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This report is based on information available as at 4/12/2025

Commodity outlooks



Climate

Weather indicators are showing La Niña is underway. The December to February outlook indicates below-average rainfall is likely for Western Australia and inland eastern areas, with near-average chances elsewhere.



Wheat and barley

Global wheat prices remain under pressure from abundant supply and rising stocks, with Australian basis offering relative strength. However, limited upside is expected unless a major supply shock or geopolitical shift occurs.



Canola

EU canola imports are set to fall as production rebounds to near-average levels, while Canadian stocks rise on the back of higher output and tepid crushing growth. Australian production is soaring, year-on-year, with GM canola's share increasing and limiting price upside.



Beef

Cattle prices continue to reflect seasonal conditions. Finished and heavy stock are performing better given the strong export markets, while restocker cattle prices are more reflective of seasonal conditions and producer sentiment.



Sheepmeat

Lamb and sheep prices are still bouncing around at high levels. Slaughter numbers appear to be stabilizing around the five-year average, and the lower volumes of lambs may just be starting to temper the buying actions of processors.



Wool

Wool prices have remained firm in recent weeks, with the Eastern Market Indicator up 6% MOM. Economic indicators show mixed signals for wool demand: EU consumer confidence is trending higher, while Chinese retail sales growth remains lacklustre.



Cotton

ICE #2 Cotton futures fell 3.8% MOM. Cotton markets have faced additional pressure in recent weeks, with the USDA's WASDE report indicating that global production is likely stronger than previously expected.



Farm inputs

It was a mixed month for fertiliser prices, with phosphate prices down around 5% MOM, while urea rose 2%. Although RaboResearch expects urea prices to ease over the next six months, short-term downside potential may be limited by strong buying activity from India.



<u>Dairy</u>

Dairy commodity prices are continuing to soften. A spike in milk production in most export regions is weighing on markets, which will continue into 1H 2026. The weaker commodity prices are pulling down farmgate prices in most dairy export regions.



Consumer foods

Food inflation was steady at 3.2% in October despite big lifts in red meat prices. Consumer confidence jumped in November, marking its first positive reading since early 2022 and the highest level in seven years.



Interest rate and FX

The recent run of strong economic data continued in November and has placed a big question mark over the prospect of further cuts to the RBA cash rate.



Oil and freight

Oil prices continued to track lower in November and are likely to fall further early next year. Diesel prices are being supported by a lack of refining capacity and a consequently tight supply-demand picture.



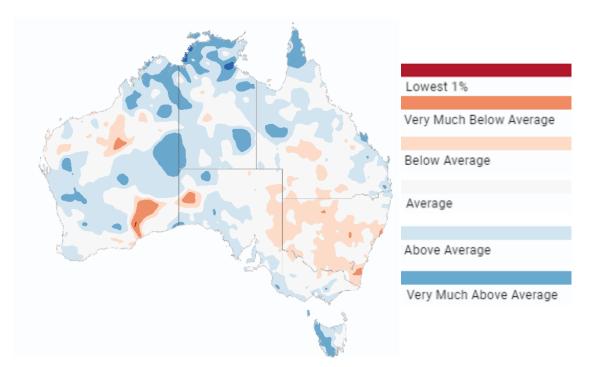
Climate

Weather indicators suggest La Niña is underway

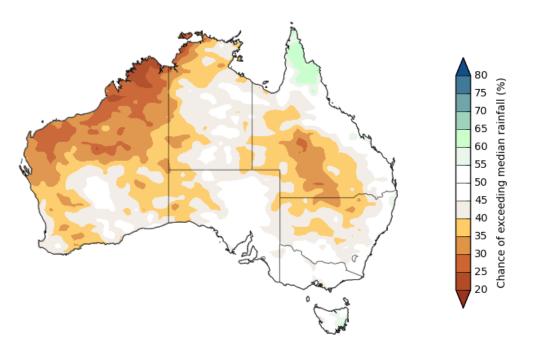
Key growing regions in eastern Australia and southern Western Australia saw mixed rainfall in November. Rainfall interrupted some parts of the Western Australia harvest, potentially downgrading grain quality. **Root zone soil moisture remains below average in New South Wales and average in Victoria, South Australia, and Western Australia.** The Bureau of Meteorology (BOM) December to February outlook indicates below-average rainfall is likely for Western Australia and inland eastern areas, with near-average chances elsewhere. The dry signal is strongest for December.

Cooler waters in the tropical Pacific Ocean and atmospheric indicators suggest **La Niña has developed. It is expected to persist through summer before returning to neutral in early 2026.** The negative Indian Ocean Dipole continues to weaken and is expected to return to neutral in December.

Root zone soil moisture, November 2025



December to February chance of exceeding median rainfall



Source: BOM, RaboResearch 2025



Wheat and barley

Southern Hemisphere bumper crops boost global stocks

Winter crops in the Northern Hemisphere have now entered dormancy after a favourable autumn. Reports from continental Europe and the Black Sea region suggest that winter wheat seeding has met expectations and crop development is good, leaving limited potential for price increases. On the geopolitical side, the US-China trade deal agreed in late October has failed to generate significant wheat trade so far, disappointing market hopes. The market reacted with the MATIF Wheat spot price dropping 2.8% MOM to AUD 332/tonne. CBOT prices slipped by 2.2% to AUD 298/tonne.

With activity up north slowing, focus has shifted to the Southern Hemisphere. The Buenos Aires Grain Exchange forecasts **Argentina's local crop at 24.5m tonnes**. If realised, this would be a record high and 2.4m tonnes above the 2021 harvest. As for the Australian crop, the latest **ABARES December outlook raised the wheat crop to 35.6m tonnes, versus 33.8m tonnes in the September report.** The forecast volume would make 2025/26 an above-average season, supported by good late-season rainfall in

Western Australia, Victoria, and South Australia. For the last five seasons, Australian wheat production averaged 33.7m tonnes.

Given the positive supply outlook, global ending stocks, excluding China, are set to rise 13m to 15m tonnes YOY, surpassing 145m tonnes. This gives buyers ample options, as stockpiles grow in key export regions. Australia is among them, with port basis versus CBOT a barometer of demand. Australian spot wheat port basis levels averaged AUD 34/tonne for 2024/25, with exports at 23.7m tonnes – 2.0m tonnes short of the volume needed to keep stocks **flat year-on-year**. Strong animal protein demand supports domestic wheat use, which is likely to exceed 9.0m tonnes for a second consecutive year. Robust basis levels are expected to persist in the coming months, as other crops are typically liquidated ahead of wheat and barley. However, global wheat prices show little upward momentum given ample supplies and the absence of climatic concerns for 2026 production so far.

What to watch:

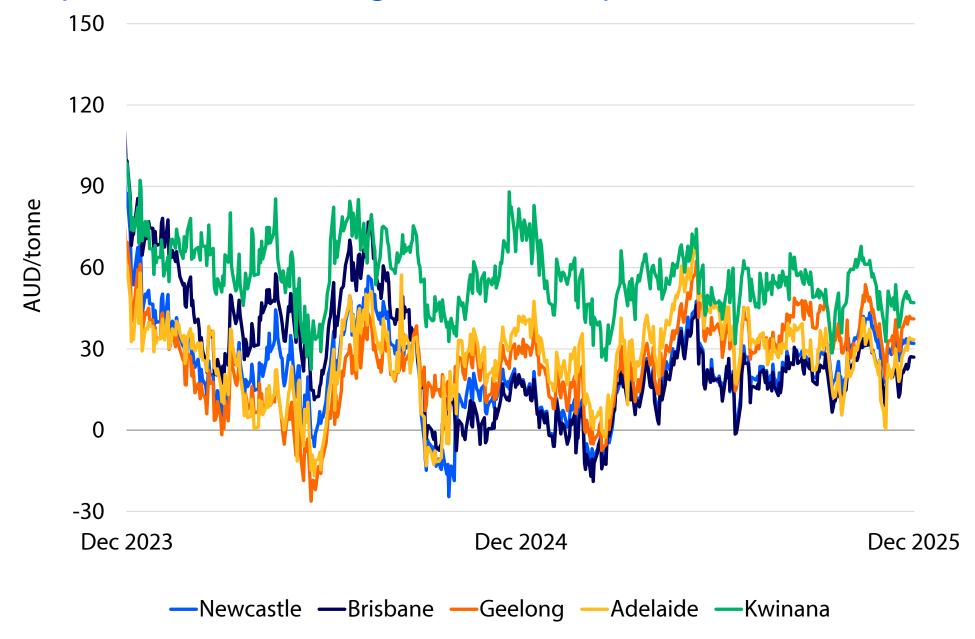
- **European barley exports:** EU barley exports from July to September the first three months of Europe's marketing year were 4.7% above the five-year average, with substantial volumes shipped to China and Saudi Arabia. For the 2025/26 marketing year, EU supplies will likely compete more with Australian volumes, as EU supply is projected to be 7m tonnes higher than in 2024.
- **Russia-Ukraine war peace process:** Renewed hopes for a peace deal in Ukraine have emerged following a 28-point plan drafted by US and Russian authorities. However, President Zelenskyy warned that such a deal crosses key red lines. An end to the conflict would likely reduce insurance and logistics costs for Black Sea grain exporters while improving supply security for buyers potentially putting downward pressure on prices.

