The price gains of sugar, cotton, and grains

Australia agribusiness monthly



RaboResearch Food and Agribusiness

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Rabobank

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This report is based on information available as at 3/9/2026

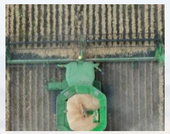
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Commodity outlooks



Climate

August conditions were more favourable than July, with widespread rainfall supporting winter crops and pastures. Spring risks include below-average rainfall and above-average temperatures, increasing reliance on stored soil moisture.



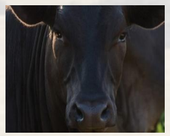
Wheat and barley

Global grain markets remain supported by Black Sea export disruptions, lower wheat production among key exporters and tightening corn supplies. Despite a smaller harvest and ongoing northern dryness, Australia is expected to remain adequately supplied from new crop production and carry-over stocks.



Canola

Canola prices strengthened during August, supported by robust vegetable oil demand, strong crushing margins and ongoing Black Sea disruptions. Record Canadian production and higher global oilseed stocks continue to balance the market, while Australian values remain firm.



Beef

Cattle prices are tracking seasonal changes at the moment, with high prices through June and July off the back of rainfall dropping before lifting again with more rain in late August. If seasonal conditions remain good, we could see some further upside.



Sheepmeat

While new season lambs are entering the market and sheep slaughter volumes are lifting, they both remain below the five-year average, and these limited supplies continue to support prices. Although as volumes lift through September and October, we expect to see prices ease slightly.



Wool

The winter recess didn't help prices, with most categories dropping when the market resumed in late August. Wool production forecasts for 2026/27 were revised up from earlier publications but still see a 1.8% decline on 2025/26 volumes.



Cotton

Cotton prices have risen more than 30% in 2026, as global production declines and export demand remains strong. However, expectations for Chinese imports are high, but overall demand uncertainty continues to cap upside.



Farm inputs

Global fertiliser prices softened in August, led by weaker urea values following India's tender and increased Chinese exports. Phosphate markets remained firm amid supply constraints, while inventories improved Australia's supply outlook and reduced shortage concerns.



Sugar

Sugar prices have surged on Brazil harvest disruption, Indian policy changes and speculative buying. Prices will focus on Brazilian weather risks and Indian import demand.



Dairy

Global dairy market fundamentals are transitioning. Supply expansion is slowing, while demand has strengthened, creating a more supportive backdrop for commodity values. Southern Hemisphere weather will be the key determinant of market direction over the coming months.



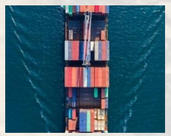
Consumer foods

Food inflation remained stuck above 3% year-on-year in July, led by pricing pressure in foodservice channels. Meanwhile the battle between Coles and Woolworths is heating up with volume growth coming mostly from more shopping trips at a time when own brands are performing strongly.



Interest rate and FX

Stronger-than-expected inflation figures for the month of July have precipitated a re-think among several local banks regarding the outlook for the cash rate. RaboResearch has brought forward our projection of a 25bp rate hike from the November meeting to the September RBA meeting.



Oil and freight

Oil prices are little changed since the end of July, as a cooling in hostilities has been largely offset by continued tightening of global energy stocks. The US has taken steps to increase Venezuelan production, but this is unlikely to change the picture in the near term.



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Climate

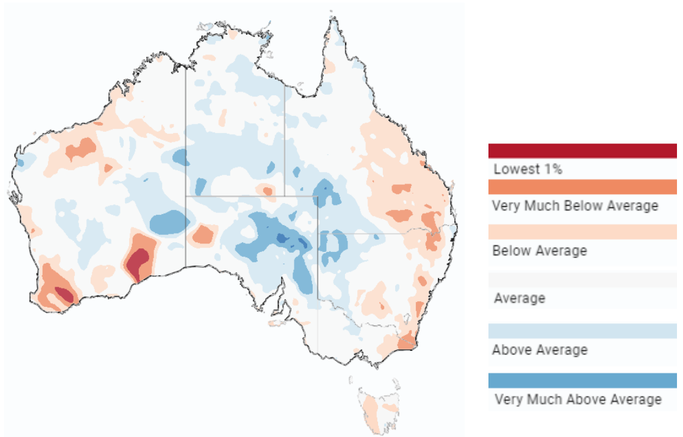
Favourable August rains

August weather conditions were generally more favourable for winter crops and pastures than in July, with a series of cold fronts, troughs and low-pressure systems delivering widespread rainfall across southern and eastern Australia. Moderate to heavy falls were recorded across much of Western Australia, South Australia, Victoria, New South Wales and Tasmania, while coastal Queensland also received useful rainfall.

The Bureau of Meteorology's spring outlook indicates below-average rainfall across parts of southern and eastern Australia and far south-west Australia. While rainfall across much of the western half of Australia is expected to be above average. Temperatures are also likely to remain above average, increasing reliance on stored soil moisture to support crop and pasture growth through much of the wheat belt.

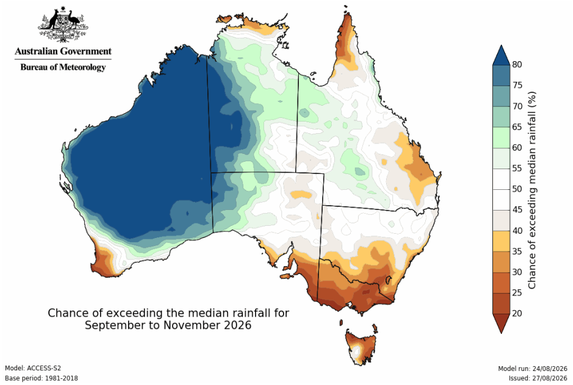
From September to November, below-average rainfall is forecast across much of south-eastern Australia, while conditions in Western Australia are less clear-cut. For most southern cropping regions, existing soil moisture reserves should buffer crops against a drier spring. However, northern New South Wales and Queensland remain vulnerable, with depleted soil moisture and a subdued rainfall outlook continuing to present downside risks.

Root zone soil moisture



Note: *As of 26 August 2026*
Source: *BOM, RaboResearch 2026*

September to November chance of exceeding median rainfall



Note: *As of 27 August 2026*
Source: *BOM, RaboResearch 2026*

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Wheat and barley

Black Sea export uncertainty underpins wheat prices

The market is increasingly facing a situation where wheat availability, not wheat production, becomes the key issue. Russia and Ukraine have abundant supplies from the ongoing harvest, but export logistics through the Black Sea have deteriorated significantly. The major ports in Odessa and Novorossiysk have been damaged, and ships are unable and unwilling to navigate to several ports. Alternative Ukraine export routes are not providing relief as water levels in the Danube are historically low, restricting barge movement and limiting the ability to offset the slowdown through the Black Sea. In the near term, this is supportive for world wheat values and particularly supportive for higher-protein milling wheat.

The latest USDA estimates project wheat production among major exporters to decline by around 24 million tonnes year-on-year in 2026/27, led by reductions in the EU (-11m tonnes), Australia (-8m tonnes), Argentina (-7m tonnes), Canada (-5m tonnes), and Brazil (-2m tonnes). With a tighter global balance sheet, a heavier reliance will now fall on grain stocks excl. the Black Sea region, which remains exposed to ongoing conflict. When shipments will resume at scale is unclear.

As a result of the tightening global stocks and heavily disrupted Ukrainian and Russian exports, MATIF wheat rallied strongly to almost AUD 400 and CBOT wheat above AUD 390, while ASX wheat only moved from roughly AUD 340/t to AUD 360/t.

A tour of US corn crops has also produced estimates below previous government forecasts, as adverse growing conditions weigh on yield potential. Combined with heatwave conditions in Europe, which has seen corn crops deteriorate, this sees the forecast for this year's EU crop now the lowest since 2007/08. Tighter global corn stocks are expected to provide support for global coarse grain markets and underpin international feed barley prices.

Locally, the Australian crop looks to remain broadly favourable, with much of the southern grain belt having received rainfall over the month of August. Northern NSW and Queensland look to remain dry. Fresh harvest supply, combined with carry-over from last season, will mean that Australia, while likely producing less grain than last season, is expected to still be, on average, well supplied.

