2025. This growth was driven largely by a 3.2% rise in the value of residential land and dwellings, contributing 2 percentage points to overall wealth, making it the strongest single factor. At the same time, household borrowing rose by 2.0%, slightly offsetting some of the gains.

What to watch:

- **Weather conditions in Northern Australia.** Several disruptive weather events have impacted growing regions with a watch now on supply impacts. Severe flooding across northern Australia, driven in part by Tropical cyclone Narelle, has combined with record-breaking inland rainfall to cause significant agricultural damage. In Bundaberg and the Burnett regions, major flooding may reduce annual output for some fruits and vegetables.

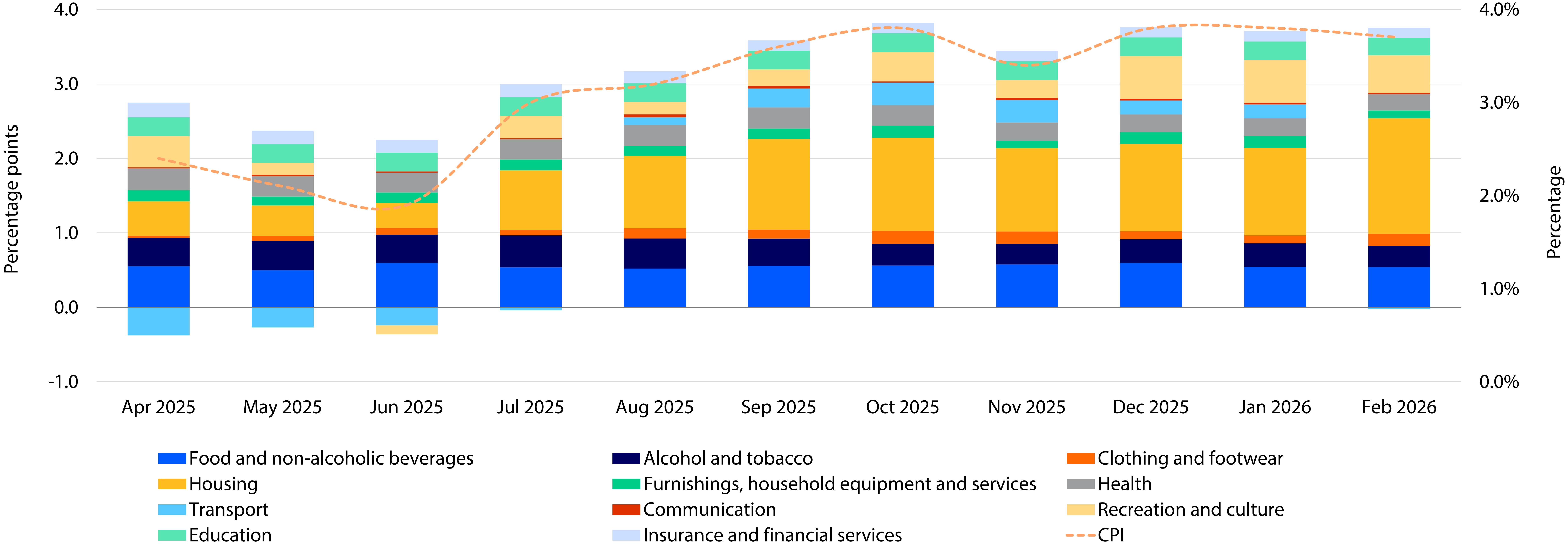
Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

Consumer foods

Local food inflation stuck above 3% before oil shock impacts start to hit

Monthly contribution to annual inflation of Australian Bureau of Statistics Consumer Price Index, by categories



Source: ABS, RaboResearch 2026

Rabobank

Interest rate and FX

Derailed by the realities of war

Last month's forecast was that the Reserve Bank would lift the cash rate in May but warned that they may go earlier and hike in March. The latter turned out to be correct, although it was a close-run thing.