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Wheat and barley

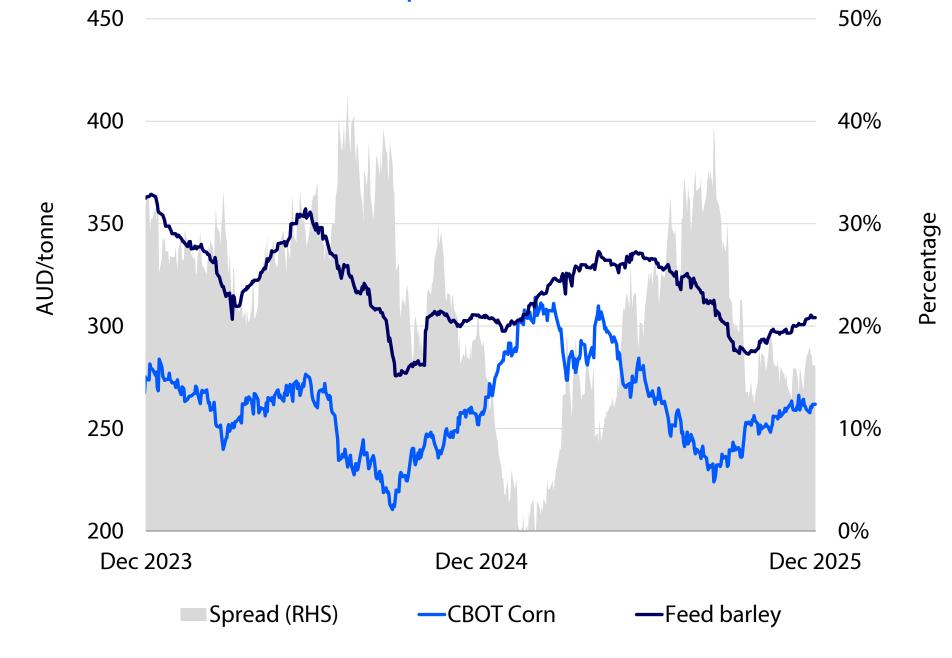
Australian prices hold up against global competitors despite ample supply

Australian wheat port basis levels are firm relative to CBOT despite the above-average domestic crop size



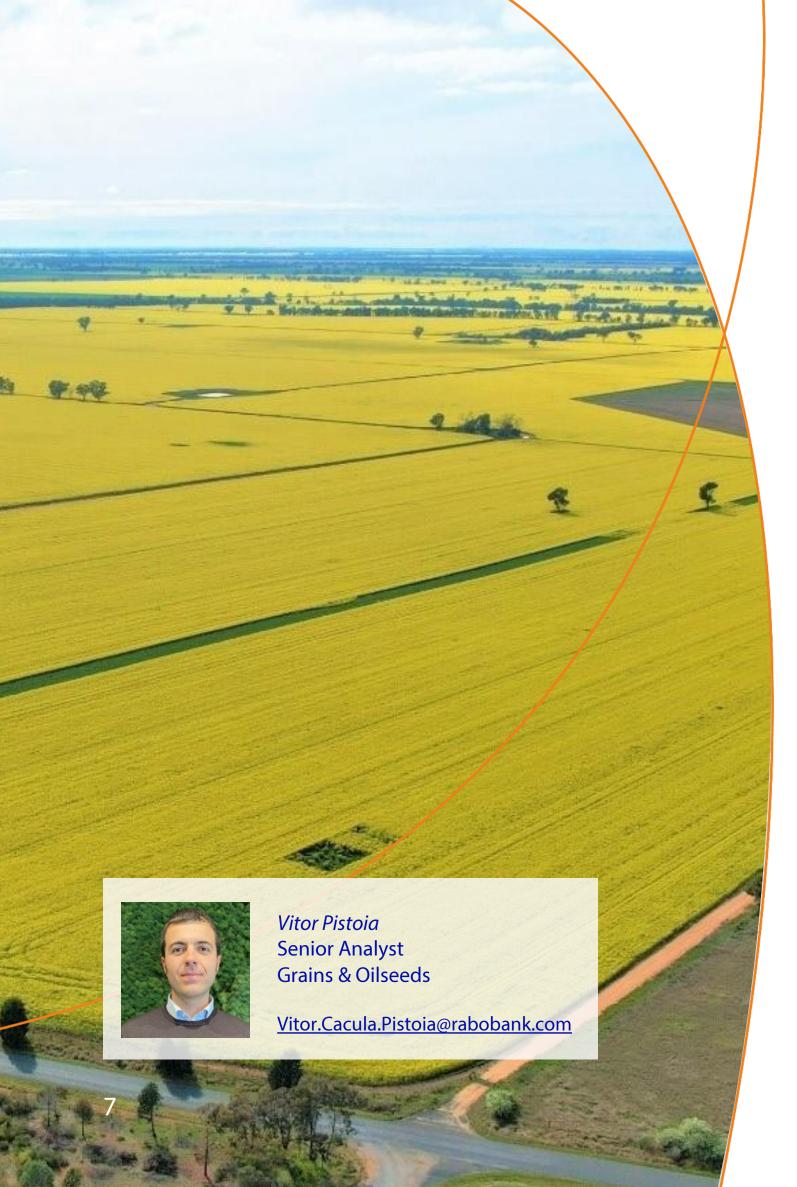
Source: Bloomberg, RaboResearch 2025

Feed barley prices are supported by strong animal protein demand and robust EU exports



Note: Feed barley is the weighted average port zone price.

Source: Bloomberg, RaboResearch 2025



Canola

Prices hold despite larger supplies

Following a recovery in canola production, EU canola imports for the 2025/26 season are forecast at around 6.5m tonnes, a 22% decline from 8.3m tonnes in 2024/25. This drop reflects a year-on-year rebound in output to 19.9m tonnes from 16.8m tonnes – broadly in line with the historical average of about 20m tonnes. For the coming season, planted area is estimated at around 6.5m hectares, up roughly 7% YOY and 11% above the five-year average.

The main driver is a more favourable profitability outlook for canola compared with cereals, largely due to improved fertiliser affordability ratios. On the demand side, Q3 2025 saw a 0.8m-tonne rebound in EU canola crushing compared to the previous year, to 6.6m tonnes, confirming that high vegetable oil prices are positively influencing crushers, as also seen in soybean figures.

Canadian production is forecast at 20.0m tonnes, up 4.1% YOY, while crushing is likely to rise 3.5% to

11.8m tonnes. The challenge for GM exports globally is that Canada's stocks are likely to increase year-on-year, from 1.6m to 2.5m tonnes – a clear indication that the GM market is well supplied for now. The US Environmental Protection Agency, which regulates biofuel mandates, has yet to release its final biofuel guidance for 2026, which could have significant implications for US vegetable oil imports and, therefore, Canadian canola crushing.

Despite contrasting fundamentals between GM and non-GM markets, canola prices have risen worldwide over the past 30 days. ICE spot prices edged up 3.1% MOM to AUD 711/tonne, while MATIF gained 1.3% to AUD 856/tonne. Locally, Australian production is estimated at 7.2m tonnes, with Western Australia increasing its GM share to 61% from 57% in the 2024/25 season. In response, Kwinana GM prices were flat at AUD 691/tonne MOM, while Geelong non-GM rose 2.0% to AUD 798/tonne.

What to watch:

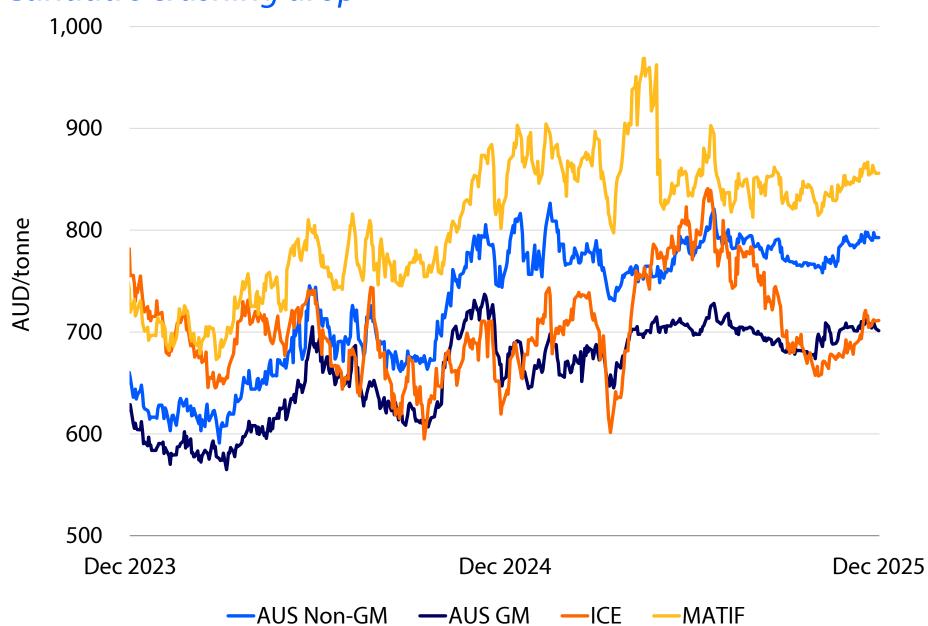
- China and Australia canola trade: China's decision to expand canola imports from Australia would significantly reduce global GM stocks in 2026, as the volumes China previously sourced from Canada far exceed Australia's production capacity. Larger imports would provide stronger price support for Australian canola and tighten the EU's available supply pool.
- **Fertiliser prices:** Nitrogen prices are particularly relevant for canola heading into 2026, as affordability ratios continue to favour oilseed cropping over cereals across much of Europe and the Black Sea. Any further rise in fertiliser costs would push decision-making even more towards oilseeds by Q1 2026.