What to watch:

- **Canadian wheat harvest** – As importers seek alternatives to Black Sea wheat, the Canadian harvest will play a critical role in global supply. Crop size and quality outcomes will influence export competition and the direction of wheat prices through the end of 2026.
- **Black Sea export disruptions** – As importers diversify away from Russia and Ukraine, demand will shift to alternative suppliers, including Australia, and it remains unclear how quickly exports out of the Black Sea region might resume.



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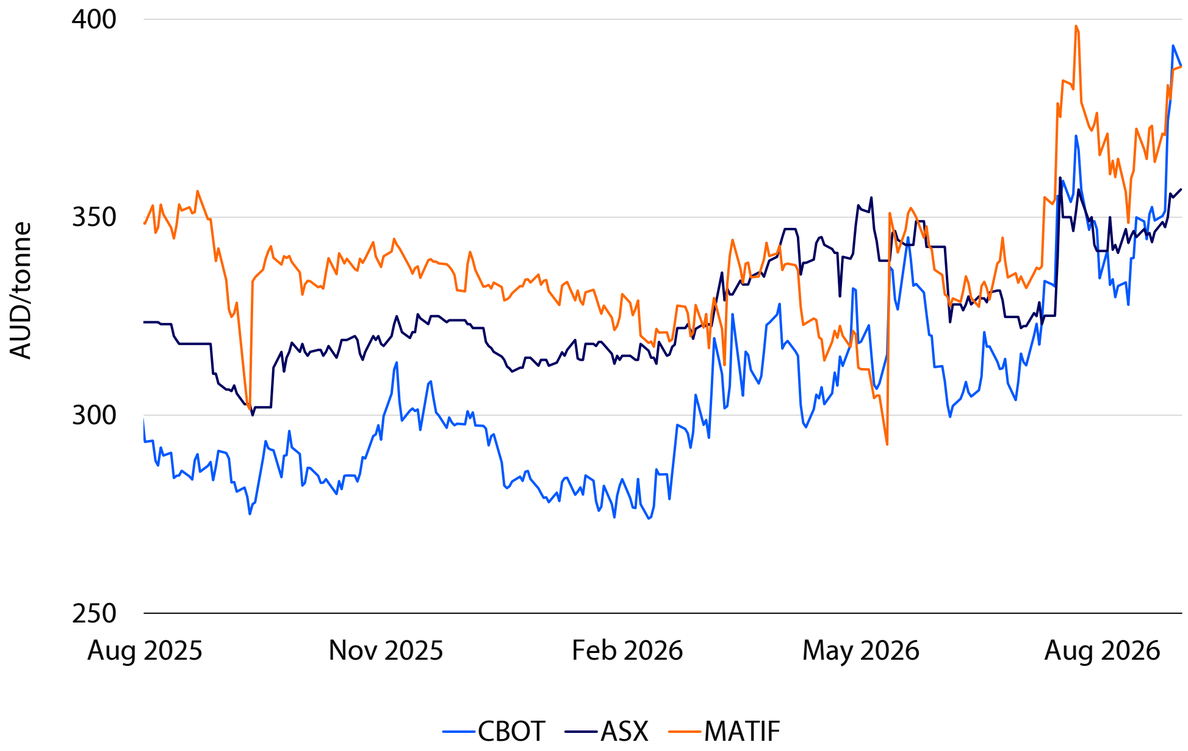
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Wheat and barley

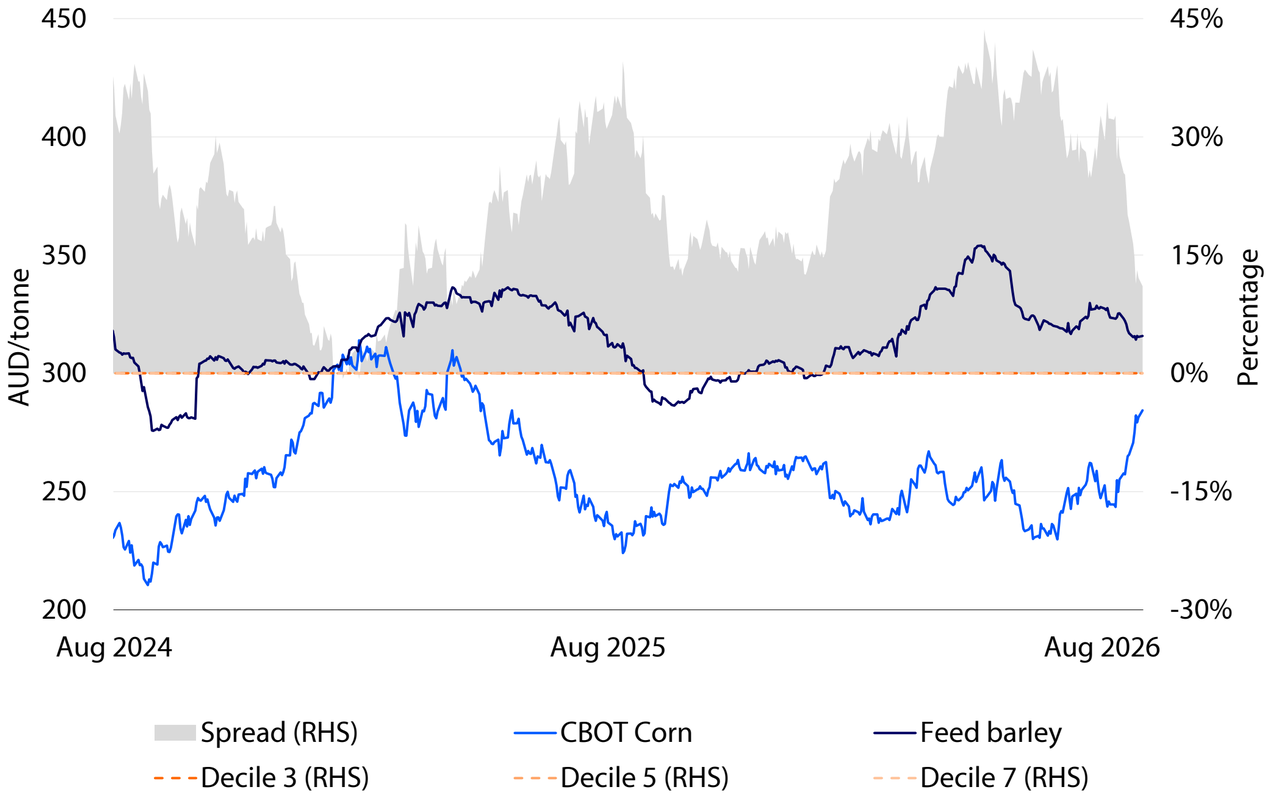
Black Sea shipping disruptions boost global wheat prices

Wheat futures (in AUD/t) rally off Black Sea disruptions



Source: *Bloomberg, RaboResearch 2026*

Feed barley premium narrows as corn strengthens



Source: *Bloomberg, RaboResearch 2026*

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Canola

Record Canadian crop meets resilient demand

Despite a record Canadian crop, strong vegetable oil and crushing margins continue to support pricing. Steady global supply is being offset by consumption across feed and biofuel markets. On a month-on-month basis to 31st August, canola prices strengthened, with MATIF rapeseed rising 18% to AUD 884/t and ICE canola increasing 7% to AUD 827/t. In Australia, the average port price for non-GM canola ended at AUD 781/t, up 2% MOM, while the GM average rose 2% MOM to AUD 735/t.

The USDA raised Canadian canola production by 0.5m tonnes to a record 22.5m tonnes, supported by favourable growing conditions across the Prairies. Adequate rainfall through much of the season helped maintain soil moisture, while warmer and drier conditions during late July aided crop development before cooler weather returned in early August.

Global rapeseed production is now forecast at 95.6m tonnes, up 0.5m tonnes from last month. In contrast, EU sunflower seed production continues to be impacted by hot and dry conditions, particularly in France and Hungary, and is forecast to be 9.8% below last year's crop which might benefit EU rapeseed prices. US soybean production was also increased by 1.2m tonnes on higher harvested area.

As a result, global major oilseed stocks are forecast 1.05m tonnes higher than last month, with larger North American oilseed crops more than offsetting declines in EU sunflower seed and Ukraine soybean production.

Ongoing Black Sea disruptions continue to provide indirect support for canola by restricting canola and sunflower oil availability and boosting demand for alternative vegetable oils. While record Canadian canola production points to increased global supply, demand across the vegetable oil complex remains resilient.