The Board of the Reserve Bank voted 5-4 to lift the cash rate by 25 bps to 4.10%. RBA Governor Michele Bullock characterized the decision by four Board members to vote against raising the cash rate as a disagreement about timing, rather than direction.

This disagreement is understandable, given that the war had broken out only weeks before. At the time of the RBA's rate decision, there was still a high degree of uncertainty over when the war would end, and whether the impact would fall more heavily on the supply or demand side of the economy.

With the war still raging and the Strait of Hormuz all but unnavigable, many supply chains have been disrupted. This is not just about energy and fertilisers, but also petrochemicals, plastics and many other products that use Middle Eastern commodities as intermediate goods in the production process. Under our current assumptions, we forecast the annual inflation rate to rise to 5% in Q2, and 5.2% in Q3 and Q4.

This puts the RBA in a bit of a sticky situation. With inflation already well above target before the war started, the Bank might find it difficult to take the orthodox approach of 'looking through' supply-side shocks.

This means that further rate hikes are likely to be on the way as the RBA battles to maintain the impression that it will do what it takes to return inflation to the 2.5% target. **RaboResearch is now forecasting 25bp rate hikes in May and August each to take the cash rate up to 4.60%.**

The Australian dollar has fallen recently as interest rate expectations in other countries have risen. Australia's status as a net-energy exporter has provided some insulation against AUD selling, but concerns over fuel availability are raising recession risks that have contributed to the AUD falling below 0.6900 against the USD in recent days.

What to watch:

- **The conflict in the Middle East –** The Australian economy is being severely buffeted by supply chain disruptions due to the war. If the war continues to drag on and prevent the flow of essential commodities, Australia faces a heightened risk of recession.
- **March labour force report, 16 April –** With inflation set to rise substantially, there will be a heightened focus on the RBA's other mandate: full employment. The unemployment rate in Australia has been historically low recently but rose two ticks to 4.3% in February. Another lift in the unemployment rate would create the impression that the Australian economy was already slowing prior to the war and might give the RBA some pause for thought before raising the cash rate to control inflation.

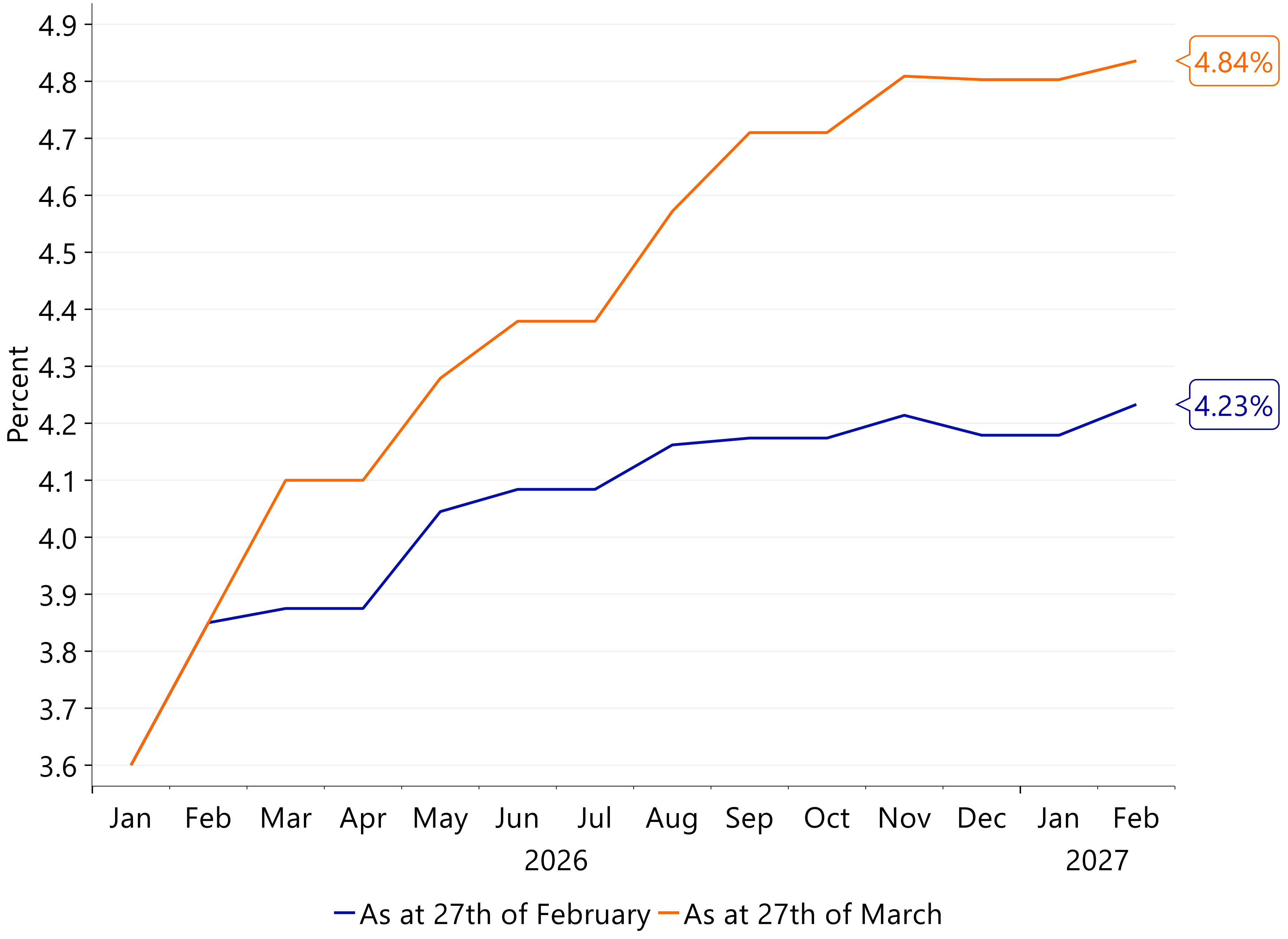
Benjamin Picton
Senior Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