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Canola

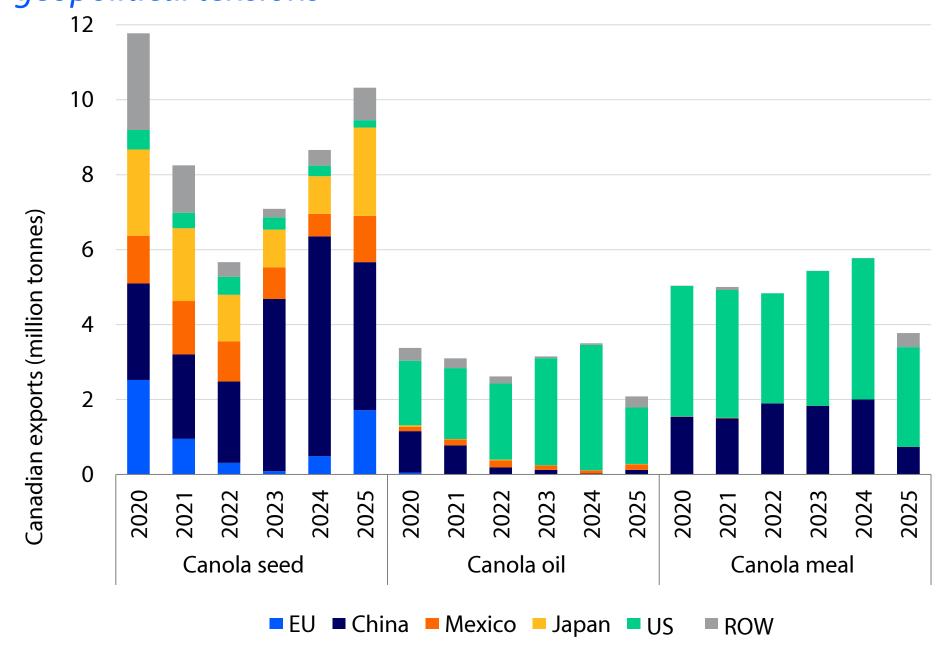
Price divergence returns as GM and non-GM fundamentals split





Note: Australian prices refer to port price average. **Source:** Bloomberg, RaboResearch 2025

Canadian canola seed exports surge as crushing slows amid geopolitical tensions



Note: 2025 volumes refers the period from January to August **Source:** Canola Council of Canada, RaboResearch 2025

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Beef

Prices hold, reflecting seasonal conditions

National cattle prices lifted through November as rainfall across cattle producing areas supported a more optimistic **producer market.** The National Young Cattle Indicator rose about 5% across the month to reach AUD 4.90/kg before dropping in the last week to AUD 4.73/kg on 29 November. All cattle classes rose a similar amount through the month with heavy steers and processor cows experiencing a lesser decline at the end of the month. We still believe the market is relatively balanced and that price movements are generally following producer sentiment and seasonal conditions. As a result, we believe cattle prices will continue to hover around current **levels over the coming month.** With the Christmas holiday period approaching, there may be some adjustments to prices as markets mange shorter weeks or shutdown weeks. However, with the large volumes of cattle in the system and ongoing strong export markets, we don't expect extended shutdowns of saleyards or processing facilities that could cause large movements in markets. Industry contacts have indicated that live export cattle prices lifted through November, possibly reflecting stronger demand approaching the Ramadan period and the reduced availability of cattle as the wet season approaches and second-round musters have been completed.

Q3 slaughter and production reports were released in mid-November. Cattle slaughter and beef production were both up 10% YOY for the quarter, bringing year-to-date production to a 13% increase compared to the same period in 2024. If these rates continue into Q4, we expect slaughter and production volumes will achieve new annual records. Females continued to represent a large proportion of the overall cattle slaughter at 53%, the sixth consecutive quarter over 50%. While a high female percentage and high slaughter numbers usually indicate herd liquidation, we believe it reflects a high cattle inventory and productive cattle herd.

The Quarterly Lot Feeding Brief was also released in November, showing a record number of cattle on feed (1.58m head), a record utilization rate (93%), and an historically high turnoff (858,614 head). Grain-fed cattle accounted for 37% of all cattle slaughtered in Q3. Given our expectations for feedlot profitability and forecast grain prices, we believe feedlots will look to maintain growing numbers of cattle on feed.

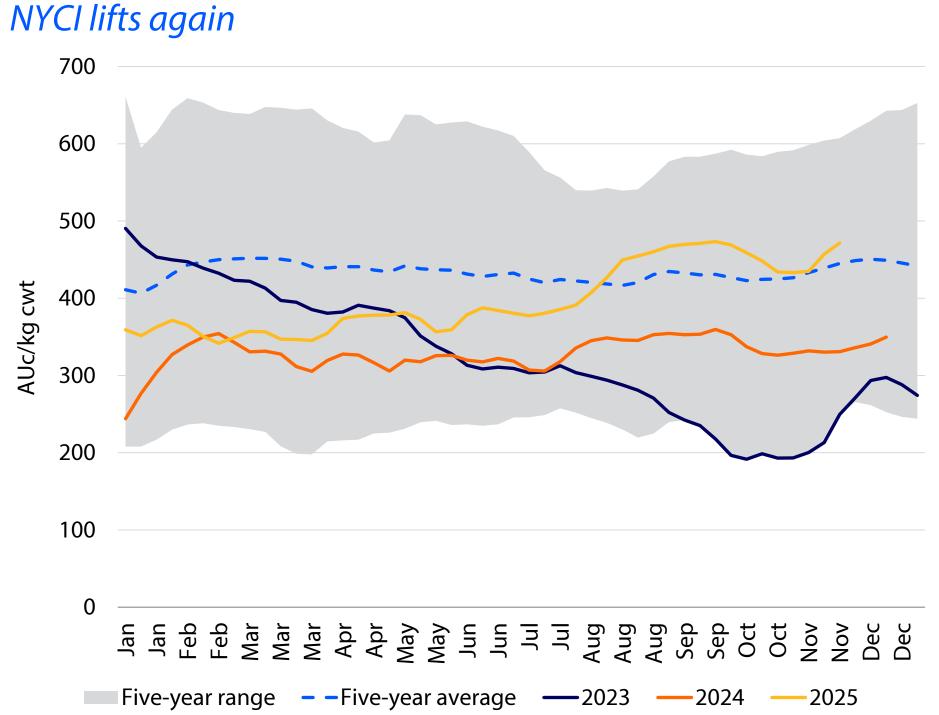
Australian beef exports for October were up 7% YOY with annual improvements in the key markets of China (+29% YOY) and Japan (+79% YOY). Volumes to the US remain at historically high levels.

What to watch:

Brazilian exports: In mid-November, the US removed the additional 40% tariff that was imposed on Brazilian beef (and other commodities) in July. This, combined with the removal of April's so-called reciprocal tariffs, now means Brazilian beef only faces a 26.4% tariff entering the US, and this will be temporarily removed when Brazil takes advantage of the "other country" tariff-free quota that becomes available in January. We expect Brazilian beef exports to the US will lift following this tariff removal, generating competition for Australian beef. However, given the strength of US beef demand, we still believe that Australian beef exports to the US will remain high and prices strong – similar to conditions in 1H 2025, when Brazil was also operating in the market.

Beef

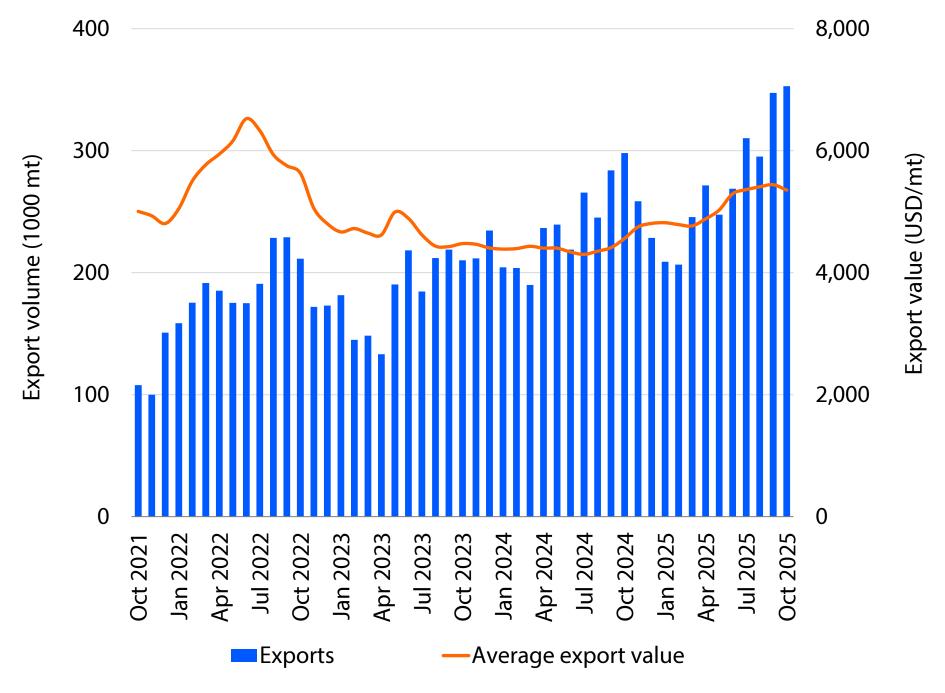
Australian cattle prices hold as Brazilian beef exports continue at record levels





Source: MLA, RaboResearch 2025

Brazilian beef exports continue at record levels



Source: Secex, RaboResearch 2025

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Sheepmeat

Prices bounce around at high levels

After dipping at the start of November, all lamb and sheep prices lifted again through the month, returning to levels near season highs before dipping again at the end of the month. The National Trade Lamb Indicator was at AUD 10.94/kg at the end of November. It will be interesting to see how processors navigate the Christmas and shutdown periods. Limited and uncertain lamb supplies may mean that processors take the opportunity to have a longer shutdown, allowing volumes to build up in the system and possibly taking some of the heat out of the market. On the other hand, producers will be watching seasonal conditions and pasture availability. One fortunate factor is relatively low grain prices, which may afford some producers the ability to finish lambs. We still believe that current lamb prices are overinflated, given the fundamentals in the market. However, while uncertainty over future volumes exists, these high prices are likely to persist.