As a result, the market remains balanced between larger Northern Hemisphere supplies and continued support from biofuel demand and disruptions to competing Black Sea oilseed exports.

What to watch:

- **Demand for alternative oils** – Ongoing geopolitical disruptions to global energy and vegetable oil markets are supporting demand for substitute oils, helping underpin canola oil consumption and providing ongoing support for canola prices.
- **Black Sea export disruptions** – How much and how quick will Ukraine and Russia be able to export rapeseed and sunflower oil.



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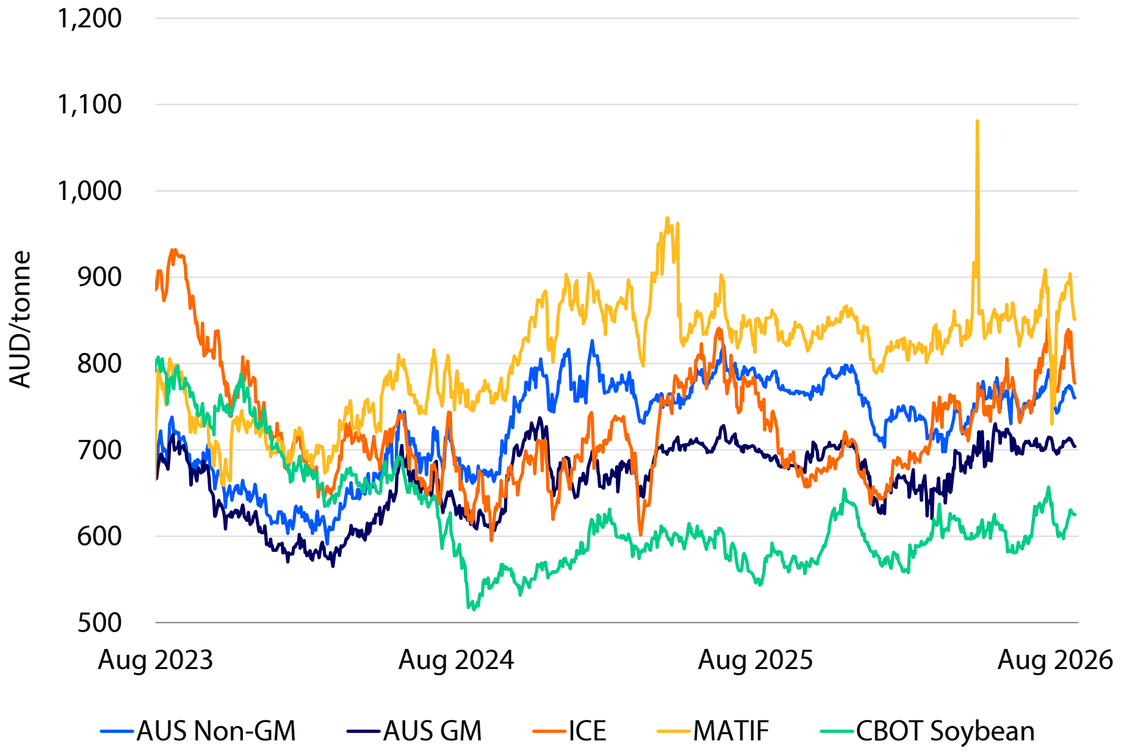
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Canola

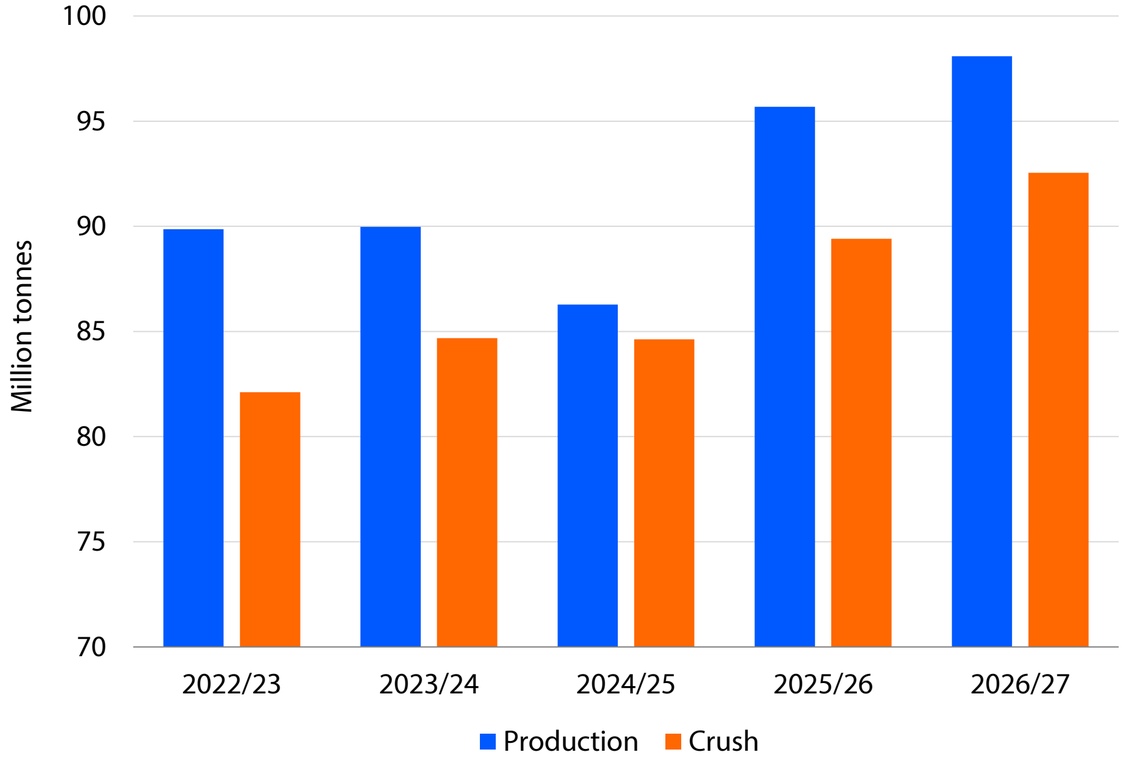
Oilseed consumption remains firm despite record Canadian crop

Australian canola remains supported



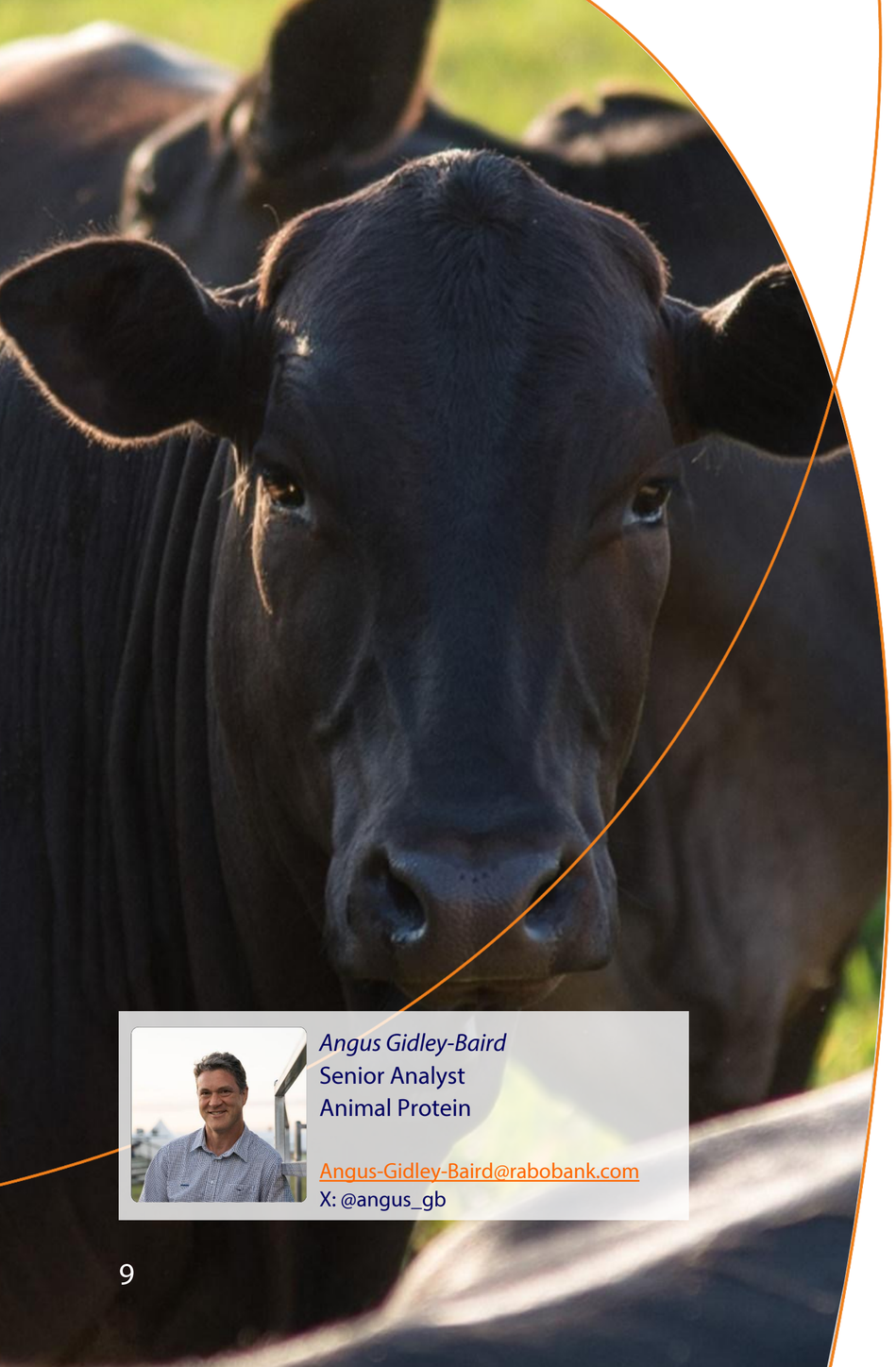
Note: *Australian prices refer to the port price average.*
Source: *Bloomberg, RaboResearch 2026*