Interest rate and FX

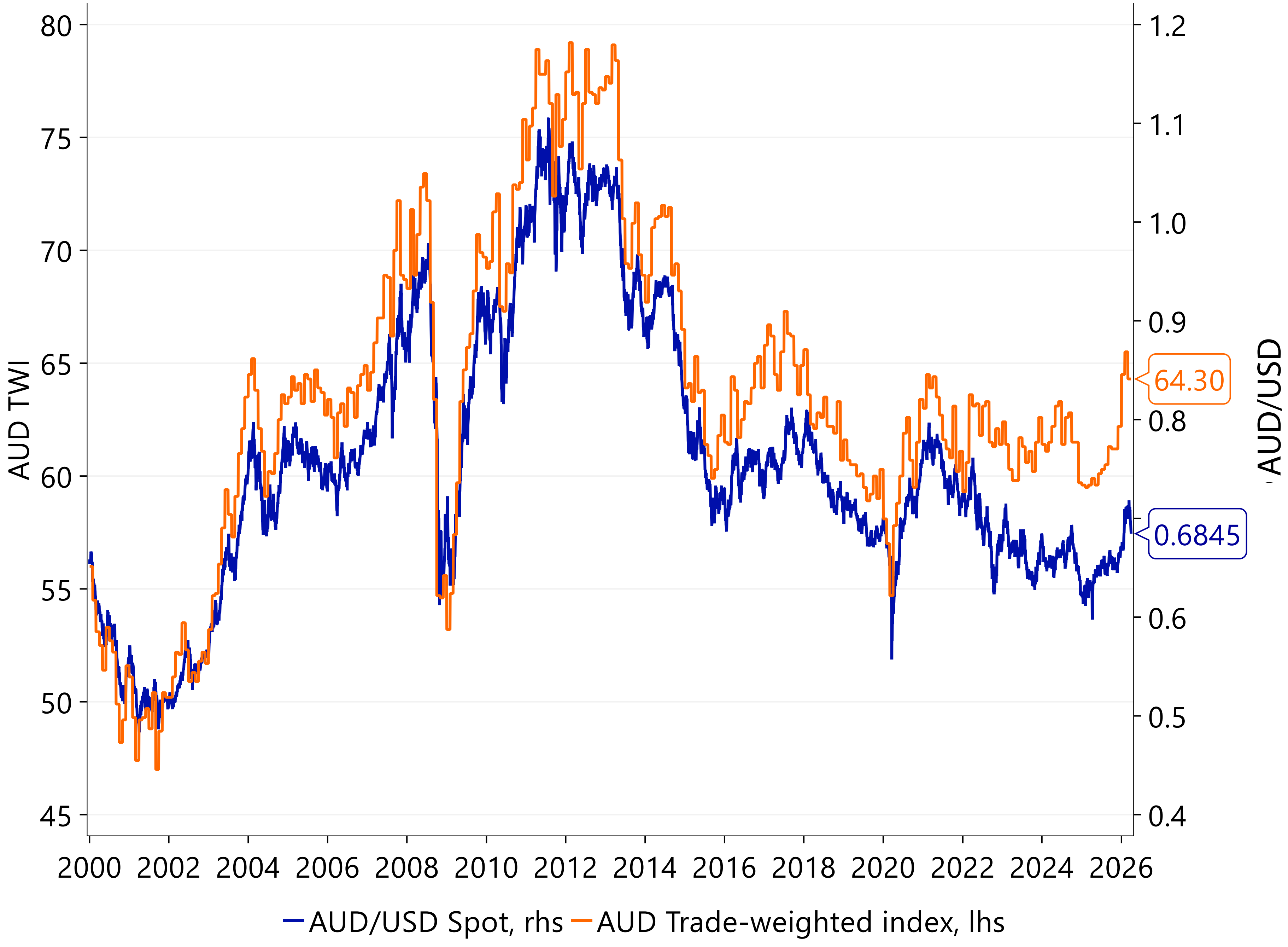
Inflation remains a problem as low unemployment puts capacity strain on the economy