The Q3 slaughter and production volumes released in mid-November showed a dramatic drop in volumes. Lamb slaughter numbers were down 18%, and sheep slaughter was down 26% compared to the same period in 2024. Lamb production was down 16%, and mutton production was down 24%. Weekly lamb and sheep slaughter figures show volumes are down 11% and 26%, respectively, compared to the same period in 2024. Compared to the five-year average, however, volumes are similar for lambs and 9% higher for sheep. We believe slaughter volumes will continue at these rates until the end of the year. It will be interesting to see how many lambs remain in the system and will be available in early 2026. High numbers of restocker lambs through saleyards in October and November suggest there may still be some lambs available.

Lamb exports continued their declining trend into October, down 8% YOY at 24,667 tonnes swt. For the month of October, volumes to the Middle East continued to fall, down 26% YOY, as did volumes to the US, down 13%. Meanwhile volumes to China lifted 33%.

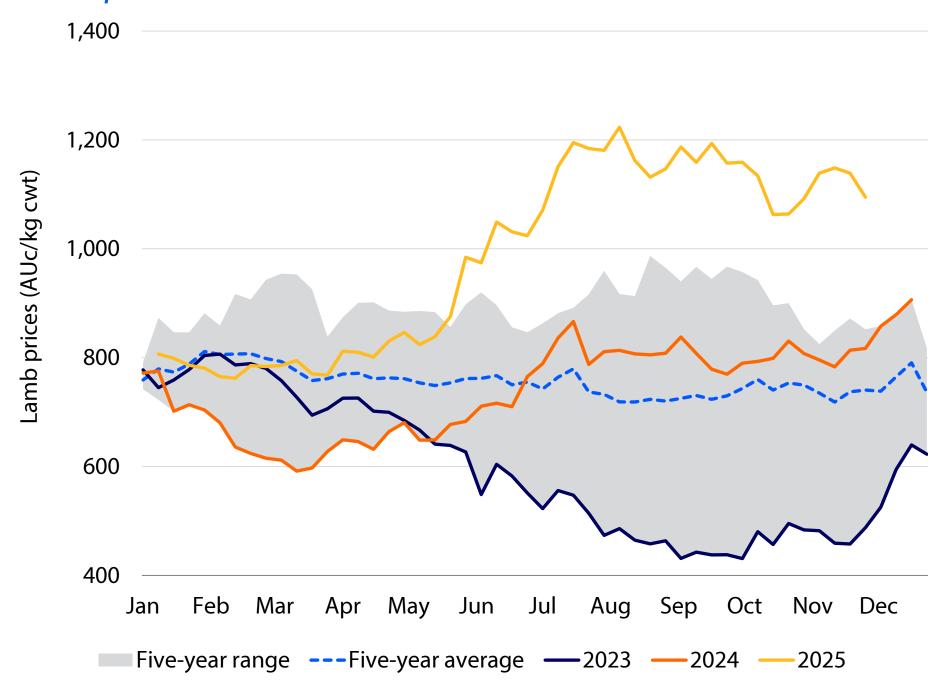
What to watch:

• Will processors start 2026 with revised capacity? The Christmas shutdown period might provide an opportunity for processors to reassess their plant operations and capacity as they head into the new year. Indications are that there will be fewer lambs and sheep available in 2026 given the high sheep slaughter volumes through 2024 and 2025. However, large numbers of restocker lambs were sold through October and into November, and these may still hit the market. But once they have passed through, we believe the availability of lambs will drop, and if seasonal conditions hold, sheep numbers will be lower.

Sheepmeat

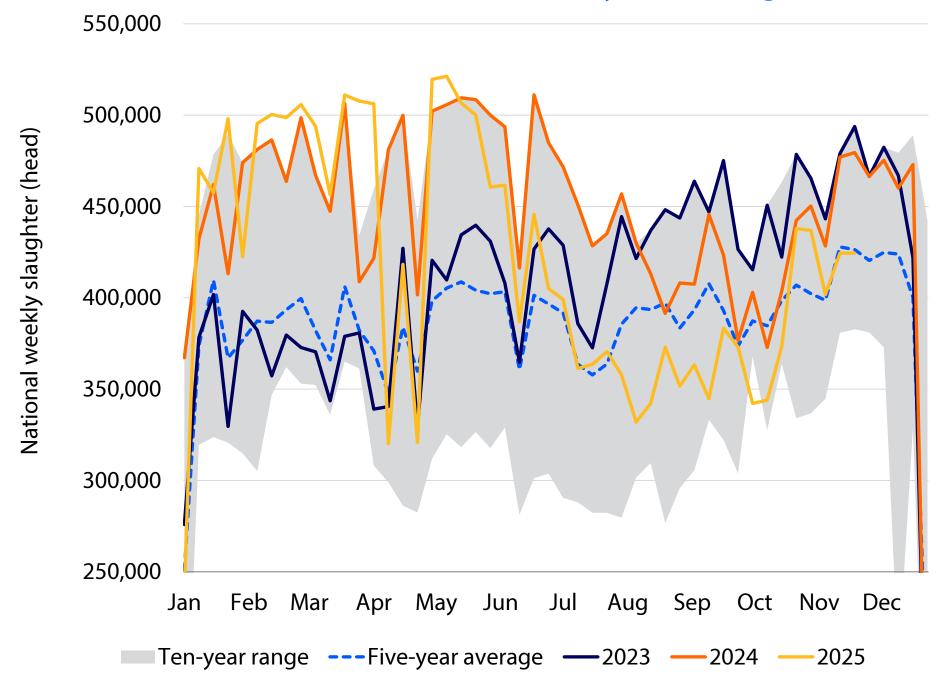
Lamb prices bounce around at high levels as numbers remain limited

Lamb prices are still well above historical levels



Source: MLA, RaboResearch 2025

Lamb volumes level out around the five-year average



Source: MLA, RaboResearch 2025

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Wool

Wool prices continue to hold up well

Wool prices performed well over the past month, with the Eastern Market Indicator rising by 6%.

Excluding 25-micron wool, which fell by 2%, and 32-micron wool, which declined by 4%, all other microns recorded month-on-month gains. The strongest performers were 19- and 20-micron wool, both up 9% MOM, while the 18- and 30-micron categories rose 7%.

In recent weeks, auction results have shown a steady increase in the number of bales offered each week.

Despite the higher volumes, prices have remained resilient. The market will be closely monitoring buying sentiment in the coming weeks to see whether demand holds at current price levels.

Economic signals from China continue to point to slowing growth, with the latest retail sales figures disappointing the market. However, limited wool buying from China over the past year suggests inventories may be low. This could mean that, due to restocking needs, importers may need to secure volumes, even at current elevated price levels.

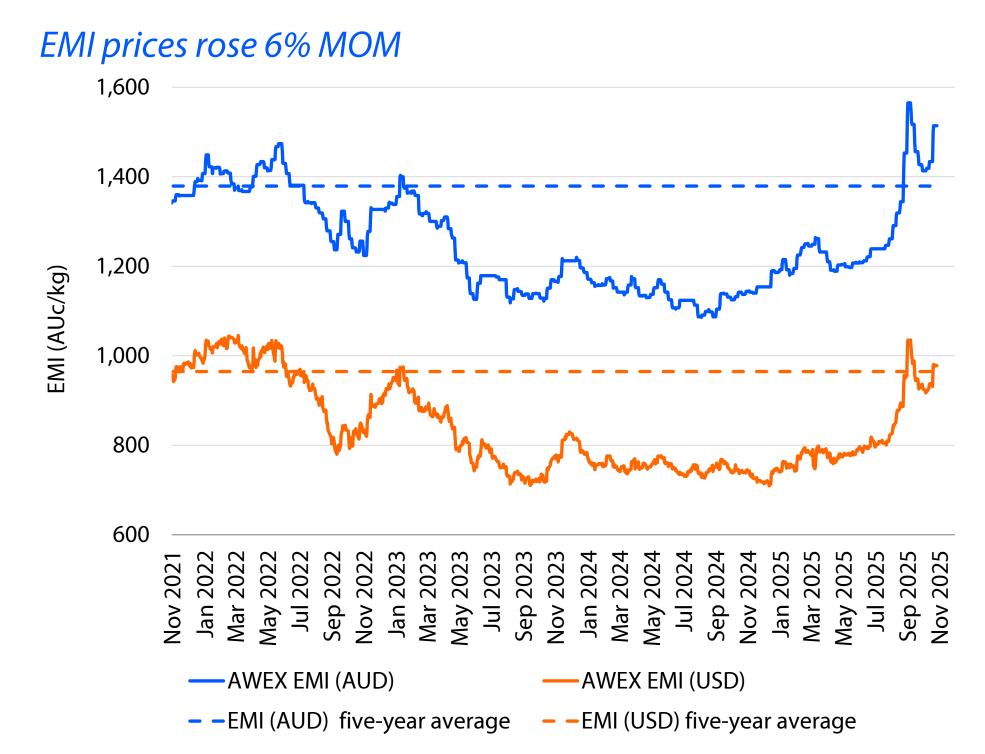
Australian export data for September held up relatively well compared to previous months. On a year-on-year (YOY) basis, exports were down just 3% (for reference, August exports were down 16.3% YOY). Volumes to China fell by 2.3%, while volumes to India rose an impressive 21.2% YOY. This puts year-to-date exports at 11.2% lower on a YOY basis. The peak of the recent EMI rally occurred in early October, so the market will be watching to see whether the ABS export data released next month for October shows a further improvement in exports.

