

STRAIT back to normal?

Australia agribusiness monthly



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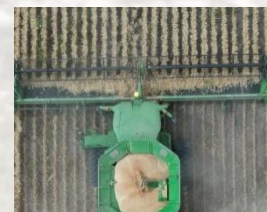
This report is based on information available as at 5/3/2026

Commodity outlooks



Climate

El Niño has been officially declared, increasing the risk of below-average spring rainfall. Australia's rainfall outlook remains challenging, and June's above-average temperatures are already influencing crop development.



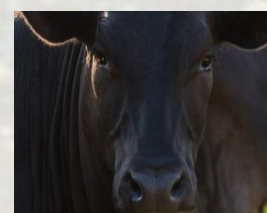
Wheat and barley

Global wheat markets have turned more bearish as Northern Hemisphere harvests kicks off, with strong supply prospects in the Black Sea, EU and Canada offsetting lower US production. Ample global stocks and slower Australian exports are expected to keep wheat prices largely at rangebound levels.



Canola

Strong demand for oilseeds, vegetable oils and biofuels continues to support global prices. Expanding crushing capacity and rising biodiesel mandates are reinforcing long-term demand growth despite higher production in some regions.



Beef

Cattle prices have recovered from the slump in April and May, pushing to new year highs with finished cattle (heavy steers and cows) exceeding ten-year highs. The strong export market continues although there remains some uncertainty around the impact of Chinese quotas that are starting to come into play.



Sheep

Lamb and mutton prices push to historical highs off the back of ongoing limited supplies. While we expect prices to remain at current elevated levels, in the last couple of years July and August have seen declining lamb and sheep volumes with corresponding rises in prices.



Wool

Wool prices finished the year strong, up 61% compared to last year. The ongoing limited supplies continue to support the market with wool tested volumes down 9% for the year.



Cotton

Cotton prices have weakened on softer demand and macro pressures, but weather risks and supply uncertainty create potential upside, requiring Australian growers to manage risk carefully.



Farm inputs

At the end of the day, farm input markets remain divided, with nitrogen prices easing as supply normalises, while phosphates and agrochemicals continue to face support from elevated feedstock and intermediary costs.



Sugar

Near-term sugar prices remain pressured by surplus supply, but rising El Niño risks point to tighter markets ahead, supporting future prices and offering cautious upside for Australian growers.



Dairy

Across the main dairy commodities, prices softened slightly in June in US dollar terms, with the global market expected to remain well supplied in the near term. The new season commences on 1 July, and milk supply growth in Australia has been gaining momentum in recent months.



Consumer foods

Consumer confidence among Australian households has improved in recent weeks but remains weak overall. Meanwhile, food inflation picked up in May (3.35%), driven by higher prices in the meat and dairy categories.



Interest rate and FX

As foreshadowed last month, the RBA left the cash rate unchanged in June and market expectations of further rate hikes have diminished further. Longer-term interest rates have also fallen, and the Australian dollar has weakened substantially against the USD in response.



Oil and freight

Oil prices fell more than 20% in June following the signing of a Memorandum of Understanding between Iran and the US that saw tanker traffic through the Strait of Hormuz rise significantly. Consequently, RaboResearch has reduced its forecasts for oil prices.

Climate

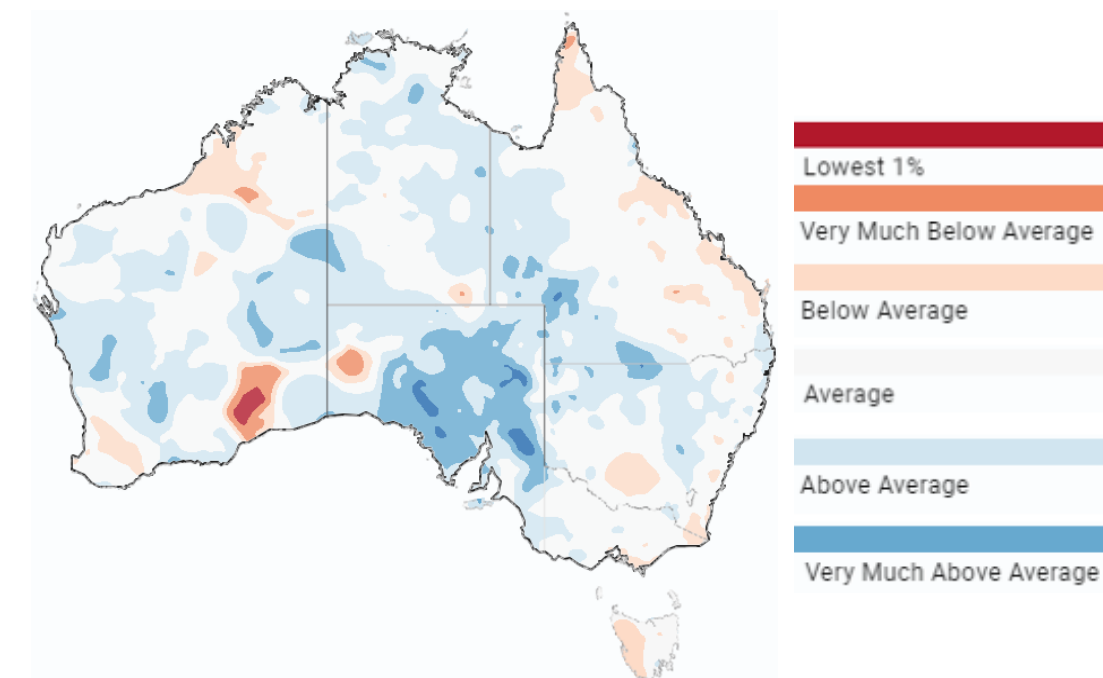
El Niño officially declared

After months in the make, El Niño has been officially declared, confirming the outlook climate models have signalled since February: below-average rainfall across Oceania and South-East Asia during spring, while parts of central and southern South America are likely to receive above-average rainfall.

In Australia, the **Bureau of Meteorology's long-range forecast points to rainfall in deciles 1 and 2 as the most likely outcome, with limited chances of exceeding median levels across much of the country.** The eastern wheatbelt is forecast to receive 20mm-40mm less rainfall than the historical median between July and September, while parts of Western Australia could see deficits of up to 60mm. While not a guarantee of poor crop or pasture performance, the outlook increases production risk and warrants close attention.

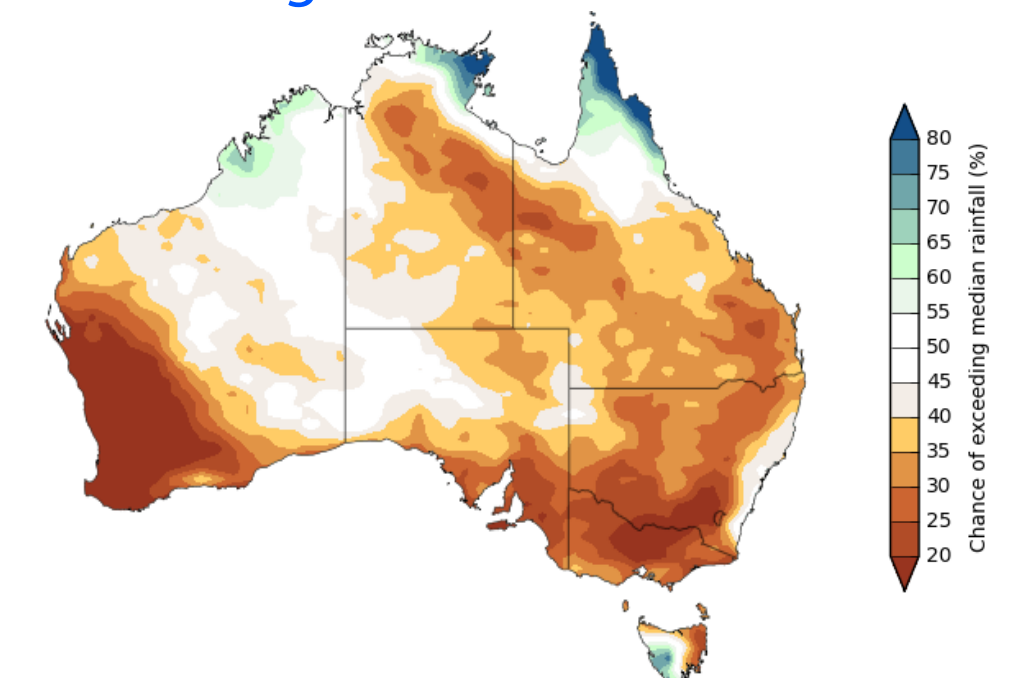
June rainfall was favourable in most regions of the country, except Queensland and parts of New South Wales that received less than their long-term figures. **Across the country both daytime and overnight temperatures were above average,** already affecting crop development, including earlier canola flowering. Some areas of New South Wales and Queensland recorded minimum temperatures of up to 10°C above the June average.

Root zone soil moisture



Note: As of 28 June 2026
Source: BOM

July to September chance of exceeding median rainfall



Note: As of 25 June 2026
Source: BOM



Vitor Pistoia
Senior Analyst
Grains & Oilseeds

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

Wheat and barley

Wheat rally loses momentum

Global wheat markets are transitioning into Northern Hemisphere harvest mode amid a broadly bearish supply outlook after a good price run during April and May. **Robust carryover and expectations of solid production across the Black Sea, Canada and the EU are limiting price recovery. Together, these origins are expected to deliver production close to their respective five-year average, largely offsetting the 12 million tonne year-on-year decline in US output.** In the last 30 days, CBOT nearby contract fell 3.7% to AUD 314/bushel, MATIF by 2.2% to AUD 340/tonne, and ASX by 5.2% to AUD 325/tonne.

In the Black Sea, Russia's southern wheat belt – the country's key export region – is forecast to rebound to around 37 million tonnes from 32 million tonnes last year, supported by favourable weather. The larger crop should cap upside in Black Sea FOB values, one of the world's most influential wheat price benchmarks. The Black Sea is a key supplier to major importers across North Africa and the Middle East, including Egypt, Algeria and Saudi Arabia. **Using Algeria's tender as a proxy, recent results highlights the pressure from incoming supply. Since early May, three wheat tenders have cleared at around AUD 370–AUD 380/tonne, including freight, underscoring**

limited price upside despite elevated farming and shipping costs linked to exports disruptions across the Strait of Hormuz.

From October 2025 to April 2026, **Australian wheat exports totalled 13.2 million tonnes, around 12% below the five-year median for the period. The slower export pace points to a relatively large carry-out into the new season,** limiting support for Australian wheat basis levels relative to CBOT. Basis levels have been positive for most of the time since early 2023, but only occasionally moved above the historical median – the premium has remained in the lower half of its typical range, indicating only modest pricing support despite Australia's competitive export position.

Looking ahead, the prospect of lower planted area and reduced fertiliser application by 2027/28 is a fair scenario, as grower margins remain under pressure from grain prices not keeping up with the farm inputs rise pace. **However, expectations of improved fertiliser availability from the Persian Gulf following the recent US-Iran memorandum of understanding could ease some of the pressure on budgets and partially offset downside risks to future wheat output, keeping prices at rangebound levels.**

What to watch:

- **Australian northern East Coast weather** – Late May rainfall across northern New South Wales and southern Queensland enabled crop establishment within a reasonable yield potential window, triggering a sharp fall in grain prices, particularly barley. However, June remained drier and warmer than normal, raising concerns about crop development. With forecasts pointing to below-average rainfall through the growing season, further price upside remains possible.
- **High protein price spread** – Most of the expected decline in US wheat production comes from winter wheat, which supplies medium- and high-protein grades. Combined with fertiliser-related challenges in Australia and lower durum production in Canada, high-protein wheat prices could see stronger upside than the broader wheat market.



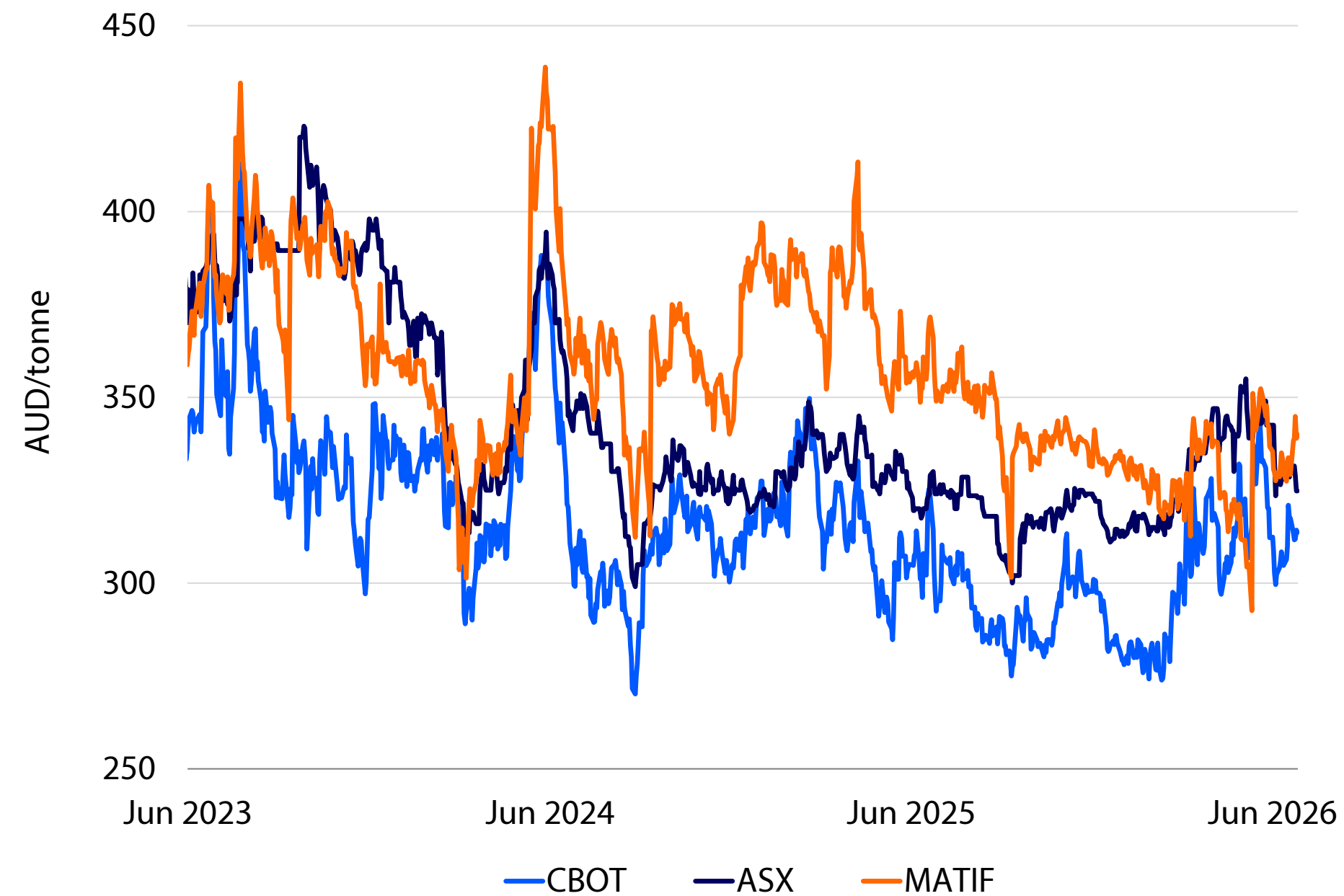
Vitor Pistoia
Senior Analyst
Grains & Oilseeds