Global rapeseed production and consumption at multi-year highs



Source: *USDA, RaboResearch 2026*

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Beef

Rainfall will dictate market movements

Cattle prices are closely following seasonal conditions at the moment, with a drop through July before stabilizing and seeing a lift in late August, very similar to rainfall patterns across the country. RaboResearch believes this reflects the stable state of the Australian herd with improved seasonal conditions fueling producer confidence to buy stock, pushing up prices, or poorer seasons leading to lower confidence and a drop in cattle prices. Finished cattle prices are less volatile as they are less exposed to this producer activity. Cow (AUD 3.71/kg) and heavy steer (AUD 4.33/kg) prices were 1-2.5% down MOM at the end of August. Compared to feeder steers (AUD 5.09/kg) and restocker steers (AUD 4.86/kg), which were down 5-8% MOM at the end of August. The NYCI finished the month of August at AUD 4394/kg. **Similar to recent months, rainfall will have a big influence on the market, particularly as we push into spring. If rainfall materializes, expect some upside in prices, if not, prices could ease again.**

The ABS released the Q2 slaughter and production data in mid-August. Australian cattle slaughter continued to remain high at 2.5m head for the quarter, up 8% YOY. NSW saw the largest lift in slaughter numbers, up 12%, most likely due to drier seasonal conditions experienced earlier in the year, forcing producers to offload more cattle. Male cattle slaughtered was up 7% and female slaughter was up 9%. The ongoing rises in male numbers reflects the high herd inventory and productivity. **The female proportion in the overall slaughter number was 55% – the highest since June 2020 and the ninth quarter in a row above 50%. RaboResearch still holds the belief that this high female number is more a reflection of a stable beef herd and improved productivity rather than a state of herd liquidation.** However, the persistent nature of this high female slaughter would be starting to have an impact on the national herd. Average slaughter weights were up slightly from 307kg in Q2 2025 to 309kg. Weekly cattle slaughter is steady at 150,000 head per week.

Australia's Q2 cattle on feed report was also released in August, showing the total number of cattle on feed pushed to a new record again of 1.66m head, up 5% YOY and the 13th quarter of YOY growth. There was strong growth (13% YOY) in numbers on feed for NSW and WA, while Victoria and SA experienced a small reduction. Grainfed cattle marketings increased 22% to 1.05m head.

Preliminary export volumes (up to 27 August) show export volumes down about 9% between July and August. Volumes to Japan increased approximately 3%, while volumes to the US and South Korea both contracted between July and August, down approximately 7% and 40% respectively. The contraction in South Korea is likely due to triggering of the safeguard volume and implementation of the 24% safeguard duty.

What to watch:

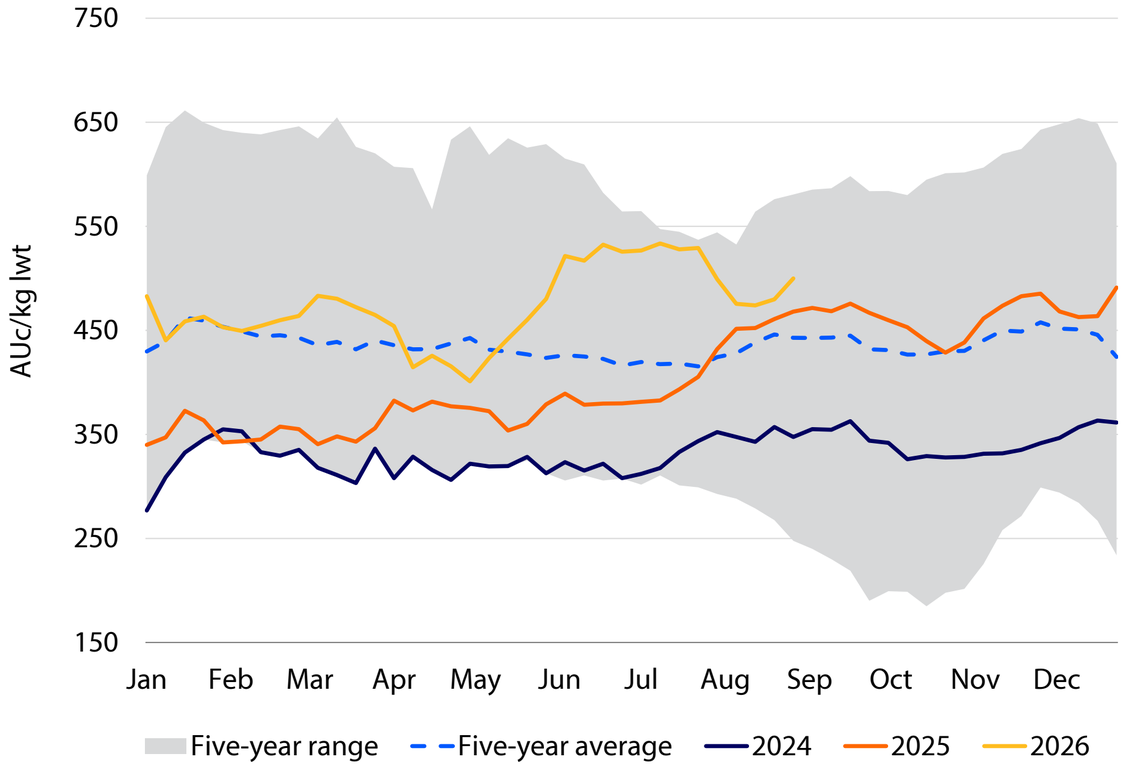
- **US tariff relief –** On 21 August, the US president announced a 90-day suspension of tariffs on 300,000 tonnes of imported ground beef. As Australian beef does not have a tariff imposed, given our trade agreement, this will not benefit Australian beef. However, it is likely to benefit Brazilian beef that currently faces a 26.5% tariff. Year-to-date (June) US import volumes show Brazil volumes (325,120 tonnes) slightly higher than Australia (317,221 tonnes). Last year, Brazil volumes declined in 2H, while Australian volumes remained high. With Brazil reaching their China quota and likely to be shut out of Europe from 3 September, it is likely that there will be increased Brazilian volume sent to the US, potentially placing downward price pressure on Australian exports to the US.