What to watch:

European demand: The European market could also play a pivotal role in demand, though signals remain mixed. Consumer confidence is holding up relatively well and is approaching the long-term average. However, recent retail sales data has been weak, with German October retail sales down 0.3% MOM.

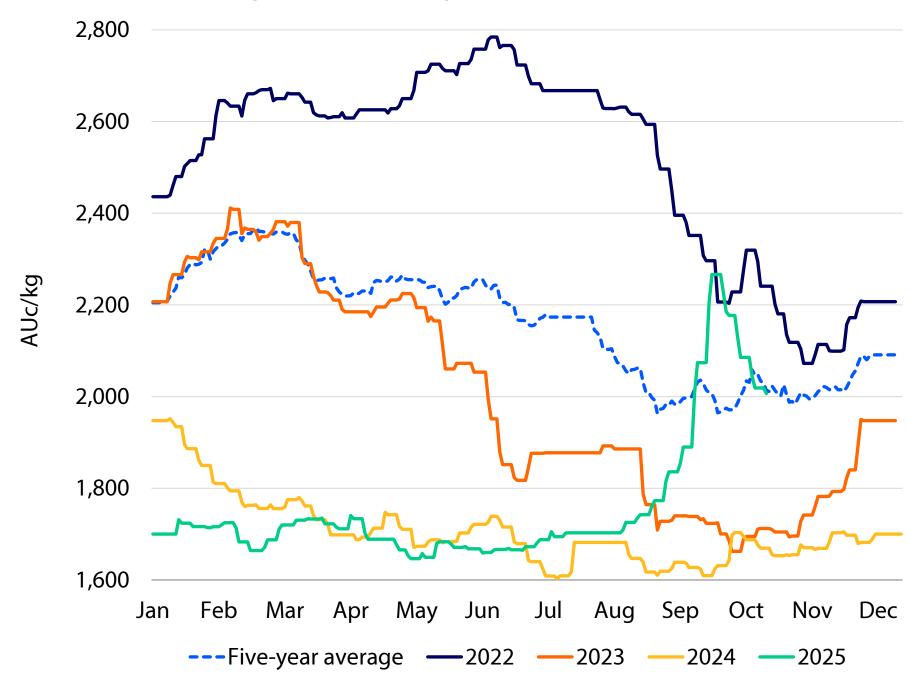
Wool

Wool prices are holding up well despite a larger number of bales offered at auction



Source: Bloomberg, RaboResearch 2025

17-micron wool prices were up 5% MOM



Source: Bloomberg, RaboResearch 2025

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Cotton

Will Brazilian production contract next season?

ICE #2 Cotton futures continued their downward trend last month, with the March 2026 contract declining 3.8% MOM. Australian cash prices have also been struggling of late, with prices trading around mid-500 (AUD/bale) levels for the 2026 crop.

After a period of limited data following the US government shutdown, we are finally seeing a plethora of data emerge from the USDA. Most notable was the WASDE report (released 14 November), which estimates global supply and demand. The market interpreted the report as bearish, given US production numbers were raised by 900,000 bales to 14.1m bales for the 2025/26 crop amid a stronger yield outlook. The end result was an expected 20% rise in US ending stocks.

The USDA also increased Chinese production by 1m bales and Brazilian production by 500,000 bales. This

puts global ending stocks for 2025/26 4% higher than last month's estimate and ultimately reaffirms RaboResearch's view that the global cotton market is in a state of oversupply.

With elevated fertiliser prices and declining cotton prices, RaboResearch anticipates production in 2026 could show signs of pulling back. Brazilian plantings take place in Q4 of this year, and some market analysts are expecting to see a double-digit drop in planting area (in percentage terms).

The Brazilian growth story in recent years has been one of the key catalysts for weaker prices. Signs of a production slowdown could help prevent prices from falling significantly lower. Speculators continue to hold a large net-short position, so if Brazilian plantings are lower than expected, this could trigger a change in sentiment.

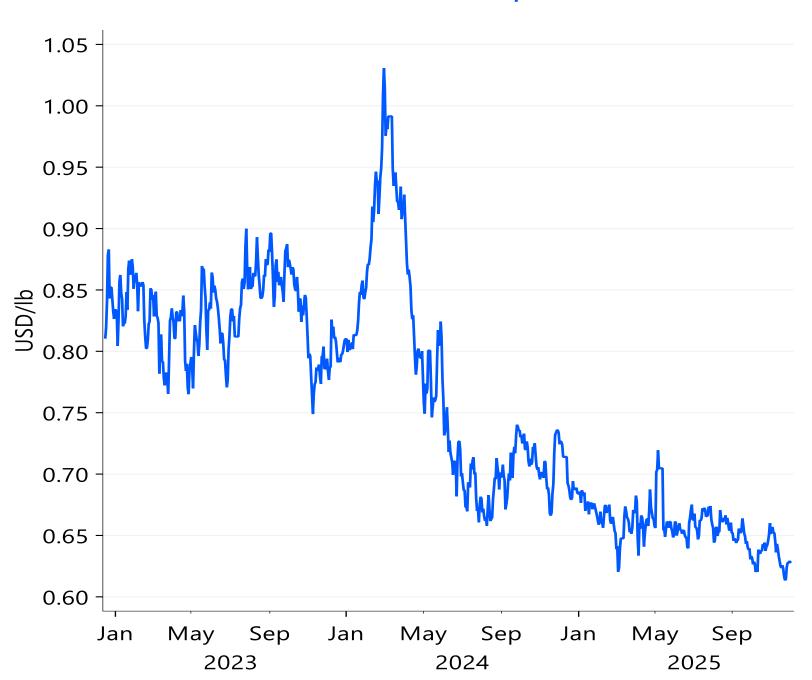
What to watch:

- **US-China trade relations:** US-China trade will remain a key focus for the cotton market. Recently, China purchased 1.5m tonnes of US soybeans, and while US cotton exports to China have been modest, the market is hopeful that cotton trade could also benefit from this framework. Such developments would be positive for global cotton demand and could help support prices.
- **Brazilian planting estimates:** Producers could respond to weaker prices. If they do, this could be a signal that cotton futures are nearing the bottom.

Cotton

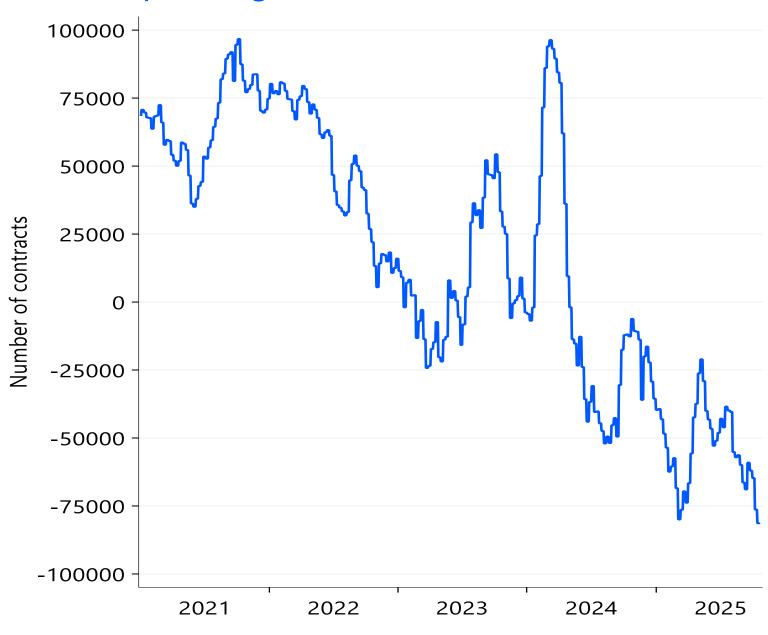
A well supplied global market is weighing heavily on cotton futures

ICE #2 Cotton futures continue to spiral downward



Source: Macrobond, RaboResearch 2025

Funds continue to maintain their net-short position, but if Brazilian planting underwhelm, we could see sentiment change





Farm inputs

Some relief expected for fertilisers, but downside is limited

It was another mixed month for fertiliser prices. Urea rose 2% to AUD 589/tonne, while phosphate prices eased, falling 5.2% to AUD 1,092/tonne. Potash prices were down 1% MOM to AUD 511/tonne.

All eyes are on India, the major urea importer, which is currently seeking 1.5m tonnes of urea. An additional Indian tender could take place in the coming months, supporting prices into 2026. Although India has been aggressively building stocks recently, November opening stocks remained down year-on-year.

RaboResearch maintains the view that urea prices should ease over a six-month horizon; however, Indian tendering activity is adding short-term volatility. Given India's purchasing requirements, further tenders could occur, supporting prices. While China's recent return to the export market is helping balance supply and demand, India's current import needs more than offset this additional supply.