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

Wheat and barley

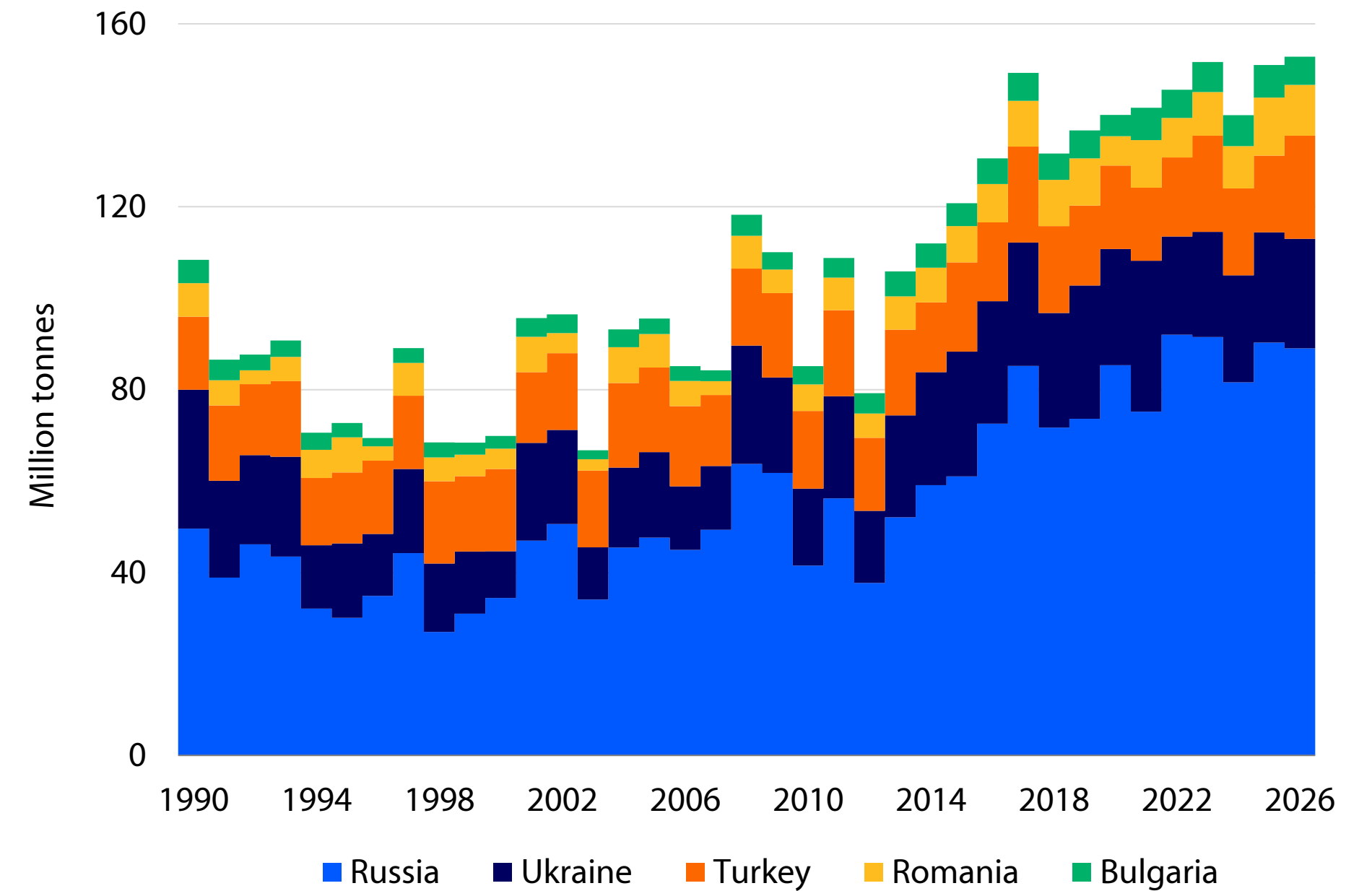
Another large Black Sea wheat crop pressures prices

The price recoveries of global wheat prices have lost steam as Northern Hemisphere starts to harvest



Source: Bloomberg, RaboResearch 2026

Black Sea countries' wheat production continues its upward trend in 2026



Source: EU commission, FAO, USDA, RaboResearch 2026

Note: Georgia is also a Black Sea country, but its production is less than 1m tonnes

Canola

Strong fundamentals underpin oilseeds

During June, oilseed prices remained broadly balanced, supported by strong demand for both seed and vegetable oils, particularly in North America. MATIF nearby contract rose 0.6% month over month to AUD 856/tonne and ICE fell by 0.8% to AUD 752/tonne. In Canada, canola exports continued at unusually high levels, reaching an estimated 930,000 tonnes in May, up from 638,000 tonnes a year earlier. April exports to China totalled 452,000 tonnes, the highest monthly volume in a year, reflecting renewed Chinese demand and increased competition for export supplies.

Canadian canola processing capacity is also expanding. Statistics Canada data shows new crushing capacity and strong oil demand are expected to lift crushing from 12.1 million tonnes in 2025/26 to 13.0 million tonnes in 2026/27, although some industry estimates are closer to 14 million tonnes. The sector's strength is already evident, with April canola oil exports rising 23% compared to April of 2025. **As more seed is processed domestically, canola exports are forecast to fall from 8.4 million tonnes to 7.5 million tonnes in 2026/27.**

In Europe, canola demand remains firm. EU crushing volumes are forecast at around 26 million tonnes in 2026/27, slightly

above the current season. However, imports are expected to ease from 7.0 million tonnes to 6.5 million tonnes as domestic production improves. **The European Commission forecasts the EU canola crop at 19.8 million tonnes, 6.1% above the five-year average, while sunflower production is expected to rise 8.5% to 10.1 million tonnes.**

The Black Sea region remains an important supplier to Europe. Ukraine's canola crop is forecast at 3.4 million tonnes, while Russia and Ukraine are expected to produce sunflower crops of about 20 and 13.0 million tonnes, respectively, which puts the combined amount 8% above the last five-year average .

However, tighter palm oil supplies and growing biofuel demand are likely to offset these increases, helping keep oilseed prices well supported in coming months.

Global biodiesel production is forecast to rise 10.7% year-on-year to around 70 million tonnes, as blending mandates continue to expand. With mandates rising and energy feedstock demand likely to shift following the Hormuz Strait disruption, oilseeds continue to benefit from strong structural demand growth.

What to watch:

- **USMCA framework and Canadian exports to the US** – On 1 July 2026, the USMCA reaches its first mandatory six-year review under the agreement's sunset clause. The US, Mexico and Canada must decide whether to extend the agreement for another 16 years. While a full extension appears unlikely, the agreement is expected to move into a rolling annual review process. This would prolong trade uncertainty across North America and could increase volatility in Canadian canola prices. Given Australia's exposure to global canola markets, any disruption to Canadian exports may also influence Australian canola prices, particularly for GM canola.



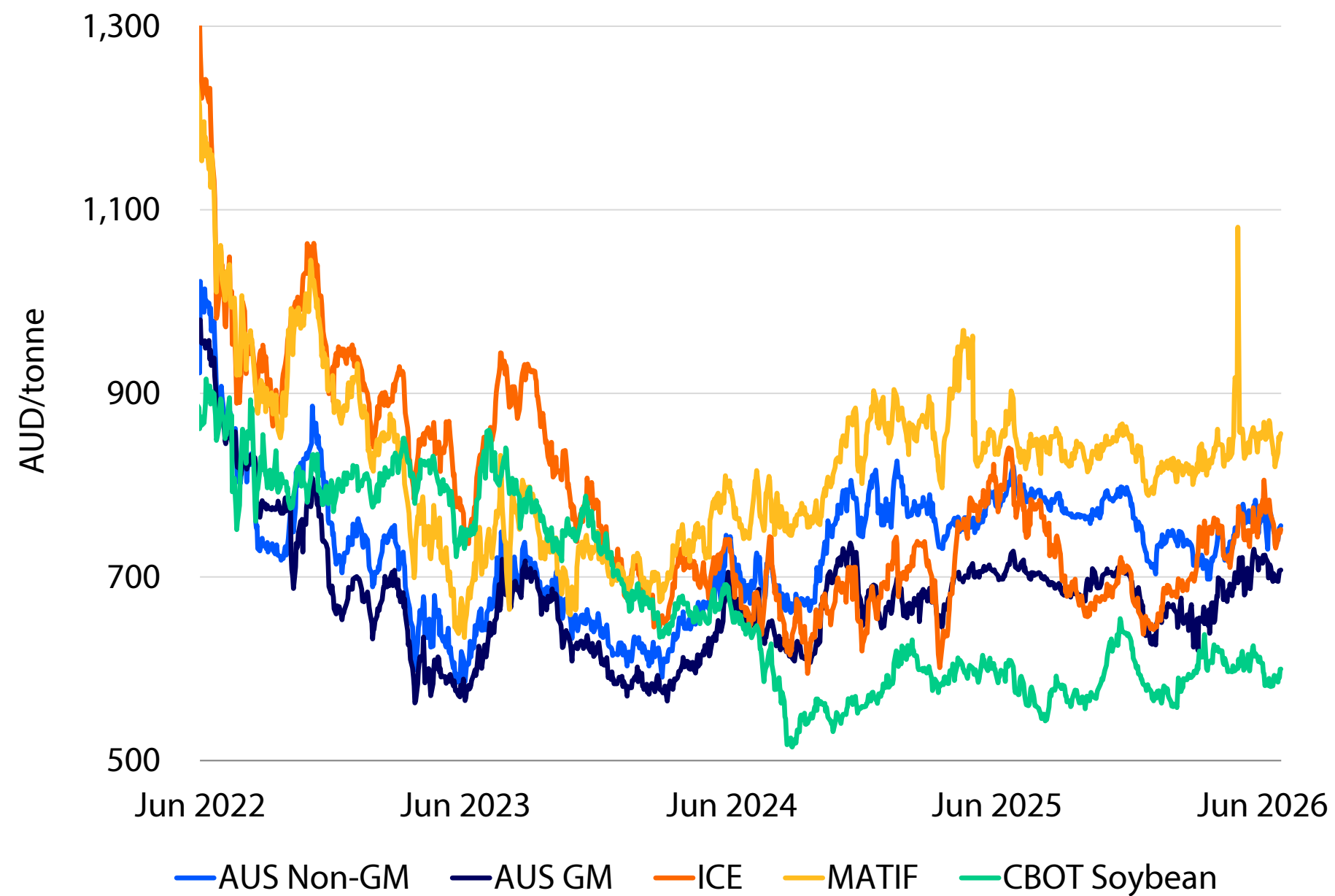
Vitor Pistoia
Senior Analyst
Grains & Oilseeds