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Beef

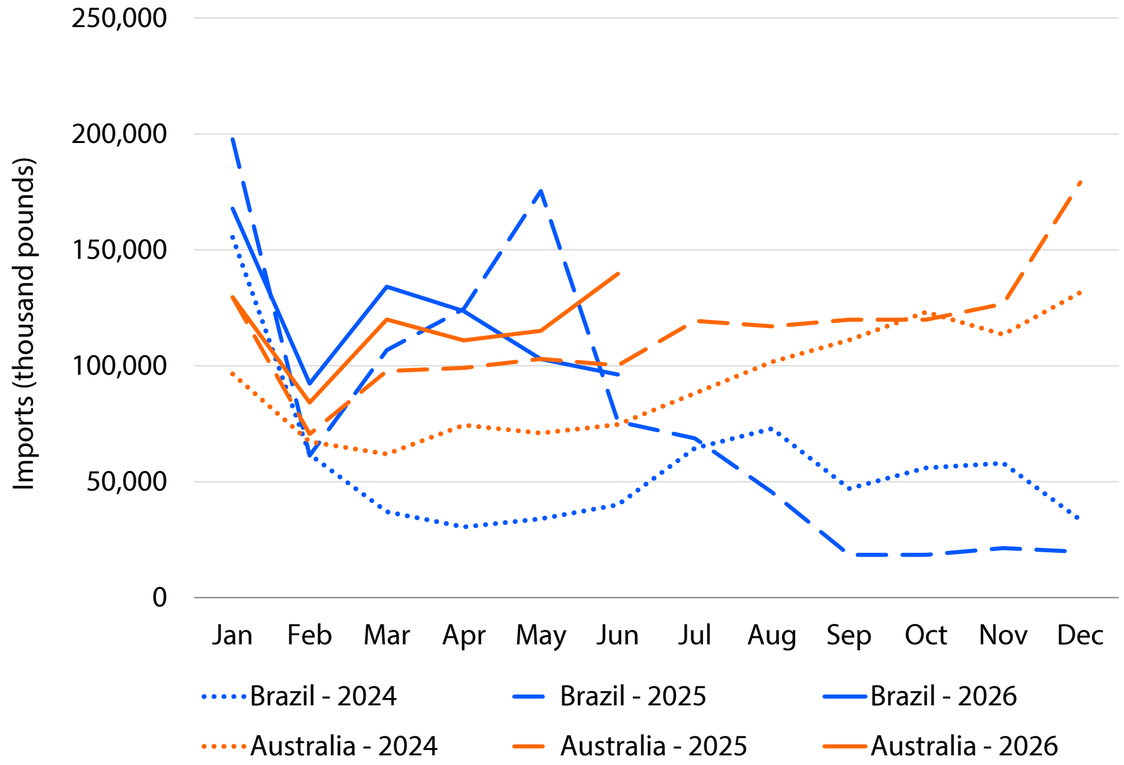
Rain supports local cattle prices but tariff relief may create competitive pressures in the US

Rain comes to the rescue of the NYCI again



Source: *MLA, RaboResearch 2026*

US imported beef volumes – watching to see if Brazilian volumes lift



Source: *USDA, RaboResearch 2026*

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Sheepmeat

Prices ease slightly as new season lambs enter the market

Prices for finished lambs were relatively stable through August, after coming down off the highs of July. Trade (AUD 11.60/kg) and heavy (AUD 11.12/kg) lambs dropped 2%-3% from the end of July to end of August. Meanwhile, mutton (AUD 8.36/kg) prices and restocker or lighter lambs were lower, down 5%-9% from the previous month. The stronger finished lamb prices reflect a strong demand from processors given the only limited supplies of lambs compared to a slightly weaker producer demand market for the store market. While heavy lamb numbers remain close to the five-year average, trade lamb numbers passing through saleyards are down about 38% on the five-year average. Light lamb numbers and sheep numbers through the saleyards are also well below the five-year average – possibly an indication that producers are looking to retain stock for rebuilding or restocking flock numbers. **RaboResearch expects prices to ease slightly over the coming months as new season lamb numbers build but the ongoing limited supplies will continue to provide support at high levels.**

Q2 production and slaughter data was released in August. Lamb slaughter was down 22% YOY at 5.3m head, and sheep slaughter was down 47% YOY at 1.3m head for the quarter. Sheep slaughter figures are the lowest in four years and close to the lows of 2021. In 2021, the low slaughter was largely reflective of a rebuilding phase of the national sheep flock, with lower slaughter number and higher retention of lambs and sheep. There is a question at the moment in the Australian sheep industry if we are in a rebuilding/restocking phase or whether the lower slaughter numbers are just reflecting the lower sheep flock numbers. Lamb slaughter weights pushed even higher into record territory at 26.67kg. NSW had the highest weights of 27.64kg, SA at 27.65kg and Vic weights at 26.63kg. Higher grids, favourable seasonal conditions and grain-feeding lambs are all expected to have contributed to this.

Weekly lamb and sheep slaughter volumes have picked up since the low point of the season in early July. Volumes of lambs slaughtered in the last four weeks were 10% higher than the previous four weeks and volumes of sheep slaughtered more than doubled. But both sheep and lamb slaughter volumes remain below the five-year average.

What to watch:

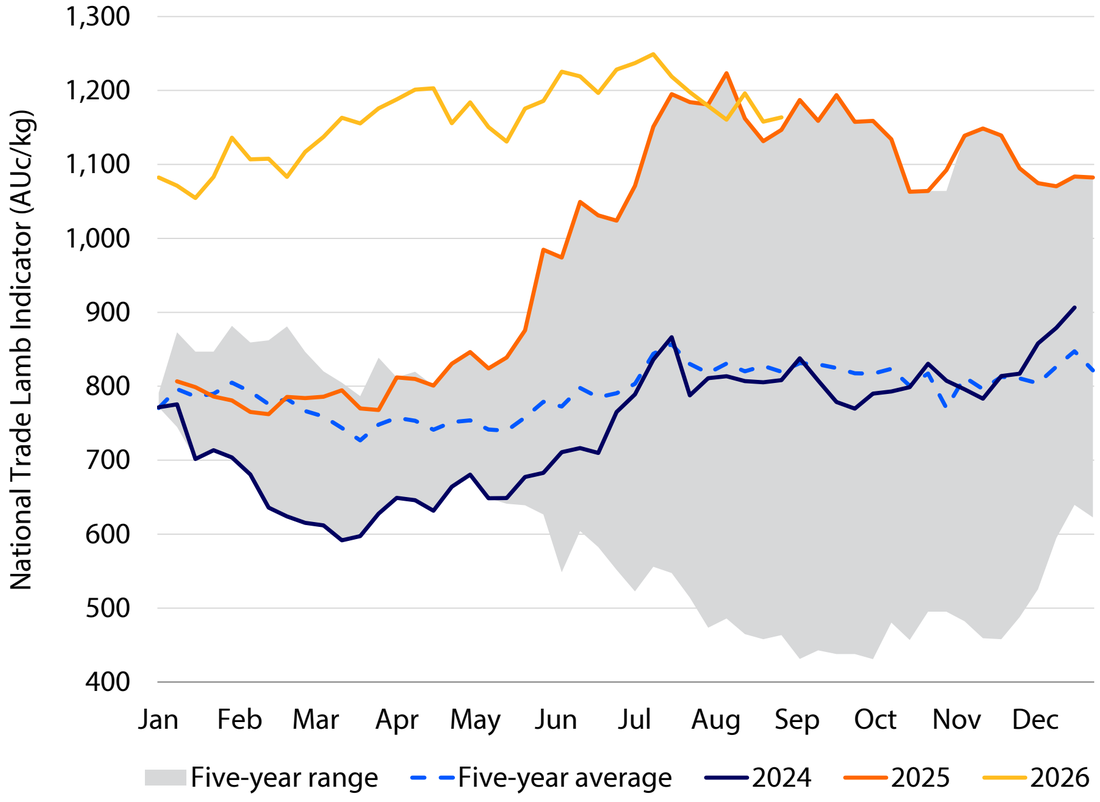
- **Lamb carcass weights –** The national slaughter and production data shows Q2 carcass weights have pushed to a new record high of 26.67kg. At such weights, Australia can slaughter 460,000 head less than two years ago when the average slaughter weight was 24.54kg and still produce the same amount of lamb. Will Australian lamb follow the same trend the US cattle market has, with lower slaughter volumes and higher slaughter weights, and will this be a permanent change to the industry? Watching how the value-based marketing programs evolve may have a bearing on this. Generally, there is a trade-off between weight or yield and eating quality, but until pricing incentives are provided for quality, the logical choice for a producer is to chase weight gain.