The recent decline in phosphate prices likely reflects our thesis of dampening demand amid elevated prices. Global demand has been very low in recent weeks. That said, RaboResearch does not expect significant downside from current levels, largely due to a tight supply picture.

Domestic Chinese agrochemical prices remain relatively low and have been stable for some time. This suggests retail price movements are likely being influenced by containerised shipping rates, which have risen 13% over the past four weeks.

Given RaboResearch's forecast for the AUD/USD cross to reach 0.69 over a 12-month horizon, some price relief for many fertilisers and chemicals is anticipated in the coming year.

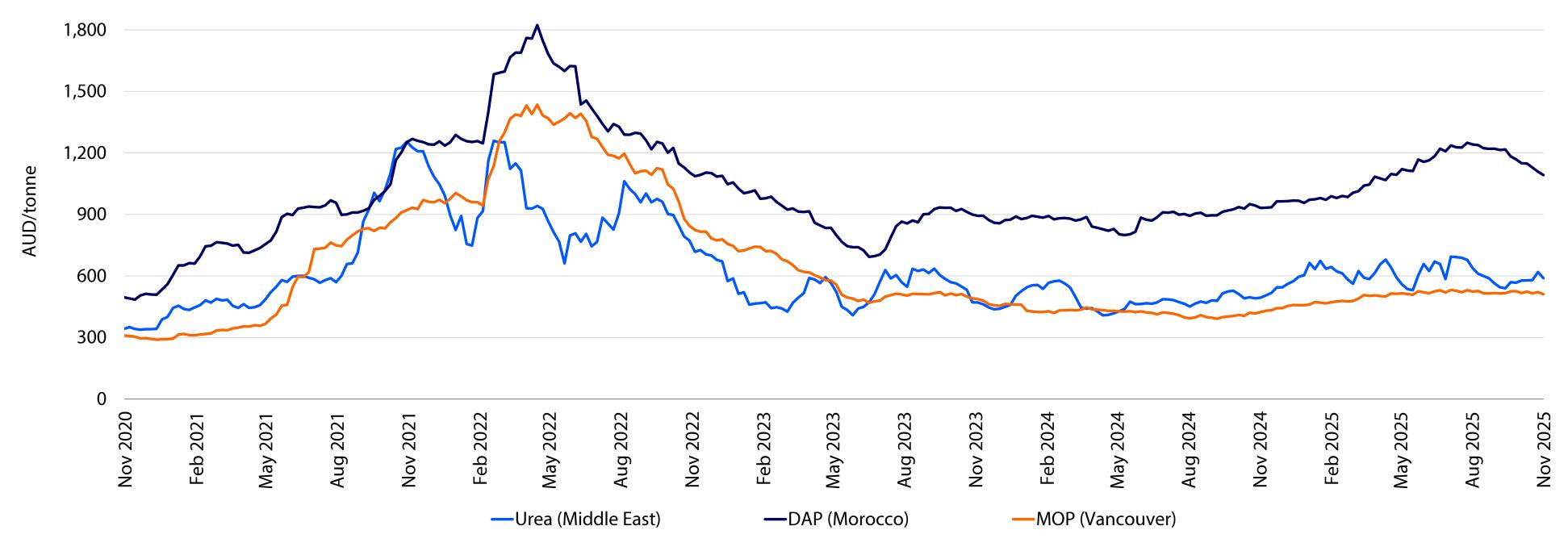
What to watch:

- **Indian urea demand:** India continues to be the predominant focal point in terms of urea demand. Another tender announcement in the coming months has potential to lift prices in the short term.
- **Gas prices:** One factor that could impact fertiliser markets is gas prices. RaboResearch sees improving global gas supply alongside weaker demand (particularly from Asian nations) as a potential driver of lower gas prices. This creates the possibility of downside for fertiliser prices, as the cost of production could ease.

Farm inputs

Urea prices rose month-on-month in November, with India's urea tender in focus

Global phosphate demand was muted in recent weeks, as reflected in recent price action (-5.2% MOM)



Source: CRU, RaboResearch 2025

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Dairy

Australia milk flows remain under pressure

The expansion of milk flows due to healthy margins and strong farmgate pricing mean the global market is well supplied. While growth is estimated to have peaked in Q3 2025, Q4 will be not far behind. The EU and UK posted their strongest growth since 2017 for the month of October, while surging US October milk flows posted their fifth consecutive month of growth rates over 3%. Not to be outdone, New Zealand farmers have been setting new milk solid records each month since May 2025. Meanwhile South America is shaping up a significant annual volume increase.

Global dairy markets still face headwinds on the demand side, with low- and middle-income consumers impacted the most. Ongoing sluggishness in demand remains the case across many foodservice channels. Consumer confidence has been deteriorating in the US and is clearly still struggling in China, with discretionary spending under pressure.

The global dairy market will face a period of weaker commodity prices in the face of ample milk supplies into 2026 and exportable surpluses. Demand remains fragile and, in the absence of any supply shock to impede surplus milk, raises

the risk of prolonged weak pricing through mid-to-late 2026 as surplus milk enters the market.

Australia's milk production has passed the seasonal peak.

Milk production was down 2.3% season-to-date in October,
led by declines in Victoria. The rate of decline has slowly
started to moderate on a year-on-year basis.

However, October brought much-needed rainfall to some dairying regions in Southern Australia, which has continued into November. This has meant soil moisture deficits have reduced in severity. The outlook from the Bureau of Meteorology is for more favourable rainfall over the summer months.

RaboResearch expects the Australian production season to finish down 1.5% YOY at the end of June 2026.

Retail dairy inflation ticked higher in Q3 2025. Retail milk prices rose 1.3% YOY while retail cheese prices rose 1.4%. Consumer shopping behaviours continue to lean towards value and trading down as cost-of-living pressures endure. In the first two months of the 2025/26 season, drinking milk sales were down 1.1% YOY nationally on a volume basis.

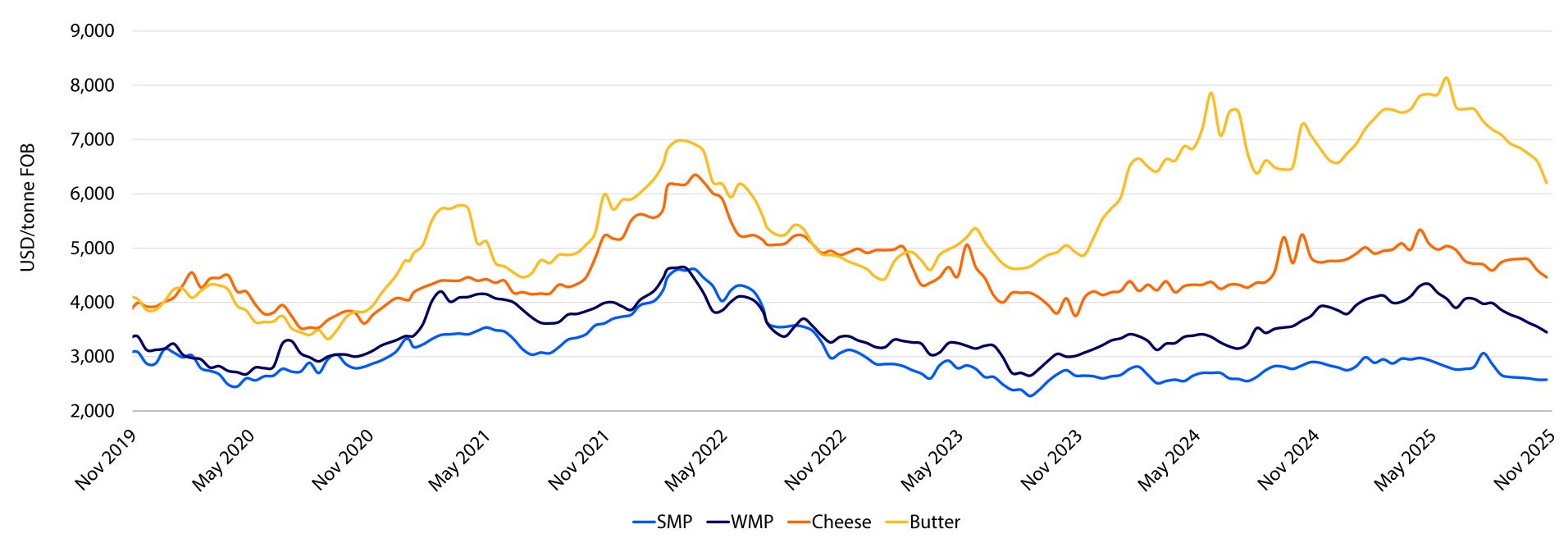
What to watch:

US dairy exports: The US is on track to set new export records for cheese and butter in 2025, marking what could be an historic year for dairy exports. Growing export volumes are underpinned by strong milk production, new processing capacity, sluggish domestic demand, and cost competitiveness. The US has seen steady growth in cheese exports to Japan, Korea, and Australia.

Dairy

The weight of increasing milk supply in export regions is becoming more evident

Oceania spot prices for dairy commodities



Source: USDA, RaboResearch 2025



Consumer foods

Food inflation steady at around 3% for sixth consecutive quarter

Australia's food and beverage inflation remained at 3.2% YOY in October 2025, unchanged from September and still slightly above the long-term average.

Several categories continue to drive the food basket higher. Red meat prices, including beef (+10.5%) and lamb (+14.6%), recorded double-digit annual increases, while coffee prices reached 16.4%, marking the fifth consecutive month of double-digit growth. A spike in global coffee prices is flowing through to consumer prices.