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

Canola

Oilseeds markets benefit from biofuel growth

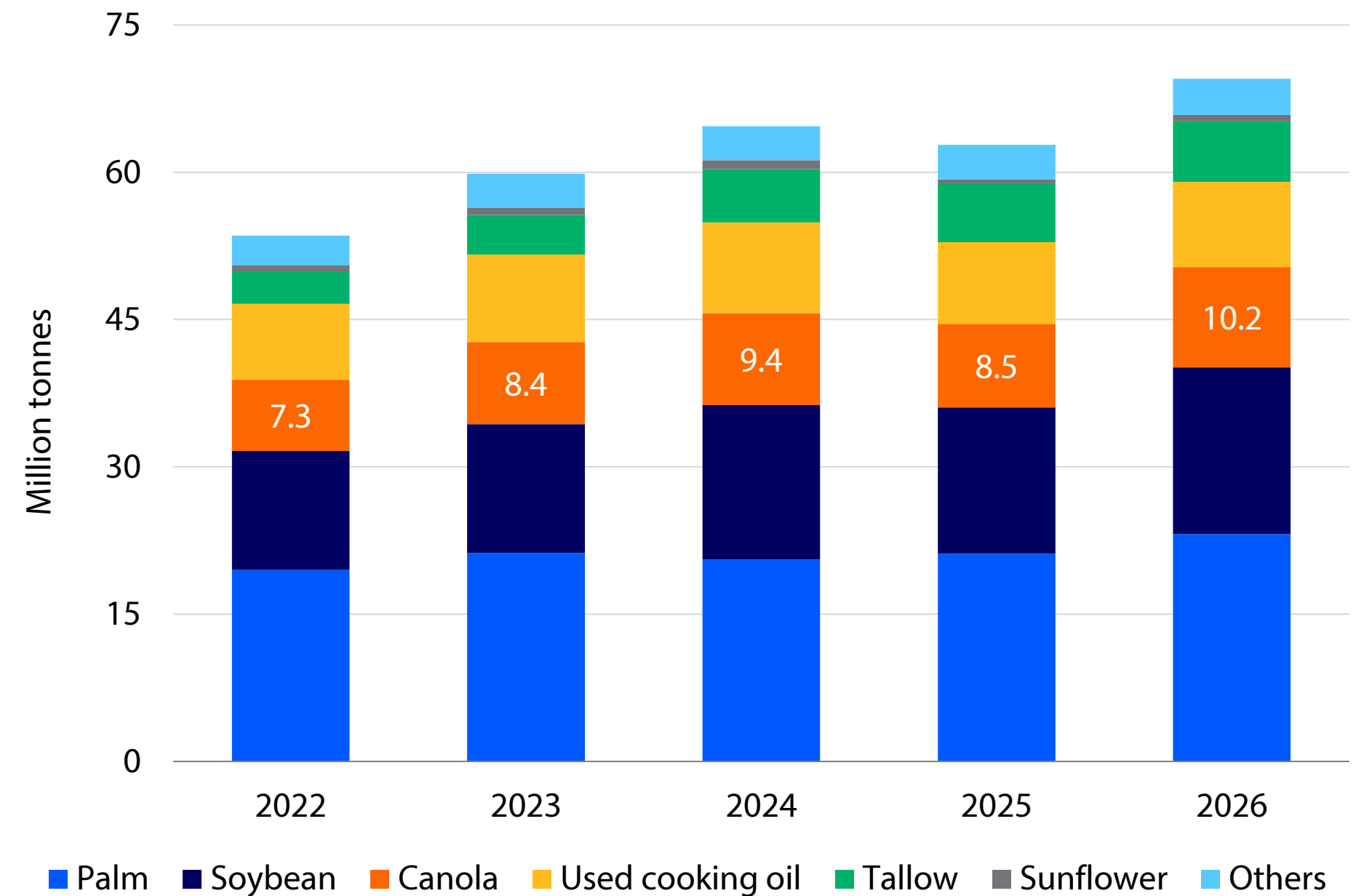
Since mid-2024, global oilseed prices have trended higher on the back of rising biofuel consumption



Note: Australian prices refer to the port price average.

Source: Bloomberg, RaboResearch 2026

Global biodiesel production continues to rise, and canola's share of feedstock use remains around 14%



Source: Oil World, RaboResearch 2026

Beef

Cattle prices push to year highs

Cattle prices spent June recovering the losses that occurred from March to May, with all categories pushing beyond levels seen at the start of the year to set new highs for the year. Restocker steers (AUD 5.36/kg) and heifers (AUD 4.63/kg) are generally around 25% higher than the five-year average while heavy steer (AUD 4.58/kg) and processor cows (AUD 3.74/kg) prices are at the highest levels in 10 years for this time of year. The National Young Cattle Indicator was at AUD 5.23/kg for the last week of June, 39% higher than the same time last year and 23% up on the five-year average. Late May and into June saw some valuable rainfall, particularly in northern NSW and southern Queensland. Although winter conditions will limit pasture growth, the rainfall has improved producer confidence. And this, together with the lower cattle volumes through saleyards, has seen prices rise.

Prices started to moderate towards the end of June and it is possible that they will ease in coming weeks as a little bit of the heat comes out of the market. However, the last couple of years have seen a lift in cattle prices – particularly feeder cattle – through July and into August. Have cattle prices already experienced this seasonal lift, could they go higher? We believe seasons will still have the strongest influence on store stock markets and the market overall. **With the presence of El Niño, we**

suspect producers will be cautious about how much livestock they run and therefore we expect prices will ease slightly but then level out over the coming month.

Weekly cattle slaughter continues to track at the highest levels in 10 years at over 155,000 head per week. While current volumes are more in line with volumes slaughtered this time last year, total numbers for the year-to-date are up 8%. Female slaughter numbers continue to remain high – particularly in Victoria where the proportion is over 75%. While numbers of cattle moving through saleyards has dropped from the seasonal highs of April and May, the volumes remain at some of the highest volumes of the last 10 years. Numbers in Queensland have started to lift as first round musters start to pull cattle off northern properties. Numbers in NSW have dropped after the seasonal peak through April and May weaner selling season. **We expect the high cattle inventory will continue to mean high slaughter volumes and saleyard numbers over the coming months.**

Preliminary export volumes show a 13% increase year-on-year with lifts in volumes to Japan (up 12%) the US (up 43%) and South Korea (up 82%). A diversion of product away from China due to the quota but also lower availability and higher US prices would support volumes into Japan and South Korea.

What to watch:

- **Brazil's China quota** – Australia reached our 205,000 mt quota threshold in mid June. We believe Brazil will reach its 1.1m mt quota threshold in late July, early August. Brazil reaching its quota threshold will have a dramatic impact on China's monthly beef imports and will also require a re-distribution of Brazilian exports to other markets. The US and Europe are Brazil's second- and third-largest export markets and we could expect a diversion of volumes into these markets, increasing competitive pressure on Australian exports in these markets.



Angus Gidley-Baird
Senior Analyst
Animal Protein

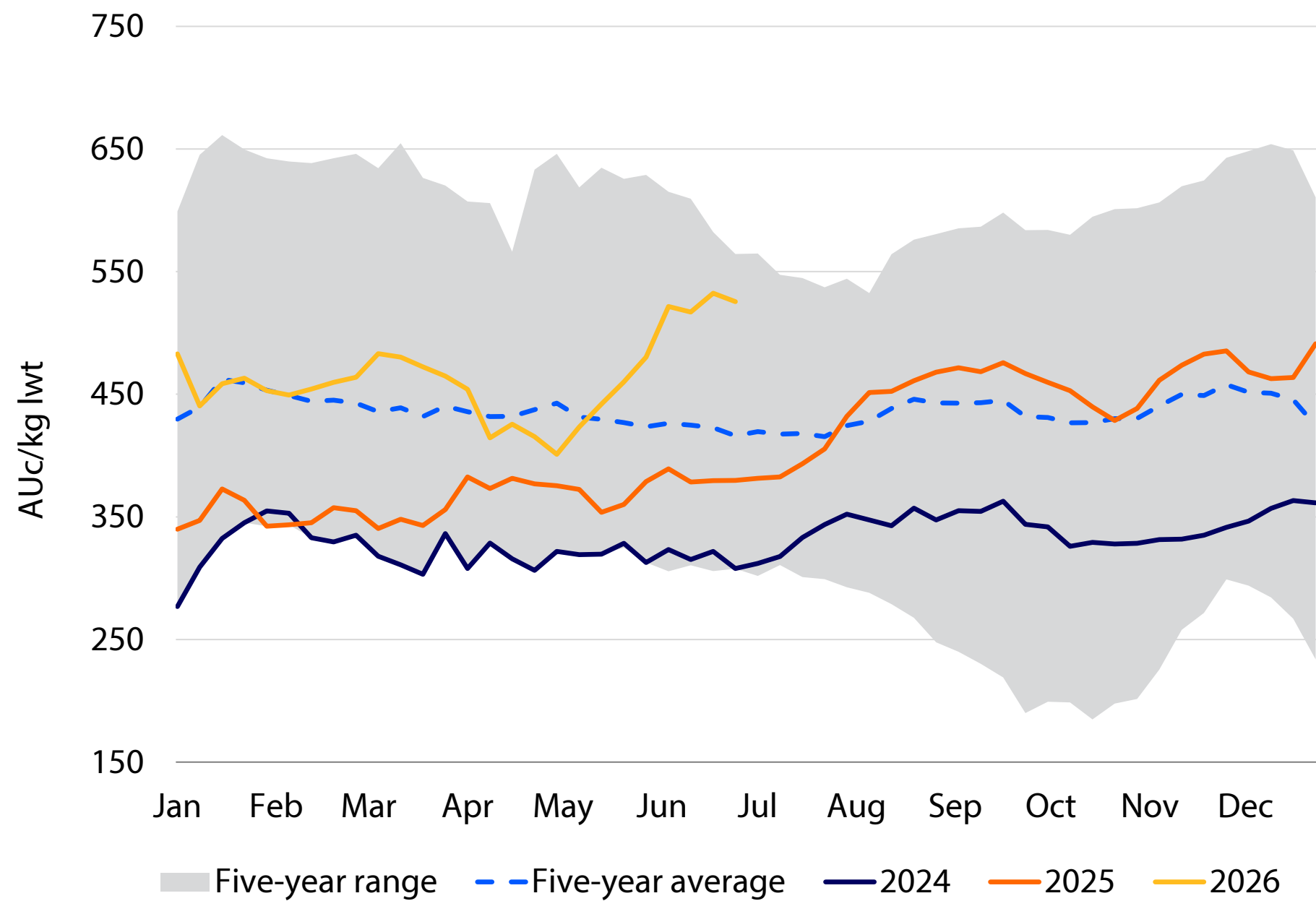
Angus-Gidley-Baird@rabobank.com

X: @angus_gb

Beef

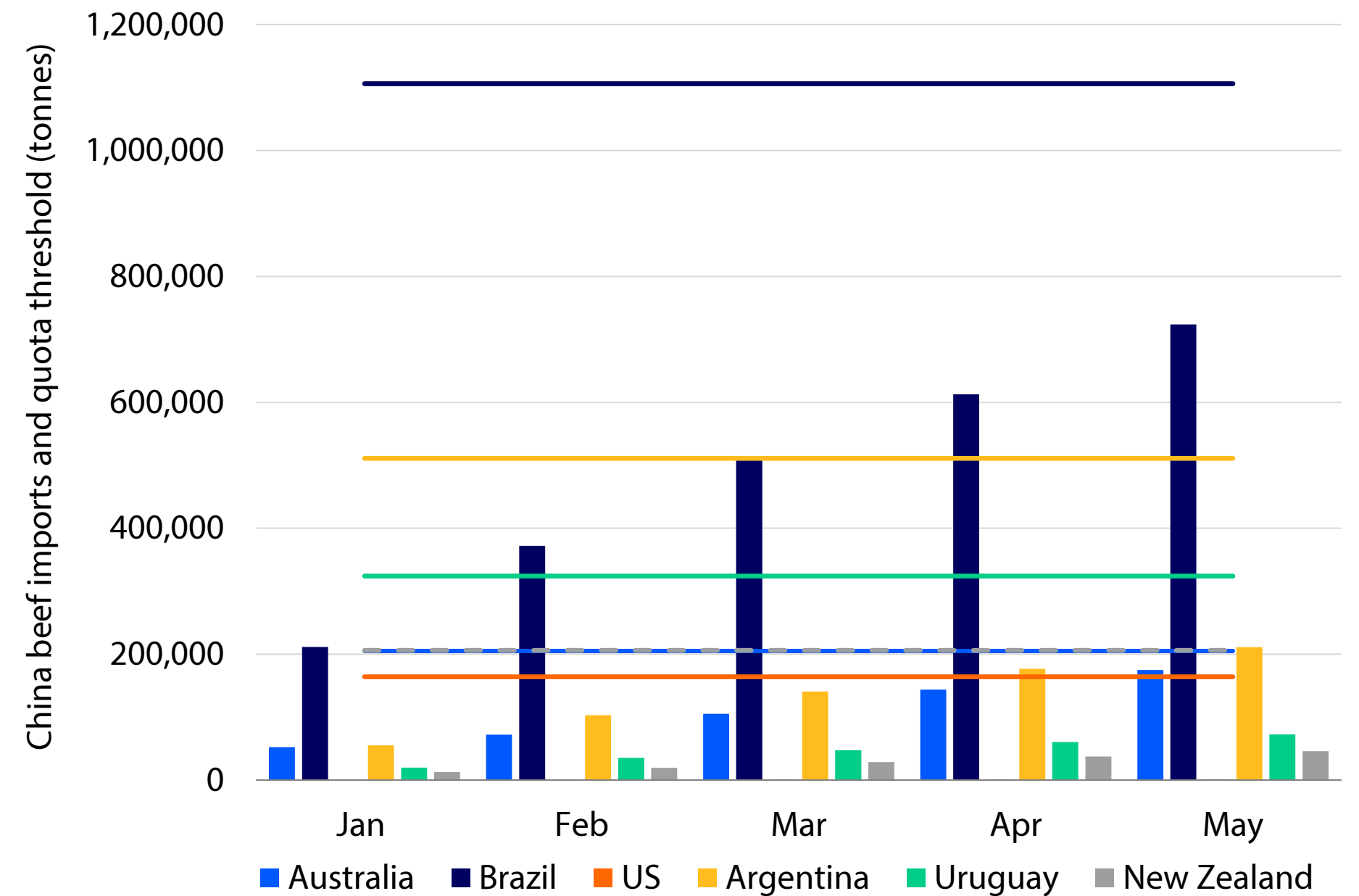
Australian cattle prices recover losses and countries approach China quota thresholds

After recovering the NYCI levels out



Source: MLA, RaboResearch 2026

Australia reached the China threshold in June; Brazil approaches the threshold



Source: China Customs, RaboResearch 2026

Sheepmeat

Prices remain high as numbers continue to decline

Sheep and lamb prices continue to remain high as we approach the traditionally low supply part of the season. Trade lambs, restocker/feeder lambs, merino lambs and mutton prices are all sitting at record highs. Mutton prices pushed above AUD 9/kg in late June for the first time in history and merino and restocker lambs pushed above AUD 11/kg and AUD 12/kg, respectively, for only the second time in history. The national trade lamb indicator was at AUD 12.27/kg on 29 June after setting a new record at AUD 12.46/kg on 9 June. **While the supply of lambs and sheep continues to remain limited, we believe prices will stay at current high levels.** Based on previous years, it is unlikely that we will see a lift in lamb availability until August/September and therefore we expect prices to remain strong until then.