Market-implied path of the RBA cash rate



Source: *Macrobond, ABS, RaboResearch 2026*

AUD vs USD and trade-weighted index



Source: *Macrobond, ABS, RBA, RaboResearch 2026*

Rabobank

Benjamin Picton
Senior Market Strategist
Benjamin.Picton@rabobank.com
X: @BenPicton1

Xinnan Li
Analyst
F&A Supply Chains
Xinnan.Li@rabobank.com

Oil and freight

Conflict in Middle East is now the main driver of energy prices

The war has directly disrupted 20% of global crude oil supply and between 15%-25% of the supply of refined fuels, creating a huge shock to global energy markets.

Australia and New Zealand are particularly exposed due to their high reliance on imports for refined fuels and their pattern of buying from Asian refineries, who typically source 60%-70% of their crude oil feedstocks from the Middle East.

Physical crude oil for Asian destinations is now substantially more expensive than it is in Europe or North America. For this reason, the Brent and West Texas Intermediate benchmarks do not give the full picture of the price impact in this part of the world.

In addition, refined products have become much more expensive relative to crude oil as Middle Eastern refineries are taken offline, higher-diesel-yielding grades of crude are substituted for lower-yielding grades, and Asian refineries cut production runs to continue operating. This has meant that diesel prices are rising much faster than benchmark crude oil prices.

The Middle East conflict, particularly around the Persian Gulf and the Strait of Hormuz, currently dominates container shipping. Cargo re-routing, higher bunker costs, and emergency fuel surcharges have pushed shipping costs higher, even as underlying demand softens. Tensions between carriers and cargo owners have intensified, with regulators such as the FMC blocking attempts to fast-track surcharges. This signals a return of regulatory scrutiny as the market cools.

Operational stress remains evident, especially for reefer cargo, as ports shorten free time and containers held outside conflict zones drive up storage costs. Even so, the market remains structurally down-cycled, with weak demand prompting carriers to rely on capacity discipline, blank sailings, and service adjustments to prevent a sharp rate collapse.