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Sheepmeat

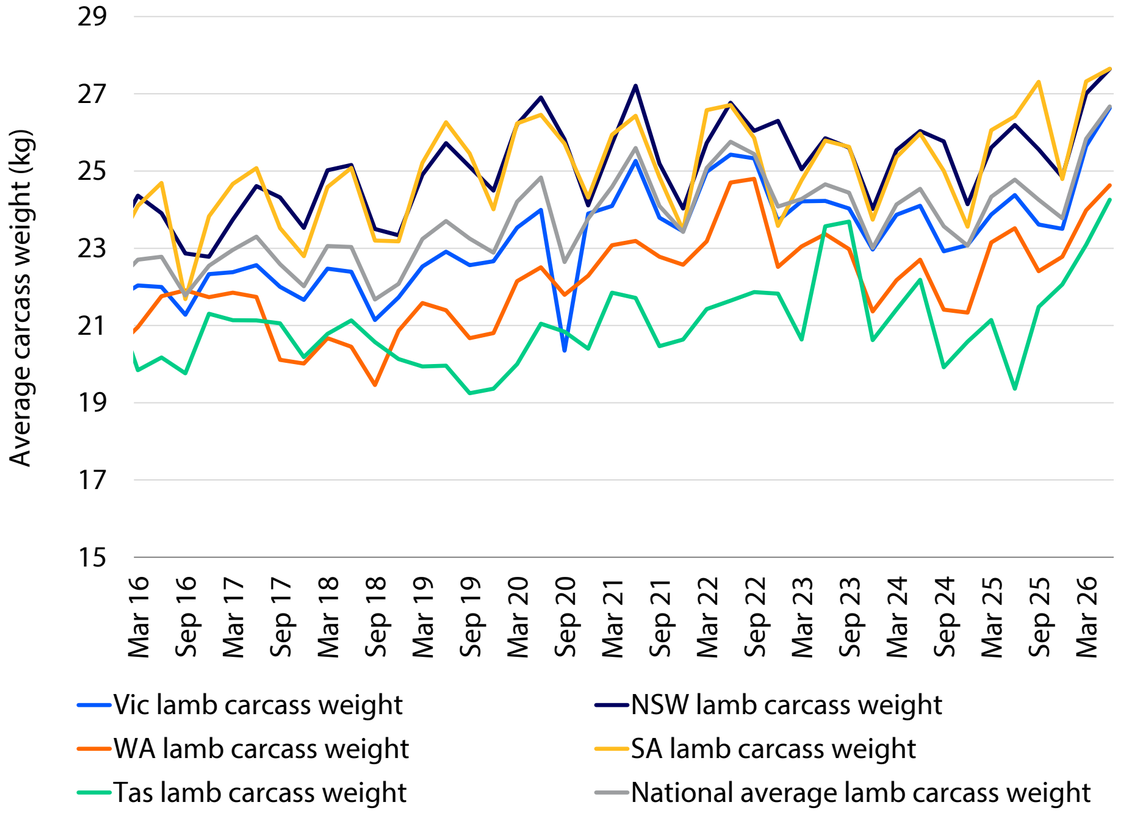
Lamb prices remain strong as higher carcass weights offset the lower slaughter numbers

National Trade Lamb Indicator (NTLI) holding



Source: MLA, RaboResearch 2026

Carcass weights push to new record highs



Source: ABS, RaboResearch 2026

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Wool

Wool prices ease heading into the new season

With the winter recess occupying three weeks over August, there has not been much market movement of late. Since re-opening, post-recess prices have eased slightly, continuing the trend from the beginning of the new marketing year. The EMI dropped 3% to AUD 18.12/kg upon the market re-opening but then rebounded to AUD 18.53/kg in the following week. It is difficult to know whether this is the beginning of a trend or a short recalibration after the recess. Finer microns suffered more over the recess with drops of 2%-3%, while coarser microns – particularly the 28- to 30-micron range – remained relatively static.

The Australian Wool Production Forecasting Committee released their August forecast showing a revision down of shorn wool production for 2025/26. They forecast a 2025/26 production volume of 253.9m kg, down from earlier forecasts of 255.4m kg. SA had the largest expected fall in wool production (down 16.5%) with WA having the smallest reduction (down 4.2%). The forecast for 2026/27 was revised higher from 243.9m kg to 249.3m kg.

The Committee cited the national flock is stabilising and improved producer sentiment provided potential for future growth. They noted that "wool producers appear increasingly focused on rebuilding flocks through on-farm breeding programs and retention of breeding stock".

Wool tested volumes for July were down 4% and volumes towards the end of August were suggesting that August may also see a drop in wool tested volumes.

Wool export volumes for the month of June were up 1.1% at 23.2m kgs. Volumes to China and India were up 4% and 6%, respectively. Meanwhile volumes to Italy were up 49%. Apparel sales in the UK had been showing a gradual up-trend, with June sales figures up 7% YOY. An improving economy may see this sales growth continue further, potentially supporting ongoing demand from Italian mills.

What to watch:

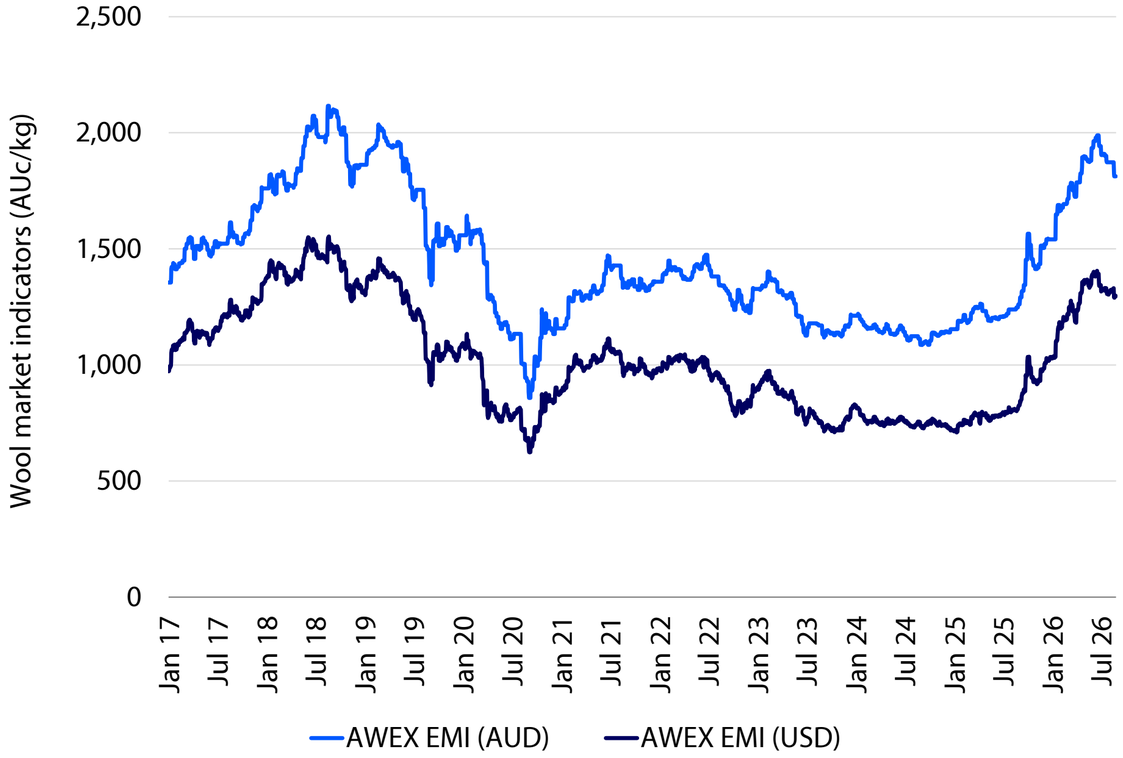
- **Wool production forecast –** Last month we highlighted the Wool Production Forecast Committee's August report and if there would be any adjustments made to their 2026/27 forecast. The latest report includes a revision up of expected wool produced in 2026/27. Although it is still a drop in production of 1.8%, it is to a lower level than previously expected. They cite a stabilization of the flock, improved seasonal conditions and, with higher wool prices, improved producer sentiment leading to increased retention of sheep and potential growth in the flock. A question for the market will be, does this stable outlook in production lead buyers to relax their aggressive buying activities or does the ongoing limited supply ensure competitive pressure holds prices at current levels.