Weekly lamb slaughter volumes have held relatively steady since March, tracking between 350,000 and 420,000 and close to the five-year average (allowing for shortened slaughter weeks with public holidays). This compares to volumes last year that were on average 15% higher and tracked between 320,000 and

521,000 for Q2. **Weekly lamb slaughter numbers traditionally drop through June and July with volumes last year dropping 12% from June to July.** Unlike lamb slaughter, sheep slaughter volumes have been falling at a relatively steady rate since February and currently sit 34% below the five-year average at around 70,000 head. Combined, the sheep and lamb slaughter volumes are about 17% below the five-year average and in line with volumes last seen in 2021 and 2022. Although not the lowest numbers in the last 10 years, these lower volumes would be affecting the efficiencies of the supply chain.

Preliminary export volumes to 25 June show volumes are down year-on-year, in line with the lower lamb production. Volumes were down for the Middle East and while the conflict would be causing some disruption to trade, we also believe the high prices of Australia lamb are also leading to a reduction in export volumes. Volumes to the US and Europe look like they will increase year-on-year for June, reflecting a strong consumer market in these destinations.

What to watch:

- **Weekly slaughter volumes** – After sitting roughly 11% below last year for the first five months of the year, weekly lamb slaughter volumes are now coming into line with weekly volumes from 2025, which experienced a significant drop through June and July. Did the better seasons plus higher grid weights encourage producers to hold lambs, meaning slaughter volumes do not drop too much further or do we see a significant drop over the next month similar to last year and 2019? It is difficult to know how many lambs remain in the system, but given conditions there may still be some left, suggesting there may be a slight drop in numbers but not of the same magnitude we experienced last year or in 2019.



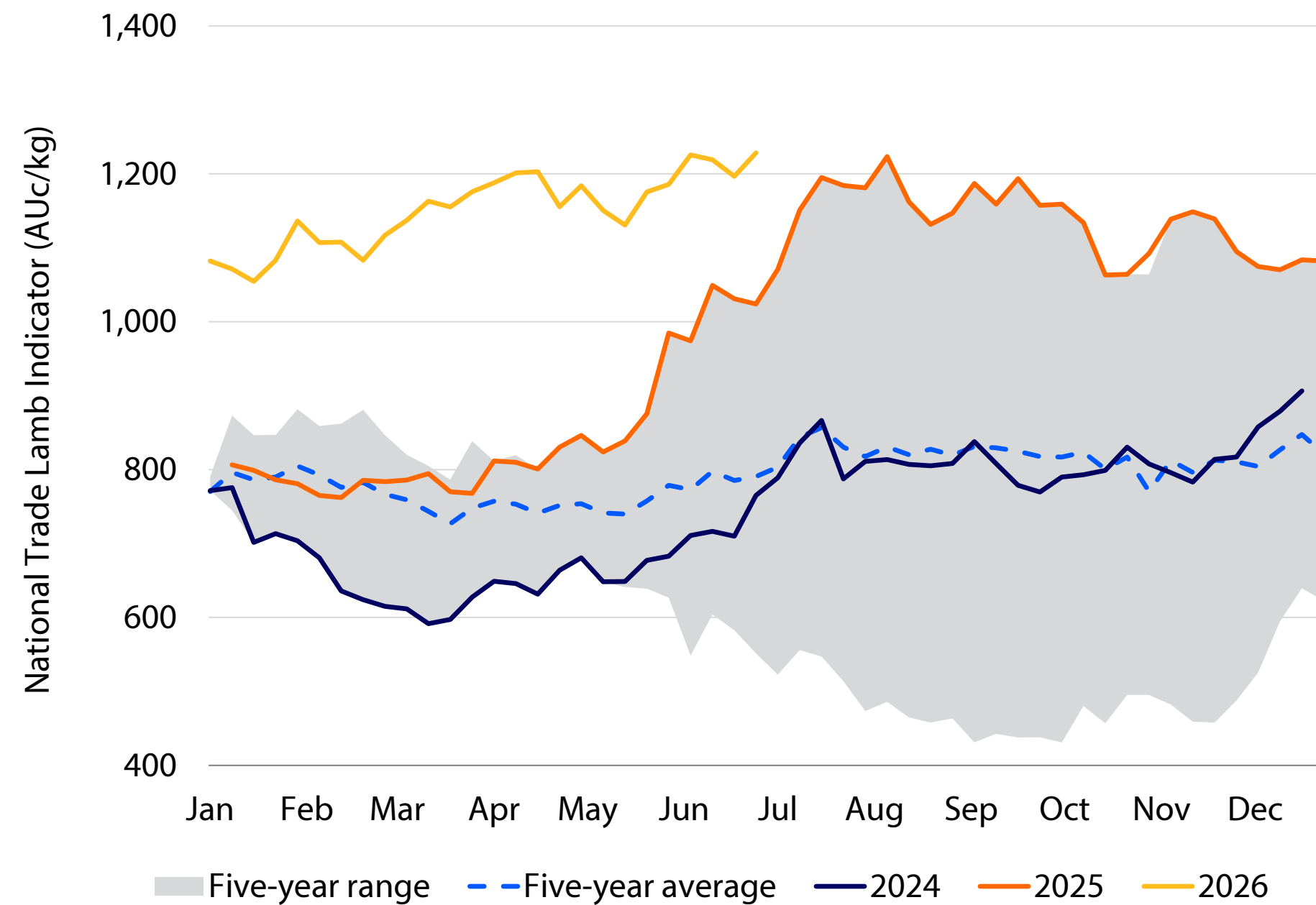
Angus Gidley-Baird
Senior Analyst
Animal Protein

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

Sheepmeat

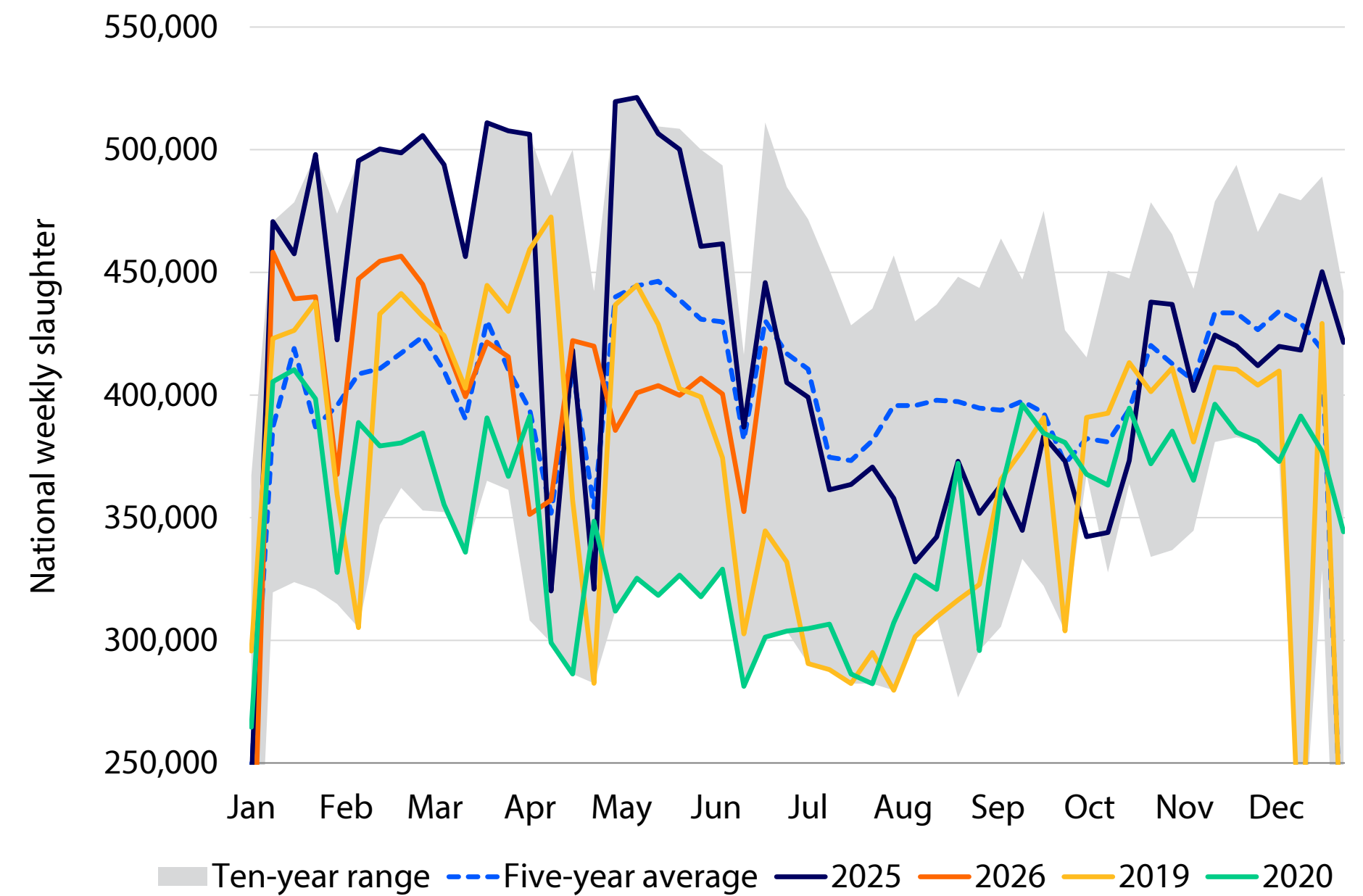
Lamb prices remaining high as we approach the low supply point of the season

National Trade Lamb Indicator (NTLI) remains elevated



Source: MLA, RaboResearch 2026

How much further will lamb volumes drop as we reach the low point of the season



Source: MLA, RaboResearch 2026

Wool

Wool prices finish the year strong

Wool prices rose through most of June to reach some of their highest levels in 10 years – a nice way to finish the 2025/26 selling season. Some of the coarser microns outperformed finer microns, with 28- and 30-micron prices up 14% and 15% respectively for the month before they dipped in the last week. Meanwhile, the finer microns only rose 4% to 6% before slipping in the last week. The EMI finished the month up 0.5% at AUD 19.43 – 61% higher than the same time last year. The industry suggests the slightly softer prices in the last week of June are more of a consolidation, given the rise over the previous six months, than an indication of demand deterioration. **With only the few weeks in July before the August recess and the ongoing limited supplies, we believe prices should hold around current levels.**

The number of bales offered rose 23% in the last week of June. The increased offering possibly contributed to the easing of prices, which in turn saw the clearance rate fall to 83% after sitting in the high 90s for much of the calendar year. Despite this rise in the last week of June, the number of bales offered for the month was the second lowest in the

last three years, marginally higher than the low in June 2025.

Australian wool testing data shows volumes for the month of June were down 2% YOY, continuing the year-on-year decline experienced through the year. This will bring total wool tested for the 2025/26 year to 271,732 tonnes – an 8% decline in volumes from 2024/25. All micron categories saw a reduction in wool tested, with the largest reduction in wool tested occurring in the 18-micron category. Wool tested in the 24 and 25 microns was marginally down on the previous year by 0.4% and 2%, respectively. These volumes may give an indication of the sheep flock's composition, with the finer and medium microns seeing the largest reduction and potentially moving out of wool sheep altogether.

Year-to-date export volumes in April were down 9.8%, with volumes to China down 7.5% and India down 4.6%. Italy dropped only 1.5%. Meanwhile, the higher prices saw values increase 11.9%, with values to China up 16.5%, to India up 19.5%, and to Italy up 17.2%.

What to watch:

- **Australia's changing wool composition** – The cost of production and revenue from wool and lamb are seeing a change in Australia's wool flock composition. Wool tested data shows that the largest reductions in volumes tested in 2025/26 occurred in the 18-micron category (down 5,774 tonnes) with the 20- and 21-micron categories down 3,123 tonnes and 3,526 tonnes, respectively. Other categories also experienced a decline, with the 21- and 22-micron categories experiencing the largest proportional decline – down 21% and 18%, respectively. With wool prices currently strong, it will be interesting to watch any rebuilding of the sheep flock and whether wool or lamb production is a focus.