The Baltic Panamax index (a proxy for grain bulk freight) is heavily impacted by overall bulk shipping dynamics and the Strait of Hormuz closure, pushing the index higher as availability tightens and cost rises.

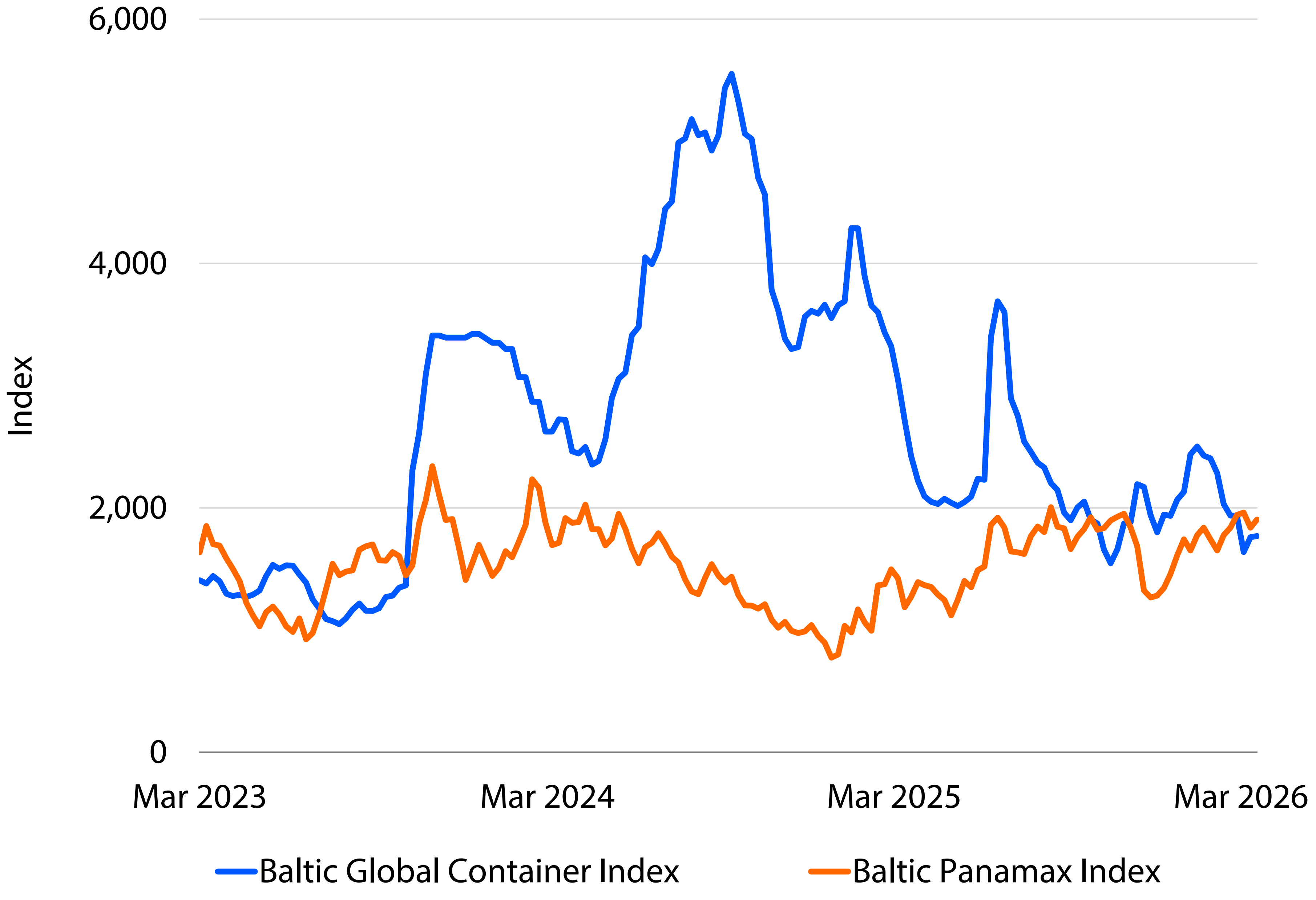
What to watch:

- **The conflict in the Middle East –** The war is a critical driver for energy and freight markets. Re-opening of the Strait of Hormuz will be an important condition for any kind of normalisation in these markets.