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Wool

Prices ease after the winter recess; 2026/27 forecast production figures revised up

The EMI slips as market returns from recess



Source: Bloomberg, RaboResearch 2026

2025/26 production forecast revised lower, 2026/27 production revised higher



Source: AWI, RaboResearch 2026

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Cotton

Tight supply, demand holds firm

The cotton market has been one of the strongest performers among major row crops in 2026, with prices rising by more than 30% over the year. Futures have moved above USc 90 per pound, reaching their highest levels in two years.

Global supply conditions have tightened significantly. Production expectations have been revised downward across most major-producing countries. US yield due to dry conditions is forecast at the lowest in a decade. China is expected to record the largest absolute production decline in 2026/27, as production focus shifts toward small grains. Brazil has also reduced output expectations due to high currency valuations and broader farm margin stress. Australia is expected to show a sharp decline, with production expected to fall in 2027 by roughly one-third because of limited soil moisture. In contrast, India is the only major producer expected to increase production, supported by a 12% rise in acreage, although yields face pressure from a late monsoon.

Demand conditions present a more mixed picture. Cotton typically requires global GDP growth of around 3% to sustain demand growth. During 2026, deteriorating economic conditions, geopolitical events and high energy prices have reduced expectations for global economic growth, creating uncertainty around consumption prospects. Despite these headwinds, demand has remained more resilient than expected. US export sales at the start of the current marketing year are reported to be double those of the previous season and are the strongest since the commodity market downturn of 2022.

The price outlook remains constructive. RaboResearch has revised its cotton price forecast upward. This outlook reflects tighter global supply and stronger-than-expected export demand. Supply growth appears more constrained. The USDA forecasts global cotton production at 117m bales in 2026/27, down around 4% YOY.

What to watch:

- **Global production trends remain the key driver of the cotton outlook**, particularly declines in China, Brazil and Australia.
- **Key risks include weaker consumer demand** as global economic conditions deteriorate further, while sustained export strength could support prices near current elevated levels.
- **Global demand outpacing supply –** We expect a 6% drop in inventories in the 2026/27 season.

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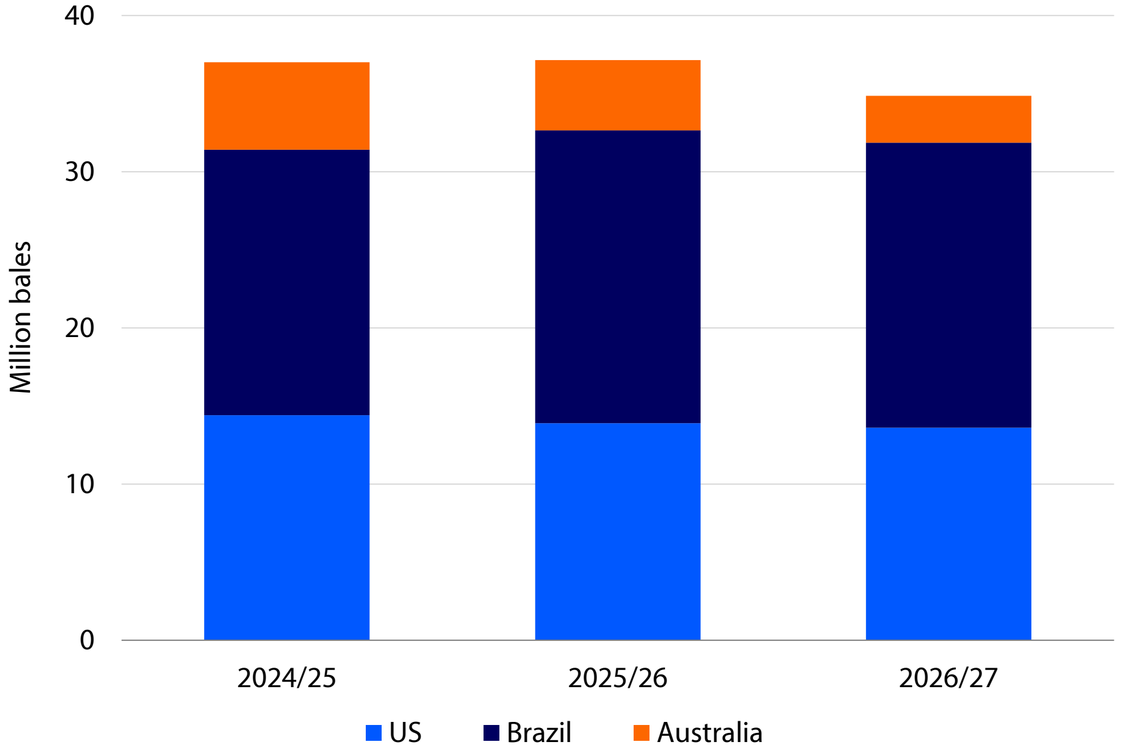
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Cotton

Tighter cotton stocks are likely to keep prices supported

Substantially reduced production forecast for major exporters in 2026/27



Source: *USDA, RaboResearch 2026*

ICE Cotton No. 2 futures strengthened on expected demand outpacing supply in 2026/27

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



Source: *Macrobond, RaboResearch 2026*

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Farm inputs

Urea prices soften, but fertiliser price volatility to continue

Over the month of August, global fertiliser markets saw softening prices followed by a period of consolidation through the second half of the month. Urea experienced the largest downward shift, while phosphate markets remained largely flat on the continued tight supply.

The Indian RCF tender seeking 1.7m tonnes of urea received offers totalling 5.54m tonnes, with the lowest offers approximately USD55/t lower than the previous Indian tender in June. The outcome revealed a more comfortable global supply situation than previously anticipated, driven largely by Chinese export availability. The tender triggered a downward repricing across global nitrogen markets through August, as more abundant supply weighed on the market. Chinese export volumes remain the primary downside factor for nitrogen markets.

Rallies in the North African markets later in the month pointed to some stabilisation within the nitrogen markets. Egyptian Urea sales are seeing increased FOB values, pointing to potential recovery post the Indian tender. This comes as disruptions through the Strait of Hormuz will continue to underpin the market.

Phosphate markets showed more resilience through August. Chinese export restrictions and logistical complications from Saudi Arabia continue to keep this market supply constrained. Continued high pricing may look to cap continued upside but any price easing would also be limited due to ongoing supply constraints.

Energy markets similarly point to continued support of fertiliser markets. European and Asian gas prices increased as LNG flows through the Strait of Hormuz continue to be disrupted.

As of 20 August, Australia had imported 3.02m tonnes of urea, equivalent to 104% of forecast seasonal requirements through October 2026. This suggests domestic supply is now sitting in a more comfortable position, reducing the risk of fertiliser shortages and easing concerns around local supply constraints heading into the end of the season.