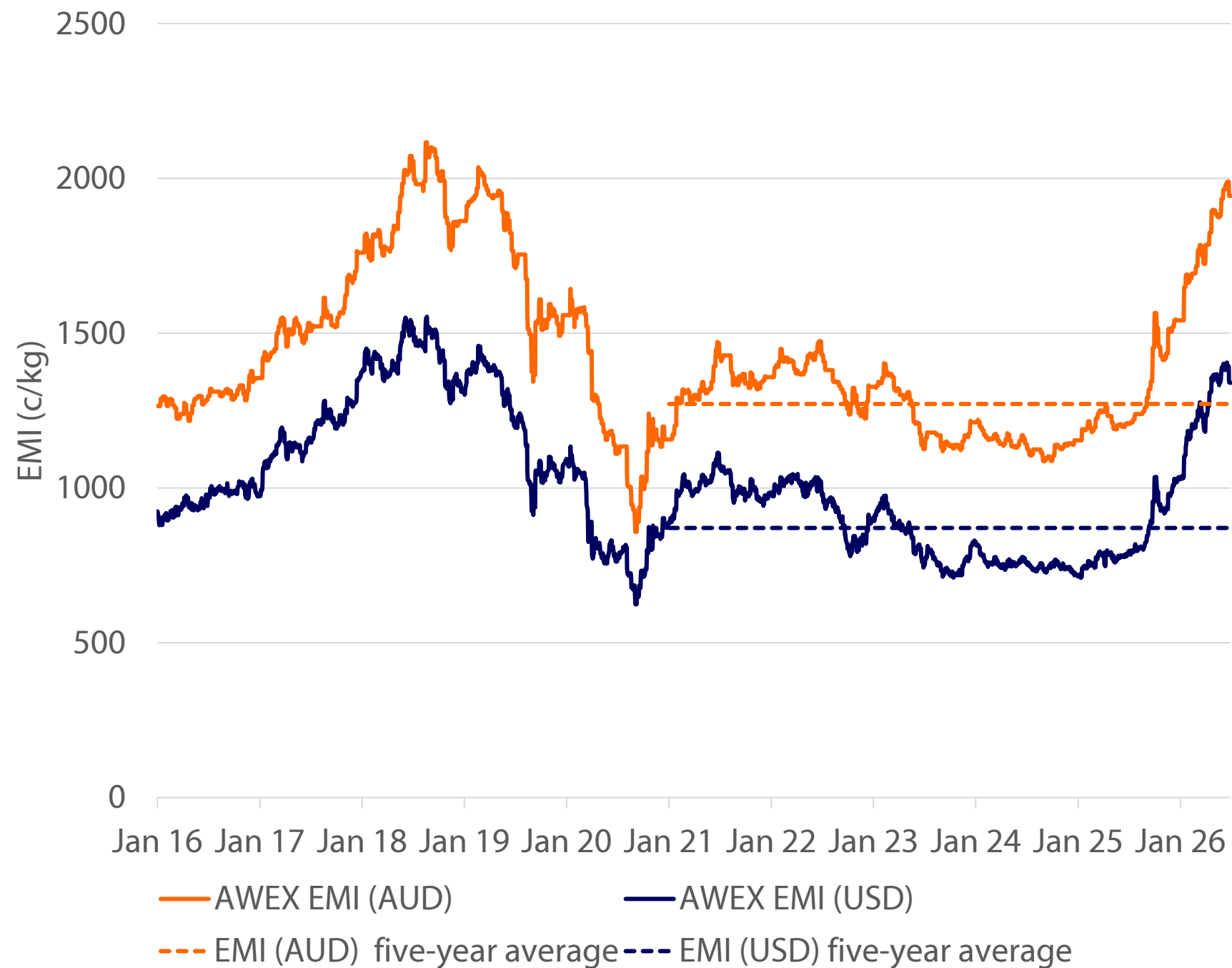
Angus Gidley-Baird
Senior Analyst
Animal Protein

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

Wool

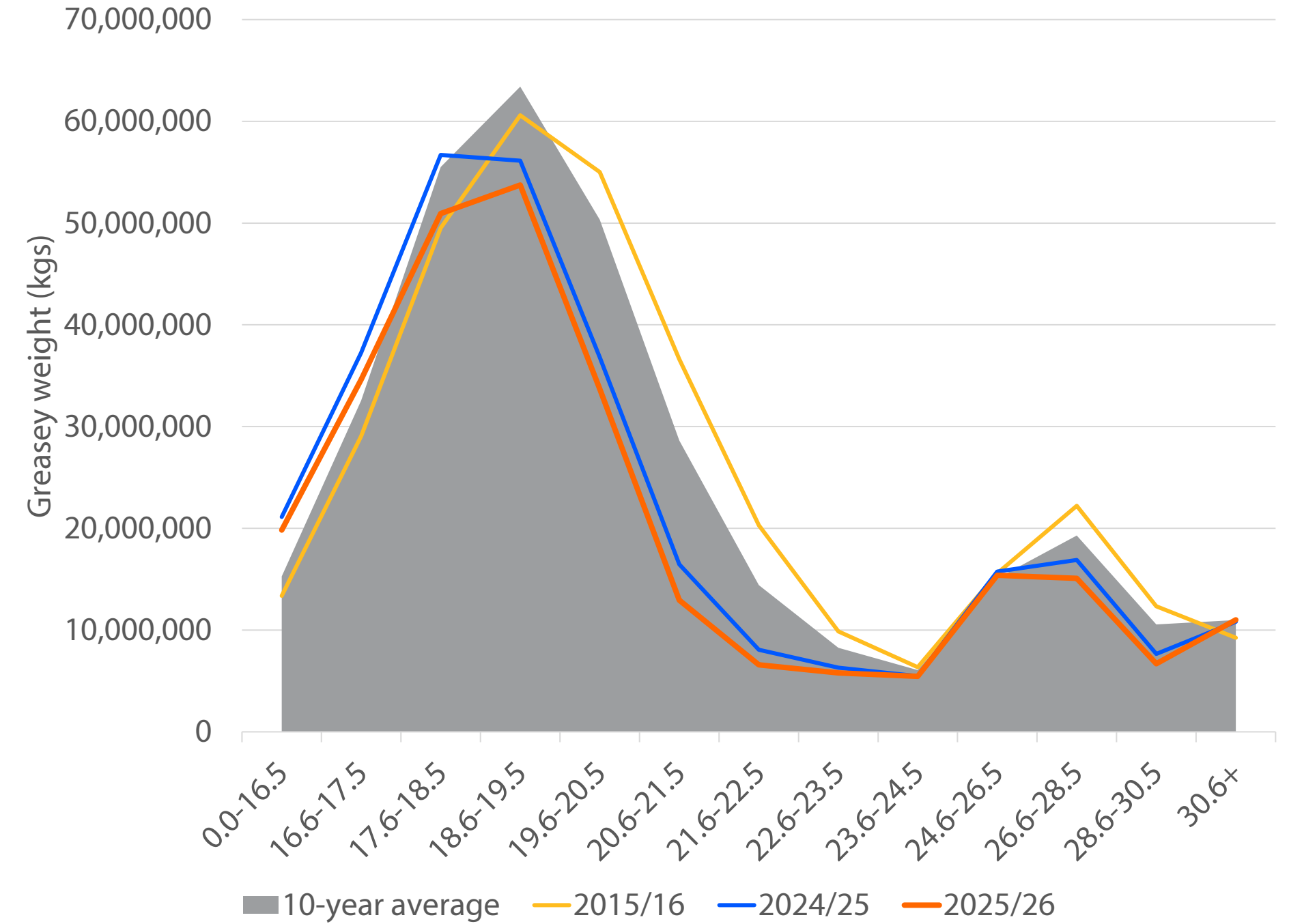
Limited supplies continue to support the market

After rising strongly, the EMI slips a little at the end of June



Source: Bloomberg, RaboResearch 2026

Australian wool micron profile is flattening out



Source: AWTA, RaboResearch 2026

Cotton

Softer demand and oil price pressure; weather risks

Global cotton markets are currently under pressure, with prices trending lower amid softening demand and broader macroeconomic and energy price influences. Over the past weeks, cotton futures declined notably, as weaker crude oil prices weighed on sentiment across agricultural markets.

Demand conditions have softened in the short term. Spinning mill demand has eased following an earlier surge in buying, while downstream yarn demand has slowed, as buyers avoid holding expensive inventory in a falling market. The fall in crude oil has also reduced polyester fibre prices, discouraging purchases of cotton/poly blended yarns and contributing to weaker overall demand sentiment.

On the supply side, markets are balancing relatively stable production outlooks with emerging risks. In the US, hot and dry weather in West Texas presents a potential threat to crop conditions, particularly given limited subsoil moisture, although this has not yet translated into price support. More broadly, uncertainty around US planted area and production potential remains a key influence on market direction.

El Niño is typically a mild-to-moderate negative for Brazilian cotton, mainly because it brings hotter conditions, irregular rainfall, and episodic dryness in the Centre-West (especially Mato Grosso, where most cotton is grown). However, the impact is not uniformly negative every year.

Price levels have moved into a softer range, with technical support emerging around the mid-70 USc per pound level. In Australia, cash prices have also declined, with 2026 crop values easing to around AUD 590 per bale.

For Australian cotton producers, this environment presents mixed signals. While current prices are under pressure and selling activity has slowed, a significant portion of the crop is already marketed, providing some revenue certainty. At the same time, weather risks in key producing regions and uncertainty around global supply could provide price support if conditions deteriorate.

What to watch:

- **Even without El Niño as a consideration,** the current global production forecast of major exporters (Brazil, the US, Australia).
- **Weather as a key driver:** West Texas dryness, Indian monsoon performance, and Brazil's rainfall and temperatures. Supply disruptions or weather deterioration could shift sentiment and support prices.
- **Crude oil prices and polyester fibre** trends affecting demand.



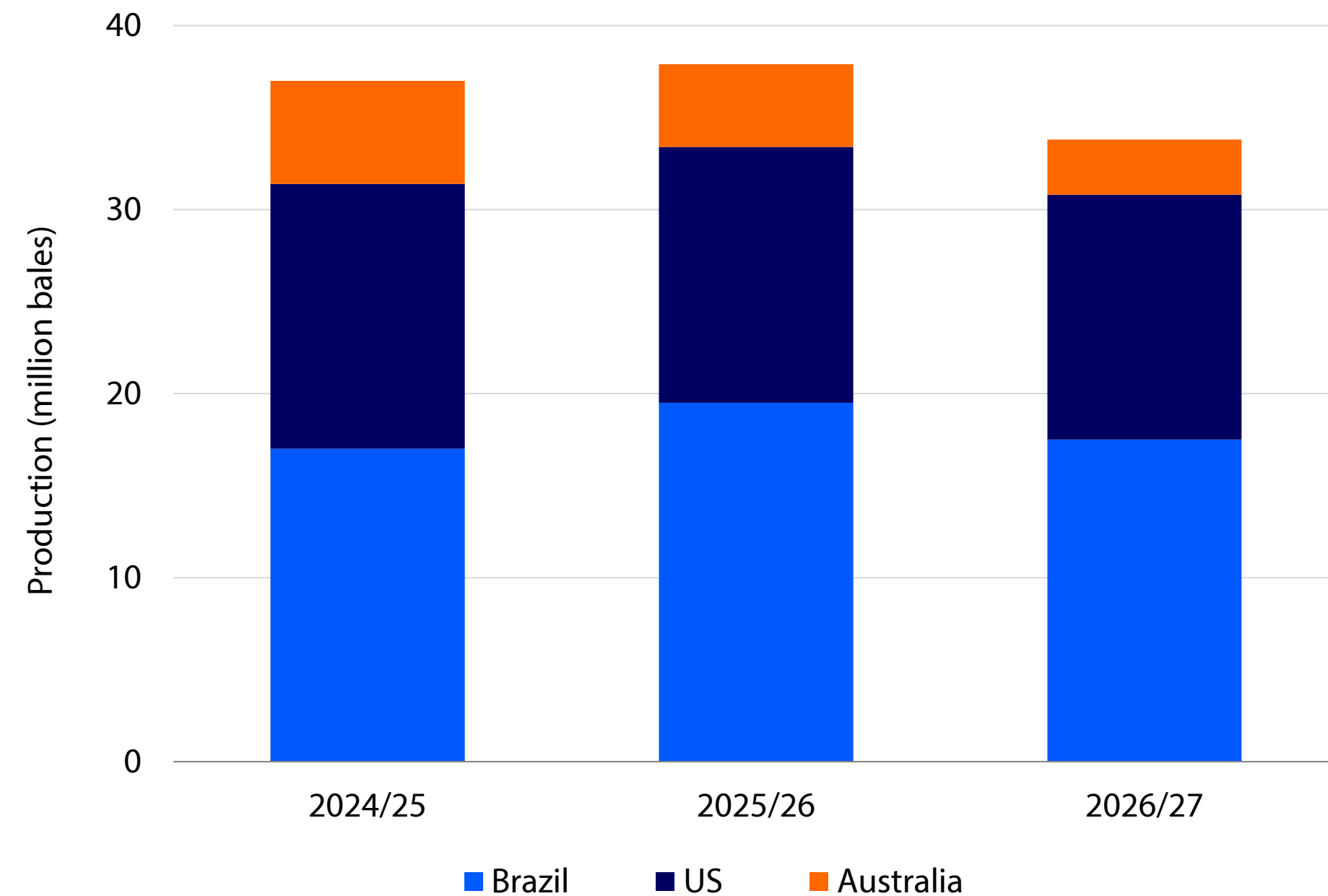
Stefan Vogel
General Manager

Stefan.Vogel01@rabobank.com

Cotton

Tighter cotton stocks are likely to push prices into a sustained positive trend

Substantially reduced production forecast for major exporters in 2026/27



Source: USDA, RaboResearch 2026

ICE cotton no.2 futures remain under pressure and well below the recent highs seen in mid May 2026 and mid-June 2026

Cotton, Future, ICE Cotton No. 2, 1st Position, Close, USD



Source: Macrobond, RaboResearch 2026

Farm inputs

Markets split as supply recovers

In recent weeks, fertiliser markets have shifted from a Hormuz-driven supply shock to a demand-led price correction. Following the Memorandum of Understanding signed between the US and Iran, vessels resumed departures from the Persian Gulf, increasing available supply in a market already facing demand destruction. **It is estimated that around 1.0 million tonnes of urea and 0.7 million tonnes of sulphur had been stranded within the Gulf.**

Urea has recorded the sharpest decline, as end users and importers deferred purchases amid poor affordability, while China resumed exports. **As Gulf supply resumed, Middle East urea values more than halved, falling from above USD 825 at the peak to around USD 360/tonne FOB by late June**, and alternatives sources, such as Nigeria, moving from USD 863 to USD 380/tonne FOB.

The market's new price floor will depend more on farm economics and a recovery in demand than on ammonia availability, as Persian Gulf exports are expected to approach pre-war levels. With robust new season crops being harvested and inventories remaining elevated, commodity prices are not

signalling a material increase in input demand in the near term.

Phosphate markets present a different picture. Manufacturers continue to compete with the mining sector for sulphur supply, while weak farm profitability is curbing end-user demand. Although improving supply conditions are creating some downward pressure on prices, declines appear limited rather than structural, given sulphur's dependence on Hormuz transit. Unlike urea, phosphate fundamentals remain largely supply-driven due to ongoing sulphur tightness and Chinese export restrictions.

Despite the reopening of Hormuz, naphtha and petrochemical markets are likely to remain relatively tight in the near term due to shipment backlogs and maritime freight headwinds, including higher insurance premiums and bunker fuel costs. This is expected to maintain upward pressure on agrochemical prices. **At the end of the day, farm input markets remain divided, with nitrogen prices easing as supply normalises, while phosphates and agrochemicals continue to face elevated feedstock and intermediary costs.**

What to watch:

- **Release of stranded tonnes** – A big market variable is how quickly urea, ammonia, sulphur and phosphate cargoes trapped since March can exit the Gulf and re-enter global trade. Urea and ammonia prices are already falling as vessels move again, but sulphur remains tight as its production is embedded in fossil fuel refining.
- **Persian Gulf petrochemicals exports and manufacturing** – As logistics disruptions ease, the pace at which plants return to normal operating levels will be a key determinant of feedstock availability and pricing. A faster recovery could ease pressure on petrochemical and agrochemical markets, while ongoing constraints, or new military clashes, would keep costs elevated.