Oil and freight

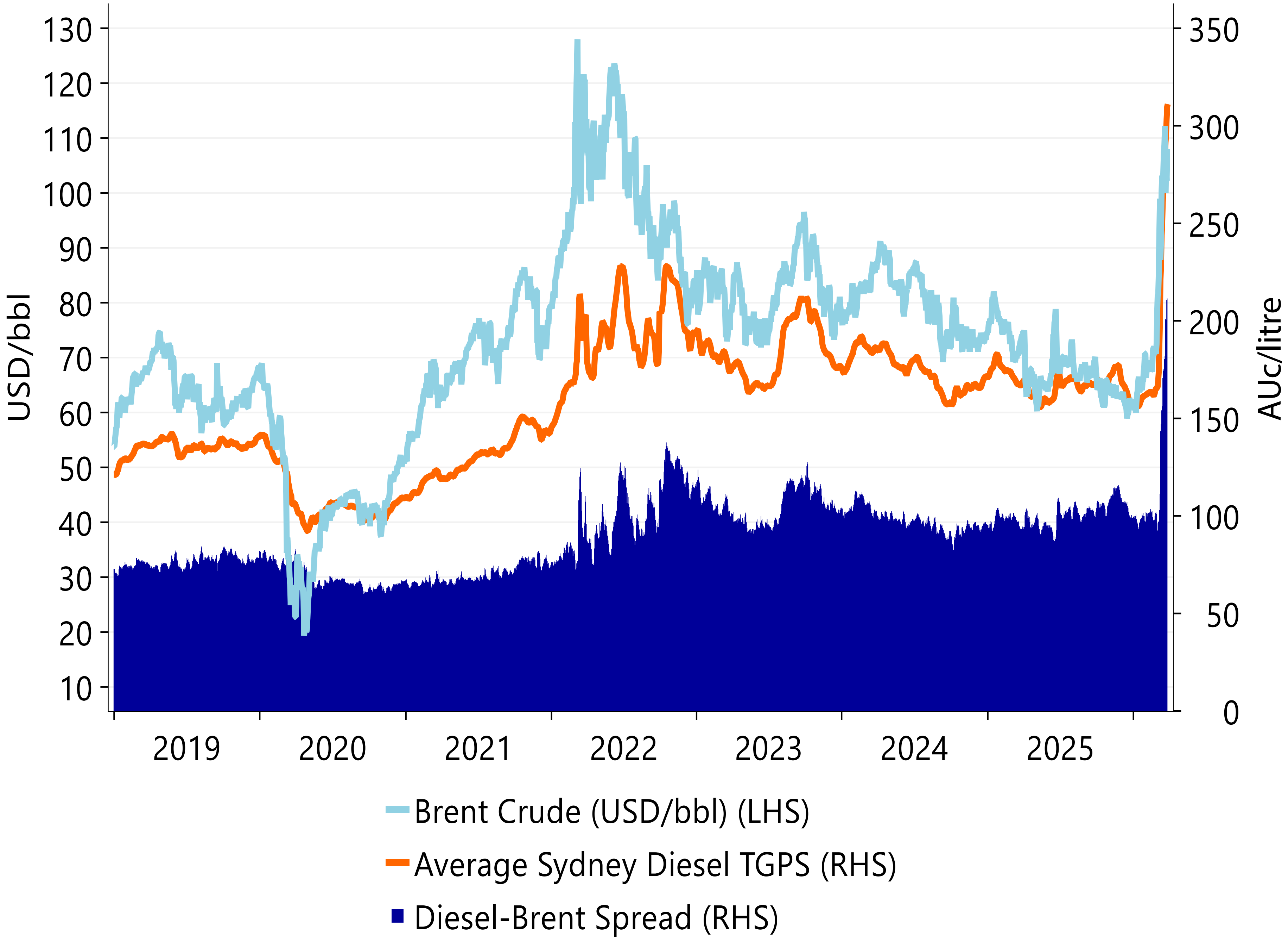
Geopolitical shocks are moving energy and freight markets in March