There is some relief for consumers, with inflation in eggs and confectionery beginning to moderate, signalling early signs of easing in certain segments. Global cocoa prices have also moderated, which means consumer prices should continue to ease. Local egg supply is gradually improving, which is providing relief to prices. Additionally, poultry prices fell 1.1% YOY in October, marking four consecutive months of declines and offering further signs of easing in some protein categories. Inflation in eggs moderated to 6.2% YOY, the slowest pace since July 2024. Cooking oils prices are also coming down with 1.6% YOY falls in price in October aided by softer global market conditions.

Fresh produce prices have remained moderate, with inflation at 1.8%. Limited weather disruptions resulted in fewer local supply shortages, helping moderate prices..

In dairy, higher farmgate prices have continued put some upward pressure on liquid milk prices, with the category up 3.3% YOY in October. Meanwhile, out-of-home food prices rose faster than retail, with restaurant meals up 3.3% YOY and takeaway and fast-food meals climbing 4%.

The Westpac–Melbourne Institute Consumer Sentiment Index surged 12.8% to 103.8 in November, marking its first positive reading since early 2022 and the highest level in seven years (excluding Covid disruptions). The sharp improvement reflects stronger confidence in the economic outlook for both the next 12 months and five years, despite lingering concerns about inflation and interest rates. Mortgage rate expectations rose, with most consumers anticipating stable or higher rates, while unemployment fears increased, signalling job market uncertainty.

Homebuyer sentiment was steady overall but notably stronger among younger cohorts, supported by government incentives. Meanwhile, optimism about house prices remains high, with over 80% expecting further gains.

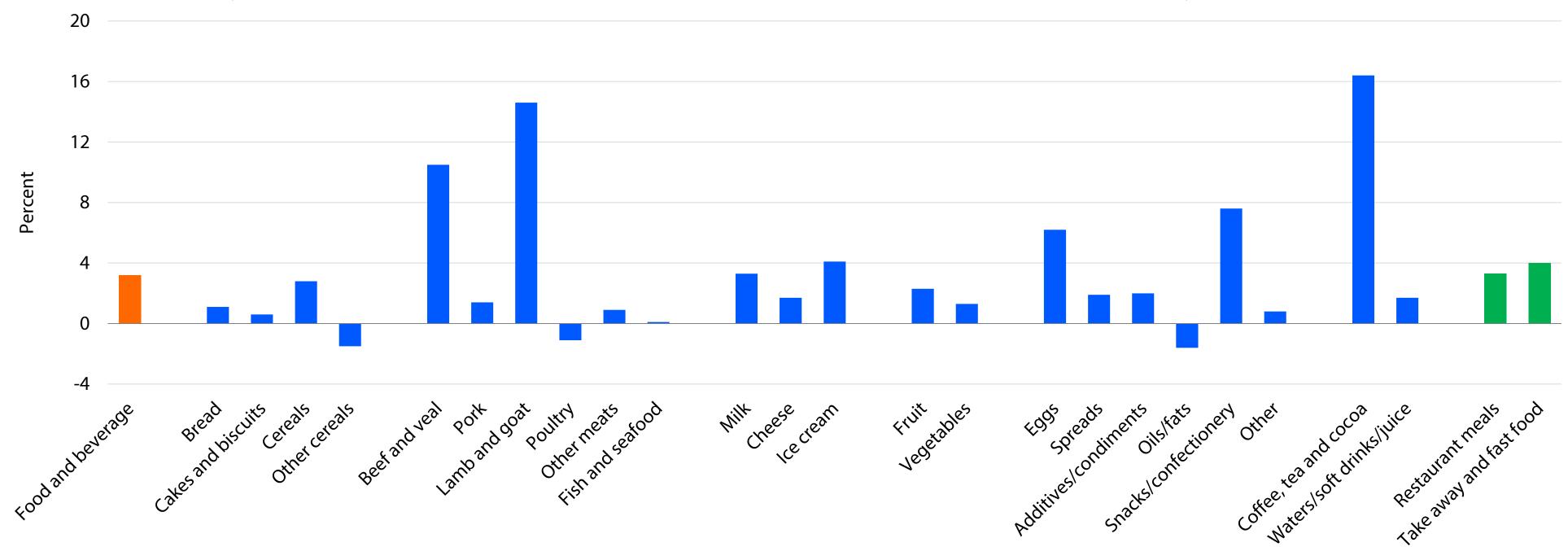
What to watch:

The ongoing shakeup in the foodservice sector: El Jannah has been sold to a global private equity firm, General Atlantic. El Jannah is a Lebanese-style chicken quick-service restaurant (QSR) chain with more than 50 stores across Australia. This transaction is happening amid a period of heightened corporate activity in Australia's foodservice sector.

Consumer foods

New monthly inflation data shows food inflation stuck at 3.2%

Australian monthly food CPI, October, percentage change from corresponding month of previous year



Source: ABS, RaboResearch 2025

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Interest rate and FX

A different direction in 2026?

Last month we noted that resurgent inflation pressures had prompted RaboResearch to trim our expectations of further rate cuts. We updated our cash rate forecast to project just one more 0.25ppt cut, but not until May of 2026.

Over the course of November, the trend towards stronger economic data continued. Growth in house prices accelerated, building approvals rose 12% MOM, consumer confidence surged 12.8% MOM, new home lending rose 9.6% QOQ, the unemployment rate fell to 4.3%, and the new comprehensive monthly reading of the consumer price index (see next page) rose to 3.8% – well above the 3.6% median forecast of economists surveyed by Bloomberg.

All in all, the impression is of an economy that is running hot and generating renewed inflation pressure as a result.

Consequently, the market-implied probability of another

0.25ppt rate cut by May next year has fallen from approximately 93% at the start of November to just over 5% at the time of writing. We have not removed the final 0.25ppt cut from our forecast at this point, but it is beginning to look like a bit of a long shot, and we will need to see the flow of data soften over the holiday period for that projection to be maintained with any confidence.

The Australian dollar closed November at 0.6545 against the US dollar – exactly where it began it – despite dipping as low as 0.6440 during the month. The Aussie dollar was well supported by an upward revision to the expected path of the RBA cash rate, while the US dollar faced some headwinds from rising expectations of a December rate cut in the US.

In 2026 we expect the Australian dollar to make up further ground, rising to 0.6900 against the US dollar.

What to watch:

• **ABS labour force report, 11 December:** With the unemployment rate unexpectedly declining by two-tenths of a percentage point to 4.3% in September, the November labour force report will carry extra weight for the RBA to determine whether the overall trend towards a slowly softening labour market remains in place. Another fall in the unemployment rate might embolden forecasters who are already beginning to speculate that the next move for the RBA cash rate is more likely to be up than down.

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Oil and freight

Hopes for peace unlikely to move the diesel dial

Crude oil prices fell again in November, closing the month at USD 62.38/bbl for Brent. Markets are facing a picture of substantial oversupply despite recent decisions by OPEC+ producers not to increase supplies any further.

RaboResearch is forecasting Brent to average USD 62/bbl in the final quarter of 2025, before trading down to an average price of USD 60/bbl in the first quarter of next year.

While downward pressure is building on crude prices, middle distillates like diesel remain well supported, as Ukrainian attacks on Russian refineries and export terminals have impacted supply of these products. This situation contributed to Indian buyers halting purchases of Russian product and instead stepping in to compete for supply from Middle East producers.

Prospects for peace in Ukraine offer some hope of relieved pressure on distillates, but a problem of undersupply remains, and tensions in Venezuela present risks in the other direction.

What to watch:

OPEC Monthly Oil Market report, 11 December

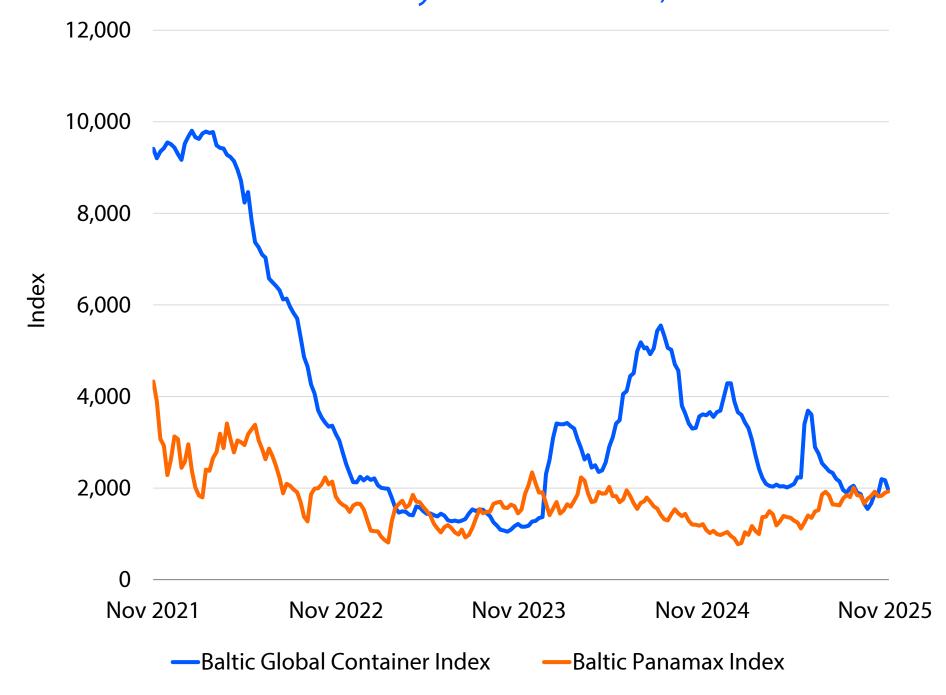
Overcapacity and weak demand remain widespread across most trade lanes, with the notable exception of intra-Asia routes. Transatlantic capacity has surged to a 28-month high, but demand is lagging, keeping rates flat despite additional vessel deployments. US imports from Asia continue to decline, driven by earlier frontloading, soft consumer sentiment, and tariff uncertainty, leaving retail inventories lean. In contrast, intra-Asia freight rates remain elevated and are expected to hold firm through January, supported by tight capacity and tariff-driven frontloading. Overall, these trends signal a challenging 2026 ahead as oversupply and muted demand weigh on rate recovery. On the infrastructure side, US ports are expanding Foreign Trade Zones (FTZs) for breakbulk cargo to help shippers mitigate tariff impacts.