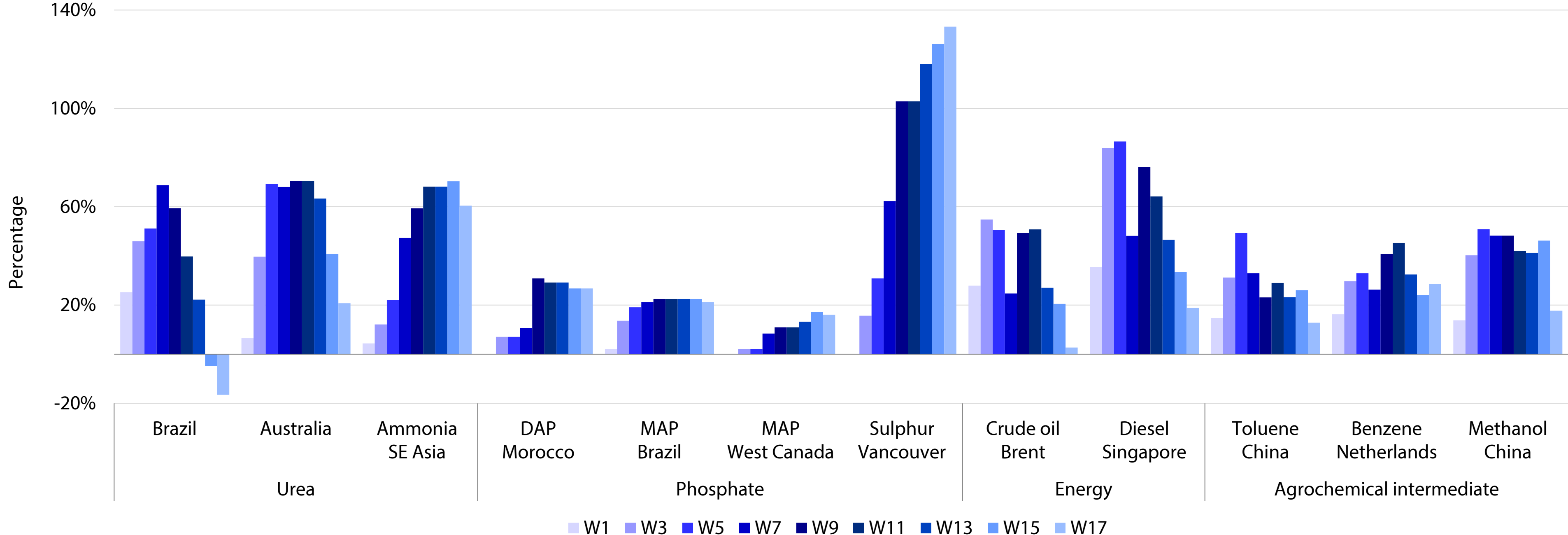
Vitor Pistoia
Senior Analyst
Grains & Oilseeds

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

Farm inputs

Divergent initial response to Memorandum of Understanding

Cumulative price changes since 27 February



Source: Bloomberg, CRU, RaboResearch 2026

Sugar

Surplus now, risk ahead

Global sugar markets are currently characterised by a divide between short-term surplus and growing medium-term supply risks. In recent weeks, ICE Sugar #11 futures have softened, with front-month prices declining and reaching multi-week lows, reflecting comfortable global supply and weaker energy markets. This softness has been reinforced by falling crude oil prices, which reduce ethanol-linked support for sugar values and exert downward pressure on prices.

On the supply side, a large Centre-South Brazil sugarcane crop and a fast harvest pace are driving the current surplus. Strong early-season production has loosened global availability; anchoring prices close to ethanol parity for now. At the same time, favourable Brazilian growing conditions could still lead to upside surprises in production, further reinforcing near-term supply comfort.

However, the supply balance is potentially shifting over time. Market expectations for the 2026/27 season have

tightened, with forecasts moving toward a potential deficit after the current surplus phase. This shift is reflected in a firmer forward price structure and indicates strengthening medium-term fundamentals.

The key driver behind this tightening outlook is weather risk. The El Niño event – potentially one of the strongest on record – is increasing the likelihood of below-average rainfall in major Asian producers, such as India and Thailand. Early signs are already evident, with Indian monsoon rainfall significantly below normal, posing downside risks to yields. Lower output, combined with already tight domestic stocks in some regions, could limit exports and tighten global supply.

For Australian sugar producers, this environment presents mixed signals. Short-term pricing pressure may persist due to global surplus conditions and macroeconomic influences. However, the emerging weather-driven risks and tightening global balance suggest improving price prospects into 2027.

What to watch:

- **El Niño intensity and its impact on Asian production**, particularly Indian monsoon rainfall, will be critical. Export policy shifts in India and evolving global balance forecasts could tighten sugar supply and lift prices.
- **Brazilian harvest outcomes and sugar mix decisions**, alongside crude oil price movements shaping ethanol parity.



Stefan Vogel
General Manager

Stefan.Vogel01@rabobank.com

Sugar

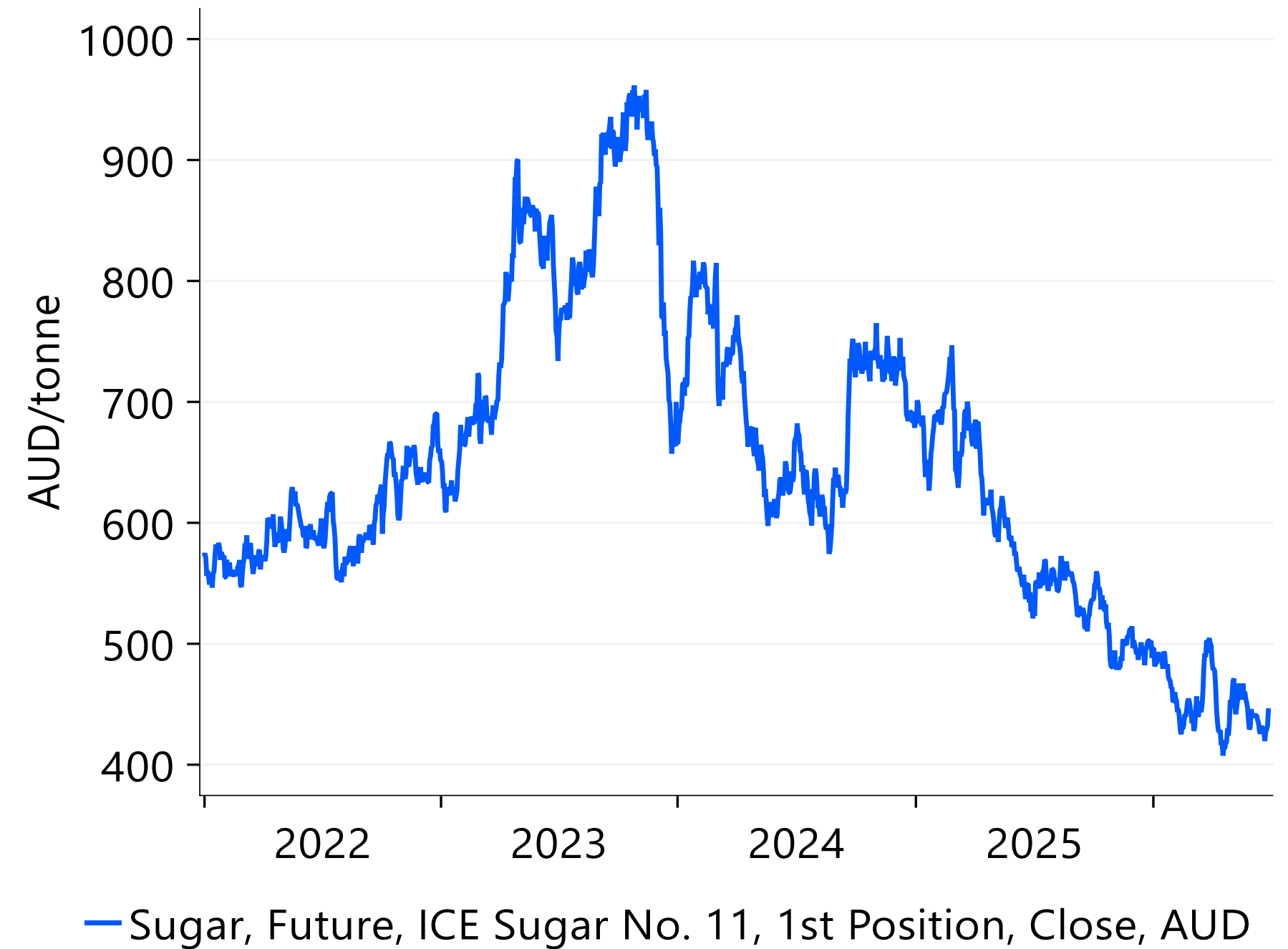
Crude oil prices dropped to long-term average, adding continued price pressure on sugar

Crude oil price volatility



Source: Macrobond, RaboResearch 2026

Sugar prices remain under pressure



Note: Current as of 29 June 2026.

Source: Macrobond, RaboResearch 2026

Dairy

Local milk production growth builds momentum

There was modest weakness in the dairy commodity complex in June 2026, with declines observed across the board. Cheese was the weakest performer, falling approximately 2% compared to May. This continues the broader trend of softening in the commodity basket, which has been evident since prices peaked earlier in the year in March.

Australian milk production for the 2025/26 season to May is broadly flat year-on-year, at 7.76 billion litres (+0.2%), with growth in New South Wales (+3.0%), Queensland (+3.1%) and Tasmania (+2.4%) offsetting declines in Victoria (-0.2%), South Australia (-5.9%) and Western Australia (-1.7%).

May monthly production showed stronger momentum, rising 5.4% year-on-year to 654 million litres, driven primarily by a rebound in Victoria (+6.7%) alongside gains across most states except South Australia (-3.9%).

Milk composition also improved slightly, with national milkfat and protein both up compared to last year, indicating generally favourable production conditions.

Australian dairy cow cull rates continue to moderate, with May sales volumes up 1% year-on-year. This brings year-to-date culling activity to 10% above last year's levels. Elevated cattle prices – around 40% higher in May compared to a year ago – are supporting strong non-milk income for producers.

The next leg in the transformation of the Australian dairy supply chain has fallen into place, with Danone announcing it will acquire the remaining 49% stake in its fresh dairy joint venture with Saputo Dairy Australia.

This includes the Tangambalanga factory in the Kiewa Valley. At the same time, Danone has acquired the MADE Group, a fast-growing Australian company with a health-focused portfolio, including high-protein ready-to-drink beverages and gut-health yoghurts, further strengthening its position in value-added dairy and nutrition segments.

DCANZ data indicates that the 2025-26 New Zealand dairy season set a new all-time production record. May output increased 5.0% year-over-year on a milk solids basis, bringing full season production to +4.5% versus the prior season.

What to watch:

- **Whey prices** – The high-protein whey market remains firm week-on-week, with strong consumer demand for high-protein yoghurt and dairy beverages reaching record levels and keeping global fundamentals very tight.
- **Milk supply in Europe** – Milk production in the European Union has started the year strongly, growing at around 4%. However, this pace was already expected to moderate as the year progresses, driven by tougher year-on-year comparisons and softer milk prices. The current extensive heatwave is likely to further weigh on output, potentially accelerating the anticipated slowdown in production growth.



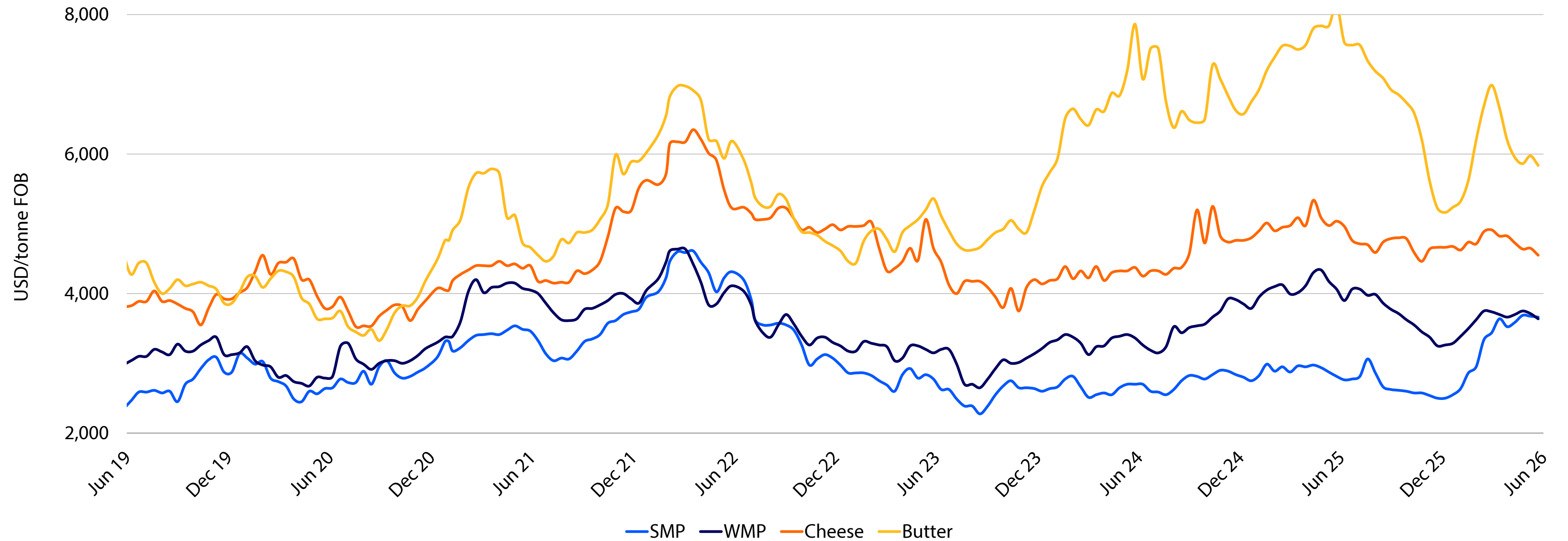
Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

Dairy

Dairy prices post mild falls in June

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



Source: USDA, RaboResearch 2026

Consumer foods

Higher avocado and banana prices contribute to a lift in food prices

Food and non-alcoholic beverages inflation increased to 3.3% year-on-year (from 2.8%), re-accelerating and remaining a key contributor alongside housing. Foodservice prices increased 4.0% over the year, reflecting higher ingredient, labour and operating costs.