Baltic Panamax Index and Dry Container Index, Mar 2023-Mar 2026



Source: *Baltic Exchange, Bloomberg, RaboResearch 2026*

Brent crude versus Sydney diesel prices, 2019-2026



Source: *Macrobond, ICE, AIP, RaboResearch 2026*

Agri price dashboard

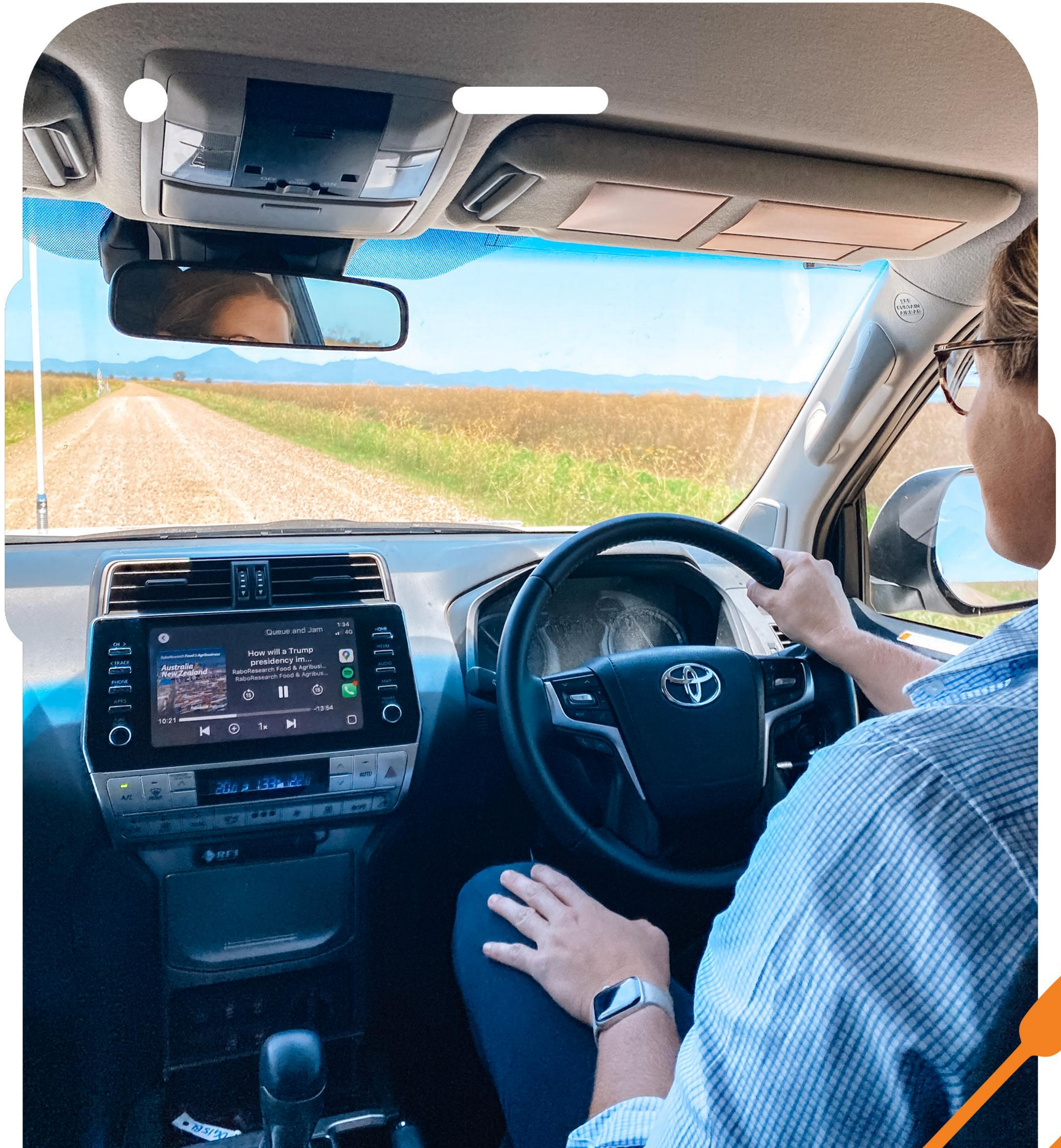
01/04/2026	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	616	574	540
CBOT soybean	USc/bushel	▲	1,171	1,150	1,034
CBOT corn	USc/bushel	▲	458	433	462
Australian ASX EC Wheat Track	AUD/tonne	▲	342	323	331
Non-GM Canola Newcastle Track	AUD/tonne	▲	735	720	746
Feed Barley F1 Geelong Track	AUD/tonne	▲	310	300	325
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	858	843	588
Feeder Steer	AUc/kg lwt	•	472	472	323
North Island Bull 300kg	NZc/kg cwt	▼	950	965	520
South Island Bull 300kg	NZc/kg cwt	•	930	930	500
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	•	1,105	1,105	809
North Island Lamb 17.5kg YX	NZc/kg cwt	▼	1,070	1,095	735
South Island Lamb 17.5kg YX	NZc/kg cwt	▼	1,065	1,090	735
Venison markets					
North Island Stag	NZc/kg cwt	▲	1,060	1,045	830
South Island Stag	NZc/kg cwt	▲	1,060	1,045	820
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	6,988	6,200	7,550
Skim Milk Powder	USD/tonne FOB	▲	3,438	2,950	2,875
Whole Milk Powder	USD/tonne FOB	▲	3,738	3,625	3,994
Cheddar	USD/tonne FOB	▲	4,913	4,712	4,975

Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Agri price dashboard

01/04/2026	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	80.2	75.9	78.85
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	70	62.59	68.25
Sugar markets					
ICE Sugar No.11	USc/lb	▲	15.52	13.91	19.35
ICE Sugar No.11 (AUD)	AUD/tonne	▲	496	432	658
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,716	1,662	1,245
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	812	490	381
DAP (US Gulf)	USD/tonne FOB	▲	745	710	622
Other					
Baltic Panamax Index	1000=1985	▼	1,742	1,979	1,499
Brent Crude Oil	USD/bbl	▲	118	78	75
Economics/currency					
AUD	vs. USD	▼	0.690	0.709	0.628
NZD	vs. USD	▼	0.574	0.594	0.570
RBA Official Cash Rate	%	▲	4.10	3.85	4.10
NZRB Official Cash Rate	%	•	2.25	2.25	3.75

Source: Baltic Exchange, Bloomberg, RaboResearch 2026


Queue and Jam
How will a Trump presidency im...

Meet our RaboResearch Food & Agribusiness Australia and New Zealand team

Stefan Vogel

General Manager, RaboResearch Australia and New Zealand
+61 419 782 452
Stefan.Vogel@rabobank.com

Angus Gidley-Baird

Senior Animal Protein Analyst
+ 61 424 266 909
Angus.Gidley-Baird@rabobank.com
X @angus_gb

Ben Picton

Senior Market Strategist
+61 408 571 012
Benjamin.Picton@rabobank.com
X @BenPicton1

Emma Higgins

Senior Agriculture Analyst
+64 27 600 5549
Emma.Higgins@rabobank.com
X @emhiggins

Jen Corkran

Senior Animal Protein Analyst
+64 21 2412 139
Jen.Corkran@rabobank.com

Michael Harvey

Senior Dairy & Consumer Foods Analyst
+61 409 488 485
Michael.Harvey@rabobank.com
X @MickHarvey77

Vítor Caçula Pistóia

Senior Grains & Oilseeds Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com

Paul Joules

Agriculture Analyst
Paul.Joules@rabobank.com

Rabobank Australia Nearest branch call 1800 025 484 | www.rabobank.com.au