The Baltic Panamax index (a proxy for grain bulk freight) continues to trend upwards, supported by healthy fundamentals such as resilient coal demand and large grain orders from China.

Oil and freight

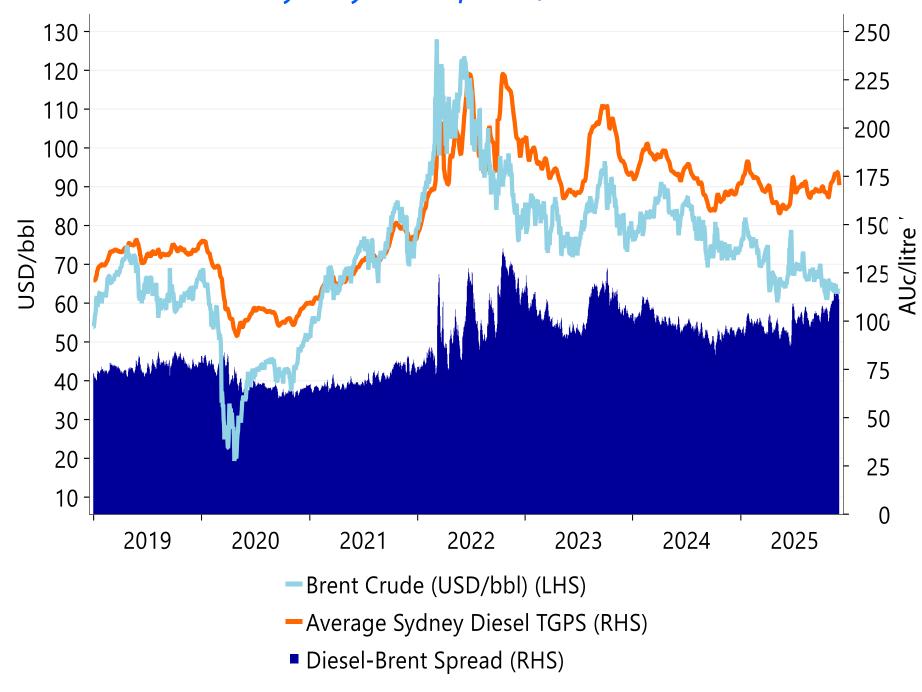
Crude prices continue to fall while refined product prices hold steady

Baltic Panamax Index and Dry Container Index, Nov 2021-Nov 2025



Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Brent crude versus Sydney diesel prices, 2019-2025



Source: Macrobond, ICE Exchange, AIP, RaboResearch 2025

Agri price dashboard

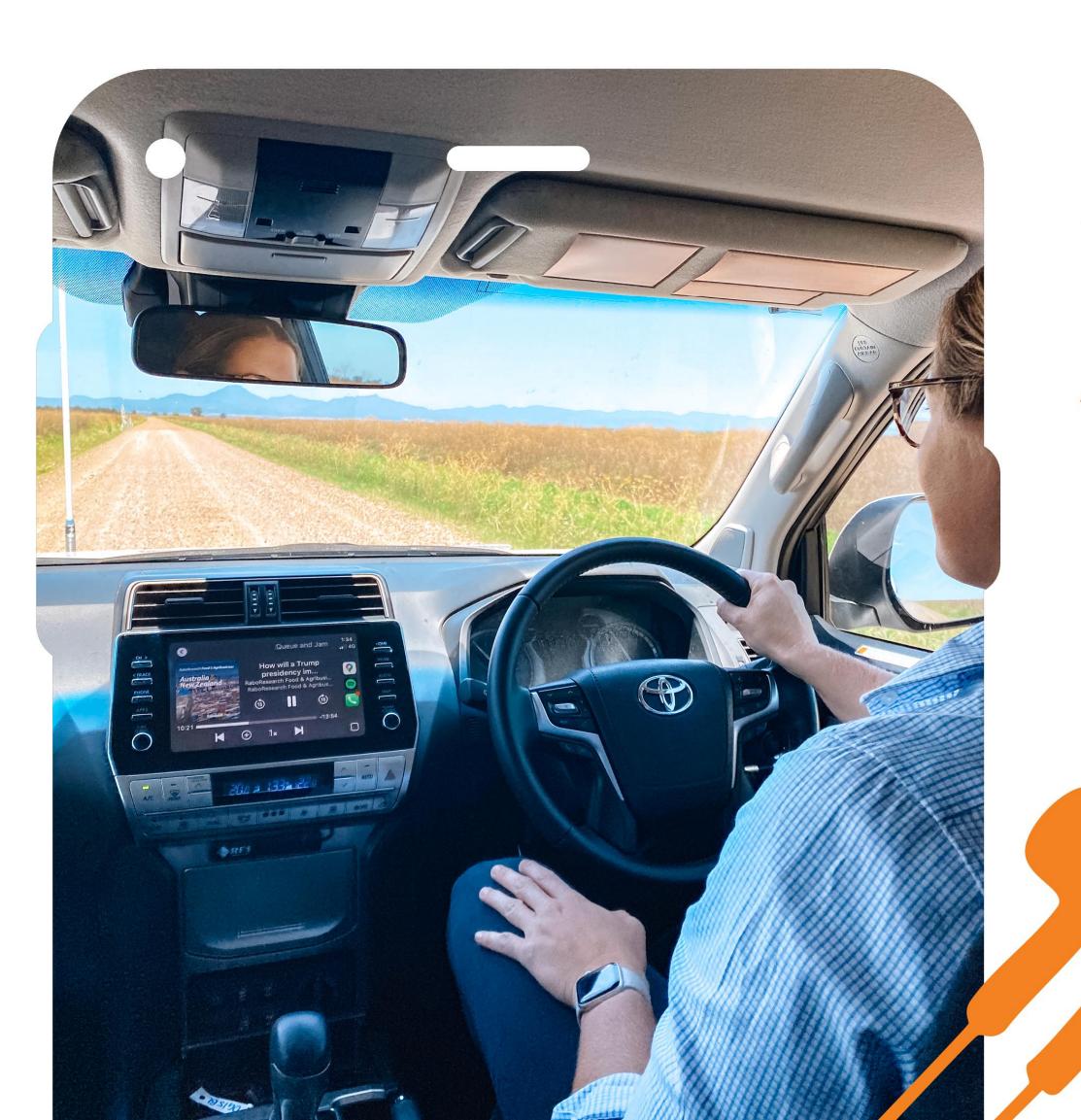
28/11/2025	Unit	мом	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	A	531	524	540
CBOT soybean	USc/bushel	A	1,138	1,091	984
CBOT corn	USc/bushel	A	436	430	420
Australian ASX EC Wheat Track	AUD/tonne	A	324	318	322
Non-GM Canola Newcastle Track	AUD/tonne	V	779	781	734
Feed Barley F1 Geelong Track	AUD/tonne		305	297	303
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	V	825	890	632
Feeder Steer	AUc/kg lwt	A	486	451	345
North Island Bull 300kg	NZc/kg cwt	A	940	905	720
South Island Bull 300kg	NZc/kg cwt	A	870	850	680
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	A	1,144	1,066	804
North Island Lamb 17.5kg YX	NZc/kg cwt		1,100	1,095	805
South Island Lamb 17.5kg YX	NZc/kg cwt	A	1,095	1,085	800
Venison markets					
North Island Stag	NZc/kg cwt	A	1,045	1,040	950
South Island Stag	NZc/kg cwt	•	1,040	1,040	930
Oceanic Dairy Markets					
Butter	USD/tonne FOB	V	6,200	6,738	7,075
Skim Milk Powder	USD/tonne FOB	V	2,575	2,600	2,900
Whole Milk Powder	USD/tonne FOB	V	3,450	3,625	3,750
Cheddar	USD/tonne FOB	V	4,463	4,788	4,825

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

28/11/2025	Unit	МОМ	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	V	75.0	77.4	82
ICE No.2 NY Futures (nearby contract)	USc/lb	V	62.9	65.1	73
Sugar markets					
ICE Sugar No.11	USc/lb	A	15.2	14.3	21.6
ICE Sugar No.11 (AUD)	AUD/tonne	A	512	480	666
Wool markets					
Australian Eastern Market Indicator	AUc/kg	V	1,422	1,453	1,140
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	A	407	393	346
DAP (US Gulf)	USD/tonne FOB	V	650	700	610
Other					
Baltic Panamax Index	1000=1985	A	1,952	1,849	1,056
Brent Crude Oil	USD/bbl	V	63	65	73
Economics/currency					
AUD	vs. USD	V	0.655	0.656	0.648
NZD	vs. USD	V	0.574	0.574	0.583
RBA Official Cash Rate	%	•	3.60	3.60	4.35
NZRB Official Cash Rate	%	V	2.25	2.50	4.75

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



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