Meat and seafood prices rose 5.4%, driven by strong gains in beef and veal (+13.3%) and lamb and goat (+14.8%) amid robust export demand for Australian red meat, while dairy prices increased 5.2% as the impact of farmgate prices support and higher input costs in dairy supply chains started to flow through.

Fruit and vegetable prices rose 2.0% year-on-year (up from 0.1%), with the increase largely reflecting higher fruit prices, including a 3.5% monthly rise driven by seasonal declines in berry supply and higher prices for avocados and bananas.

The impact of higher input and energy costs is continuing to flow through to food prices at the consumer level, with inflation expected to remain elevated in the coming months.

Household spending rose 1.3% in May, reversing April's decline, with food-related categories contributing modestly to the rebound. Food retail (grocery) spending increased 1.1% in the month, recovering from a prior fall and reflecting higher grocery prices rather than clear volume strength. Foodservice spending was stronger, with hotels, cafes and restaurants up 1.9%, driven by dining out, takeaway and catering activity, supported by events and higher hospitality prices.

Overall, foodservice outperformed food retail in May, indicating a relative shift toward discretionary out-of-home consumption. Both segments contributed to the monthly lift, but the release suggests price effects remain a key driver across food spending categories.

Australian consumer confidence edged higher in late June, helped by EOFY discounting and improved sentiment about buying major items. Nonetheless, overall confidence remains well below year-ago levels.

A majority of households still report being financially worse off than a year ago, signalling ongoing pressure on everyday budgets.

What to watch:

- **Troubled pizza chains** – Corporate activity remains active across the Australian foodservice sector. Yum Brands has agreed to sell Pizza Hut for USD 2.7bn through two transactions (LongRange Capital for most markets and Yum China for China). In Australia, Pizza Hut has a relatively small footprint, with an estimated 260 stores.



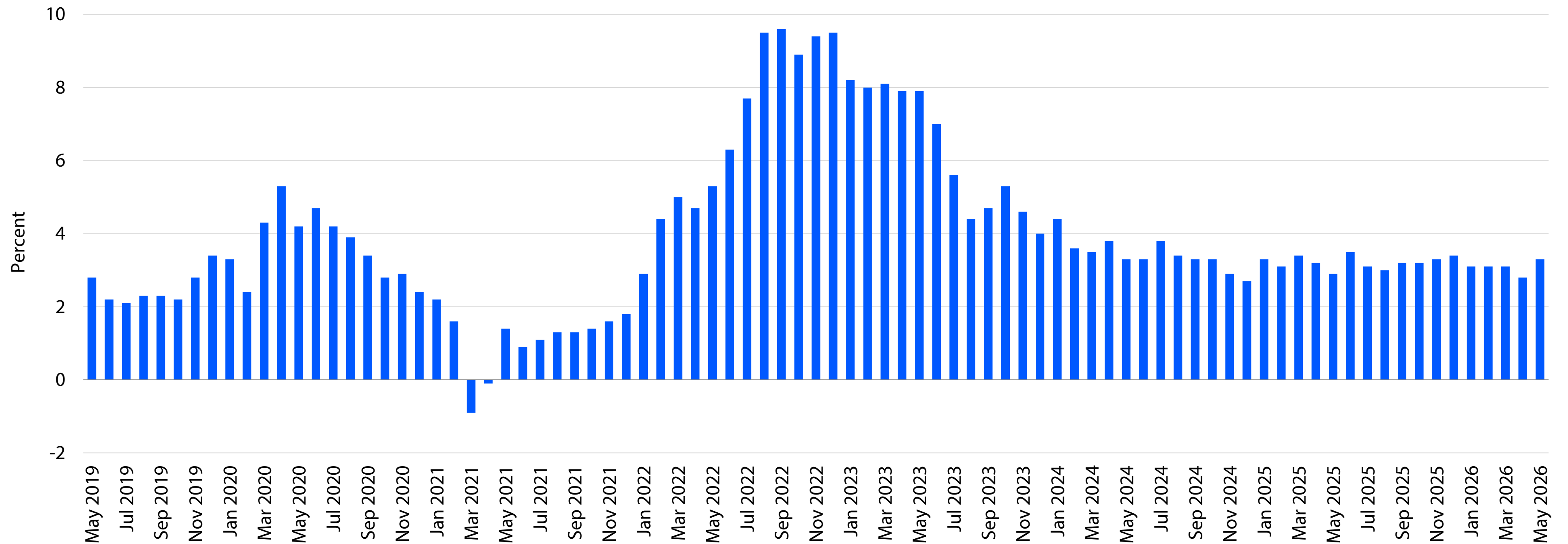
Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

Consumer foods

Red meat and out-of-home meals drive food inflation

Australian monthly CPI, percentage change from corresponding month of previous year, food and non-alcoholic beverages



Source: ABS, RaboResearch 2026

Interest rates and FX

Peace agreement to deliver an interest rate reprieve?

As we flagged last month, the Reserve Bank of Australia left the cash rate unchanged in June at 4.35%. Market expectations for further rate hikes continued to diminish in the month of June, despite a strong labour market report and updated inflation figures that showed the underlying inflation rate rising a little more than most market economists were expecting.

The re-opening of the Strait of Hormuz and the normalization of oil prices back to pre-war levels has contributed to optimism that the inflation outbreak can be contained without having to raise interest rates too much further. Consequently, the Australian dollar also fell over the course of June, dropping from 0.7159 against the US dollar on the June 1 to 0.6895 at time of writing.

The RBA's monetary policy board does not meet in July, so it will be August before the next cash rate decision is made. The market-implied probability of a further rate hike this year has fallen from almost 90% at the start of the month to just over 40% as of June 29.

RaboResearch has maintained a long-standing forecast that the RBA will raise the cash rate once more, and we have had

What to watch:

- **ABS CPI inflation report, July 29** – While there is no RBA meeting in July, trends in inflation will remain the principal driver of expectations of the future path of interest rates. Signs that war-related input price pressures are being passed through to end consumers could see another shift in market expectations over the likelihood of changes in the cash rate.

that increase pencilled-in for August. However, given a recent downward-revision in our oil price projections because of marine traffic picking up in the Strait of Hormuz, it would be fair to say that an August rate hike now appears less likely to transpire.

RaboResearch remains sceptical that the US and Iran will strike a lasting deal that resolves the nuclear issue and hostilities between Israel and Hezbollah in Lebanon.

Consequently, we have shifted our forecast for a final RBA rate hike to occur in November rather than August.

As market expectations for further rate hikes diminished, longer-term interest rates also fell. Australian 10-year government bond yields fell from 4.88% on June 1 to 4.74% at time of writing, and two-year mid swap rates fell from 4.84% to 4.70% over the same time.

Over the course of July, we will see updated CPI inflation and labour market figures that will help to further firm-up market expectations over the path of the cash rate. Developments in the Strait of Hormuz will remain an important driver of price action in financial markets.



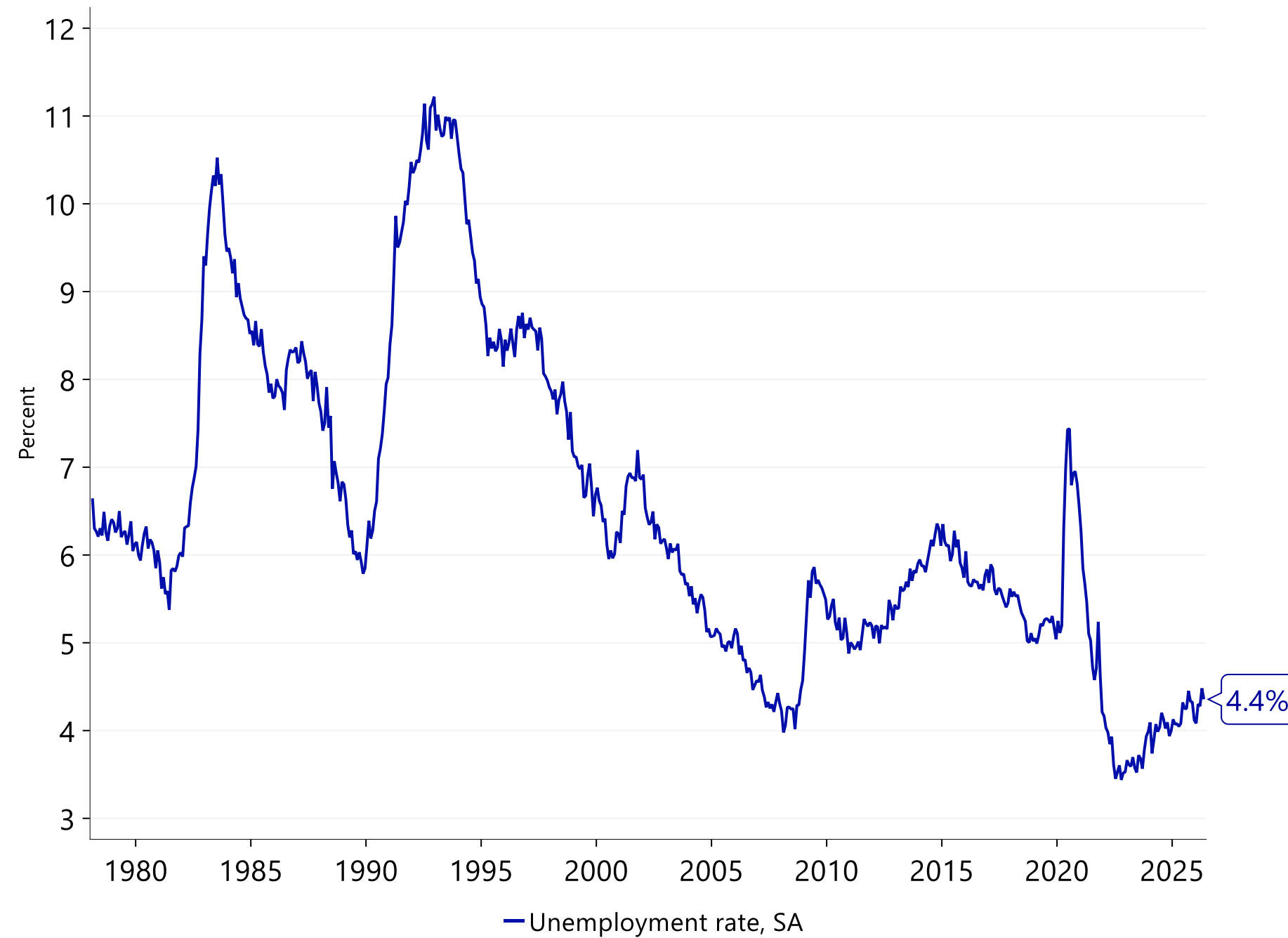
Benjamin Picton
Senior Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

Interest rate and FX

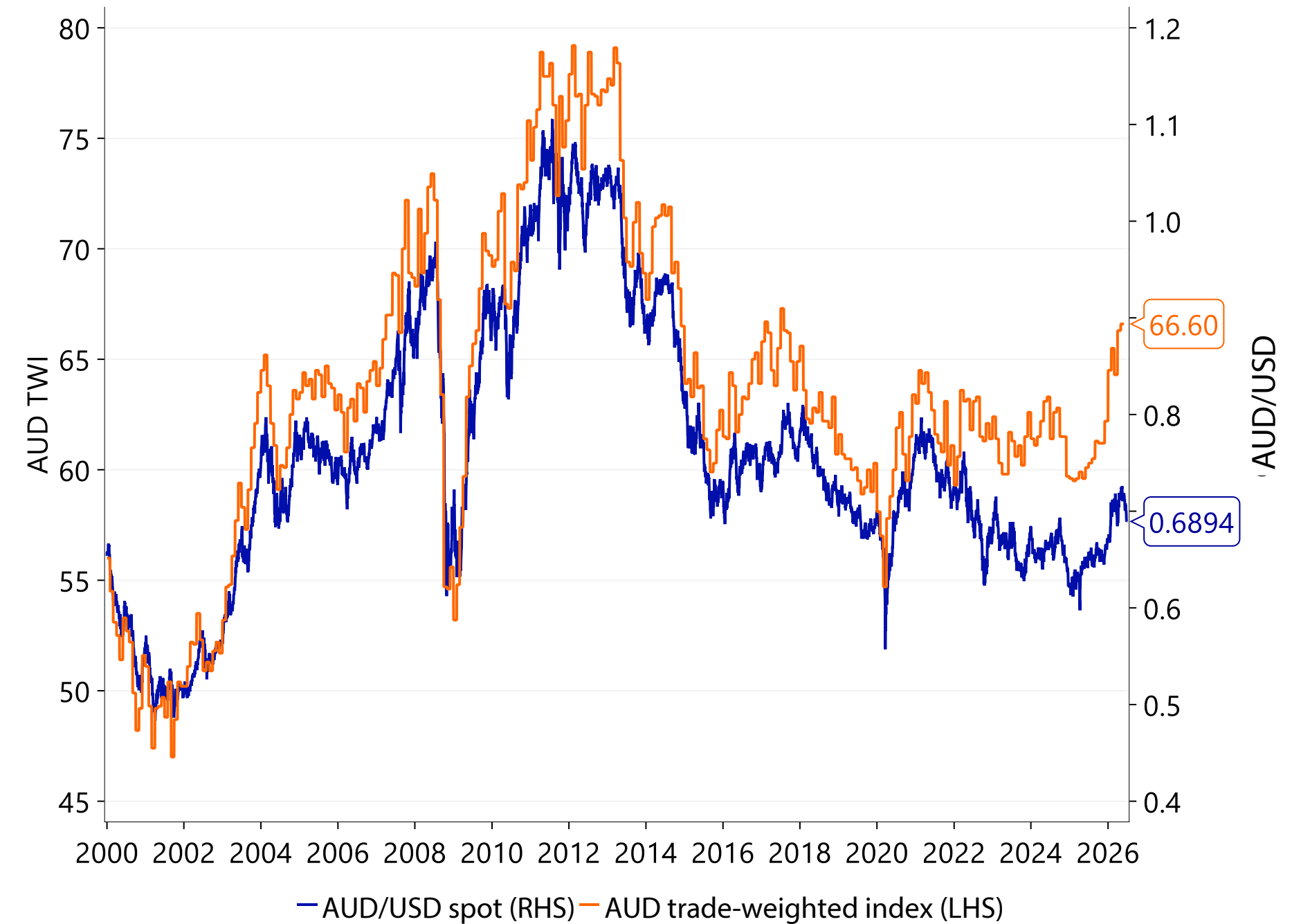
US Dollar strength sends the AUD lower, but it is holding up well against trading partner currencies

Australian unemployment rate



Source: Macrobond, ABS, RaboResearch 2026

Australian dollar versus US dollar and trade-weighted index



Source: Macrobond, ABS, RBA, RaboResearch 2026

Oil and freight

Peace deal sends oil back to pre-war levels

Brent crude prices fell by more than 20% over the course of June, following the signing of a Memorandum of Understanding between the US and Iran that included provisions to immediately re-open the Strait of Hormuz and enter negotiations over Iran's nuclear programme.

RaboResearch remains sceptical that the MoU will lead to a lasting peace agreement that resolves all points of disagreement over the nuclear programme and Iran's backing of Hezbollah in Lebanon, but, for the time being at least, the world has an opportunity to restock on energy products. Consequently, RaboResearch has recently revised down its forecasts for Brent Crude from USD 103/bbl to USD 79/bbl in Q3, and from USD 93/bbl to USD 78/bbl in Q4.

Diesel prices have also fallen as increased availability of crude oil feedstock is likely to allow Asian refineries to increase production runs and crude grades that yield a higher proportion of diesel become more readily available. Nevertheless, distillates are likely to remain at a historically-elevated premium to crude as logistical issues and refinery strikes in Russia and the Middle East have taken capacity offline.

The US-Iran Memorandum of Understanding has led to an earlier-than-expected reopening of the Strait of Hormuz and now forms the baseline of our forecast. While energy prices have eased, container freight spot rates continue to rise. Ocean freight rates have increased sharply across major trade lanes, including Asia-US, India-Europe, South America-US, and Asia-South America, driven by tight vessel capacity and resilient demand. Key factors include retail restocking and low US inventory levels, as well as carriers redeploying vessels to more profitable routes, constraining capacity. That said, the reopening of the Strait of Hormuz should gradually alleviate some pressures by improving equipment availability as containers previously stranded in the region re-enter circulation. The June 2026 maritime market remains tight and volatile, with strong freight rates, constrained capacity, elevated geopolitical risk, shifting demand patterns, and ongoing infrastructure investment.

The Baltic Panamax index (a proxy for grain bulk freight) has softened due to broader dry bulk weakness and vessel oversupply, but remains relatively resilient on steady grain and coal demand, leaving the market balanced with limited upside.

What to watch:

- **Iran peace negotiations** – The status of the Strait of Hormuz will likely continue to be the main driver for energy markets over the course of July. Tit-for-tat strikes, or any signs of breakdown in negotiations between Iran and the US could lead to higher prices, while progress on a lasting peace deal could see prices head even lower.



Benjamin Picton
Senior Market Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1



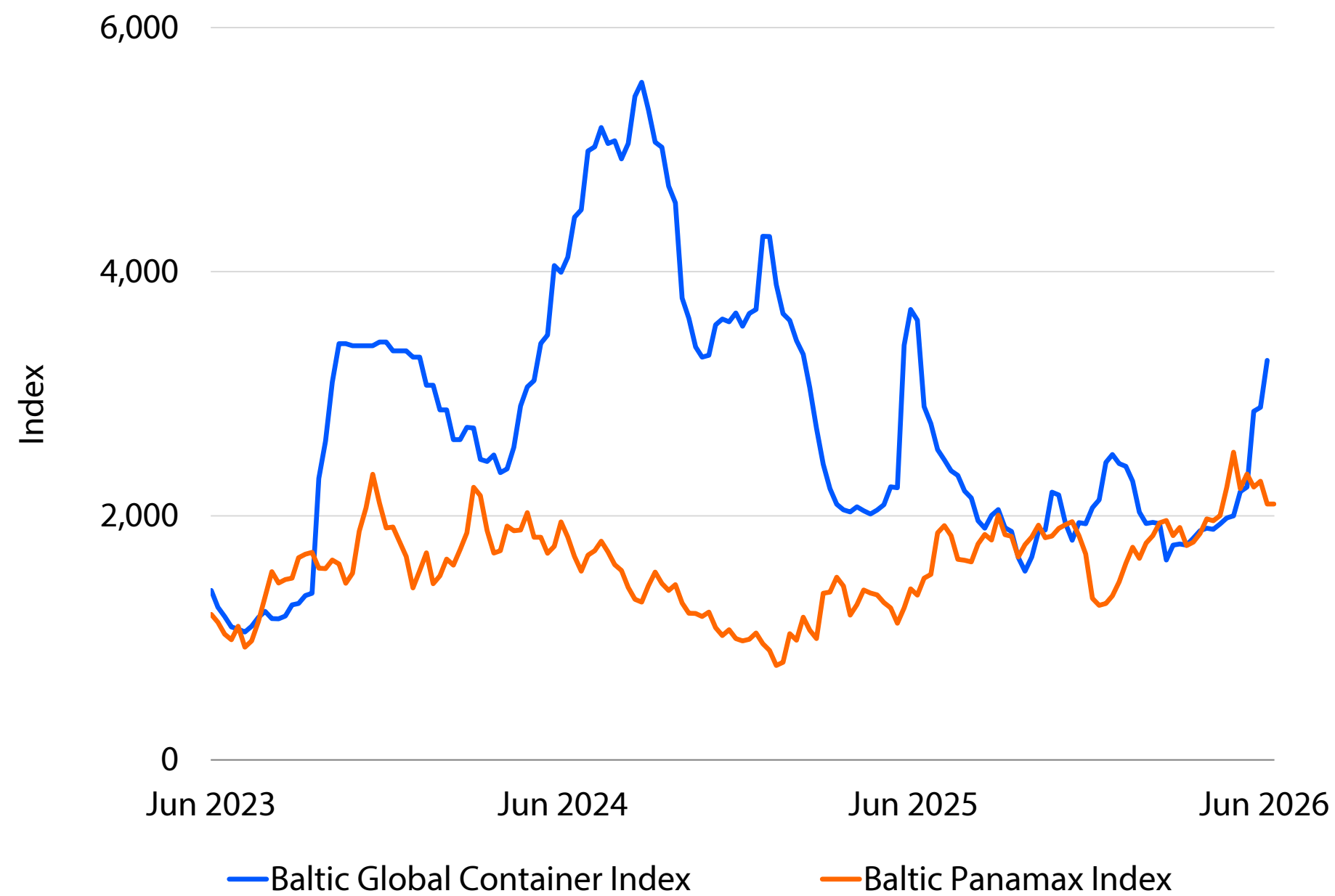
Xinnan Li
Senior Analyst
F&A Packaging & Logistics

Xinnan.Li@rabobank.com

Oil and freight

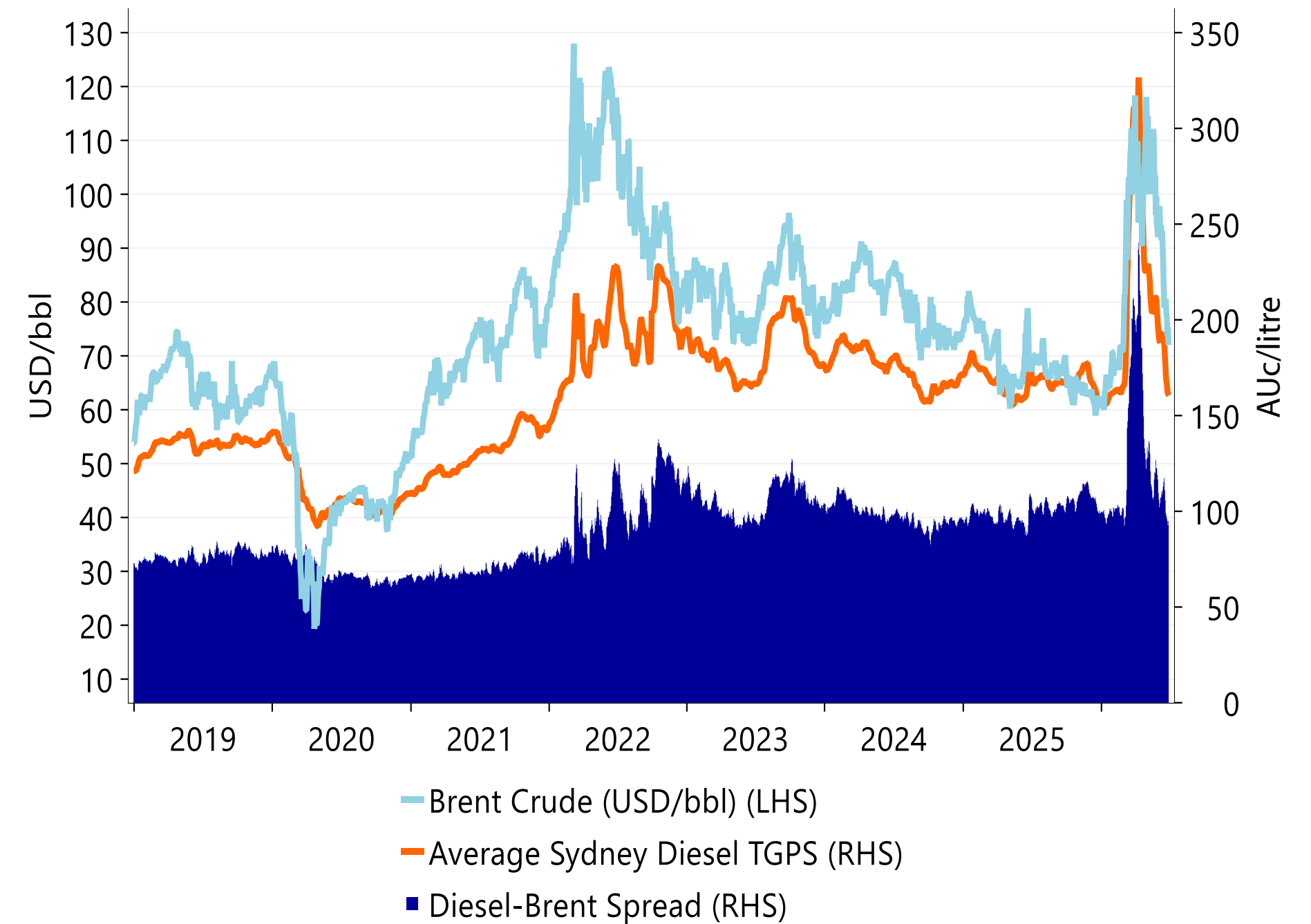
June saw sharp declines in crude oil and product prices as the US and Iran reached a peace deal

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



Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Brent crude versus Sydney diesel prices, 2019-2026



Source: Macrobond, ICE, AIP, RaboResearch 2026

Agri price dashboard

29/06/2026	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	578	611	525
CBOT soybean	USc/bushel	▼	1,118	1,187	1,028
CBOT corn	USc/bushel	▼	408	447	418
Australian ASX EC Wheat Track	AUD/tonne	▼	325	343	324
Non-GM Canola Newcastle Track	AUD/tonne	▼	741	758	764
Feed Barley F1 Geelong Track	AUD/tonne	▼	308	310	338
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	926	766	712
Feeder Steer	AUc/kg lwt	▲	487	474	393
North Island Bull 300kg	NZc/kg cwt	▲	970	940	825
South Island Bull 300kg	NZc/kg cwt	▲	945	925	755
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	1,184	1,158	1,038
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,145	1,090	955
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,140	1,090	950
Venison markets					
North Island Stag	NZc/kg cwt	▲	1,100	1,090	950
South Island Stag	NZc/kg cwt	▲	1,100	1,090	940
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	5,838	5,863	8,138
Skim Milk Powder	USD/tonne FOB	▼	3,663	3,688	2,813
Whole Milk Powder	USD/tonne FOB	▼	3,638	3,750	4,063
Cheddar	USD/tonne FOB	▼	4,550	4,638	5,038

Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Agri price dashboard

29/06/2026	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	85.8	86.7	80
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	71.7	76.2	68
Sugar markets					
ICE Sugar No.11	USc/lb	▼	14.0	14.1	15.8
ICE Sugar No.11 (AUD)	AUD/tonne	▲	464	446	577
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,934	1,899	1,199
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▼	408	683	502
DAP (US Gulf)	USD/tonne FOB	•	840	840	720
Other					
Baltic Panamax Index	1000=1985	▼	2,110	2,343	1,490
Brent Crude Oil	USD/bbl	▼	72	92	68
Economics/currency					
AUD	vs. USD	▼	0.689	0.719	0.653
NZD	vs. USD	▼	0.565	0.599	0.606
RBA Official Cash Rate	%	•	4.35	4.35	3.85
NZRB Official Cash Rate	%	•	2.25	2.25	3.25

Source: Baltic Exchange, Bloomberg, RaboResearch 2026



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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

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