What to watch:

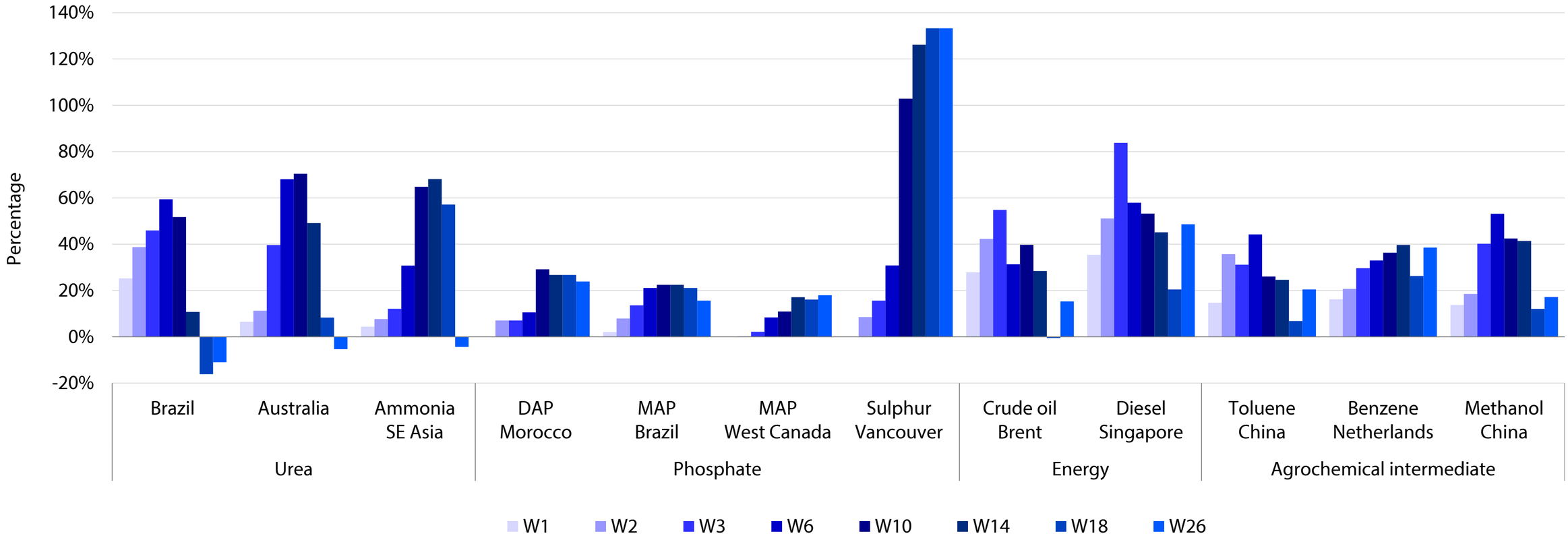
- **European gas stocks ahead of winter** – With European gas storage levels remaining below seasonal averages and winter approaching, competition for LNG cargoes is expected to intensify. Sustained high gas prices would support higher ammonia and urea production costs, increasing the risk of firmer fertiliser prices heading into 2027.
- **Australian fertiliser costs** for the next season are expected to remain volatile. While urea prices have softened, the risk of price spikes later in 2026 and in 2027 is still prevalent.

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Farm inputs

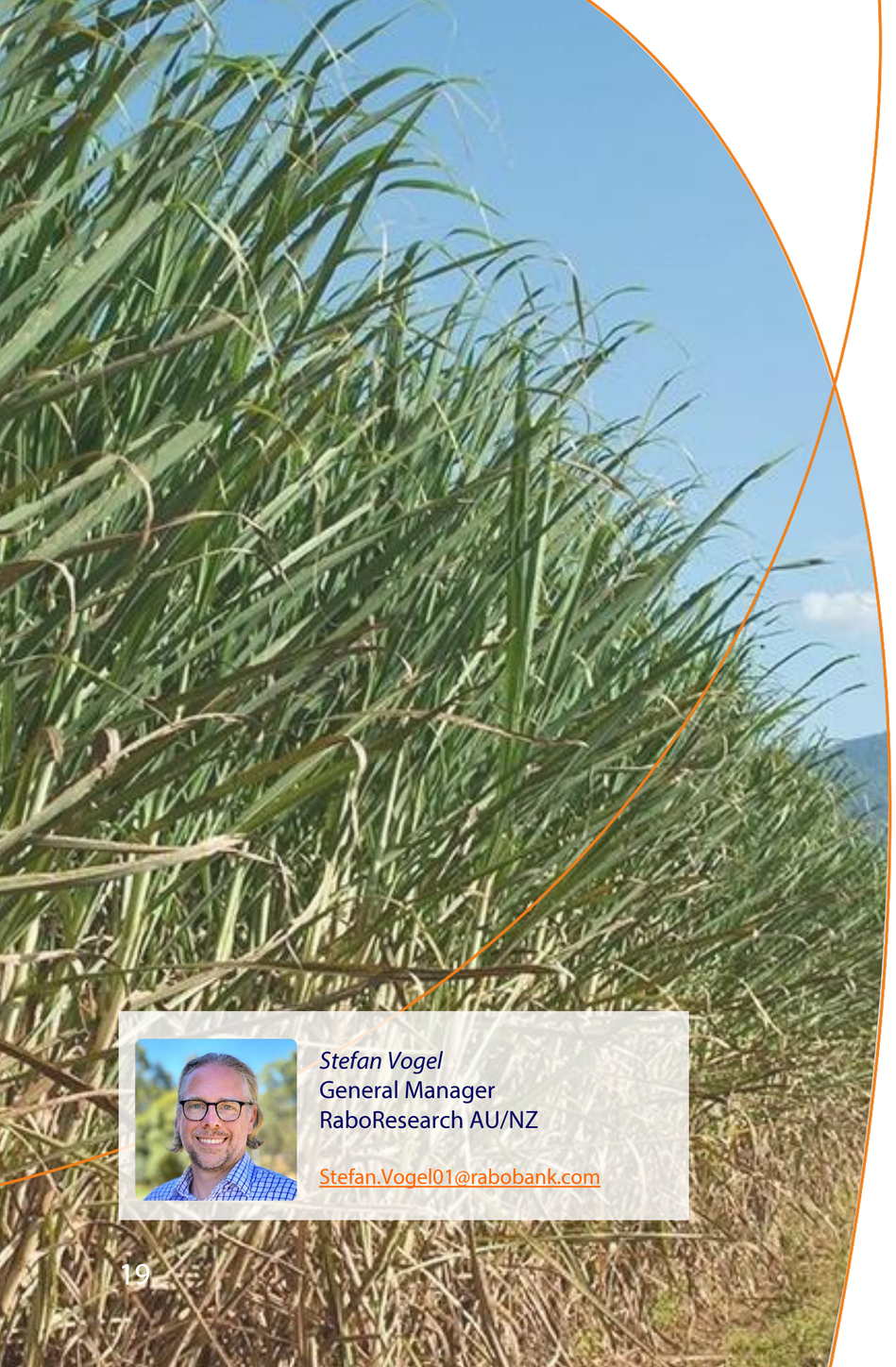
Input costs remain elevated

Cumulative weekly price changes since 27 February



Source: *Bloomberg, CRU, RaboResearch 2026*

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Sugar

Strong price rally driven by Brazilian crop concerns

Global sugar markets strengthened sharply through August. ICE Oct-26 Sugar #11 futures rose ~22% and white sugar futures gained 12% in August.

The rally was driven primarily by supply concerns. Rainfall disrupted harvesting in Brazil's Centre-South region, reducing the pace of crushing during parts of July. MAPA data showed second-half July sugarcane crush was 8.6% lower year-on-year, while cumulative sugar production in Centre-South Brazil stood at 16.9m tonnes at the end of July compared with 19.3m tonnes a year earlier. Concerns around El Niño have also heightened attention on production risks in several sugar-producing regions.

Demand and trade developments have also influenced market sentiment. On 20 August, the Indian government announced duty-free imports of up to 1m tonnes of raw sugar to help contain domestic sugar price inflation. At the same time, speculative investors moved from net short to net long positions in Sugar #11 futures, amplifying the market's upward move through short covering.

Despite the recent price surge, the supply outlook is not uniformly tight. RaboResearch notes that Centre-South Brazil's sugarcane crop remains sizeable and that available supplies appear relatively comfortable through the third quarter and well into the fourth quarter of 2026. Higher sugar prices have also widened the premium of sugar over ethanol, which could support a higher sugar mix in Brazil in coming months. As speculative short-covering fades, renewed selling interest could create downside pressure. Still, on a global level, funds are trading a sizeable sugar deficit in the year ahead, which has resulted in strong price gains in August.

For Australian sugar farmers, current market conditions provide stronger pricing than earlier in the year, supported by weather-related production concerns and investor interest. However, the outlook suggests balancing opportunities created by elevated prices against the possibility of softer prices if Brazilian harvest progress improves and speculative support eases.

What to watch:

- **The key drivers remain Centre-South Brazil harvest conditions**, rainfall impacts on sugarcane production, El Niño-related weather risks, and speculative positioning in Sugar #11 futures which moved from a net short to a net long.
- **Indian sugar policy and import requirements also warrant close attention** and also the question of whether and how quick import volumes will flow.

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Sugar

Sugar prices surged to highest in almost a year, driven by harvest concerns in Brazil and Indian imports

Crude oil price volatility, Jan 2023-Aug 2026



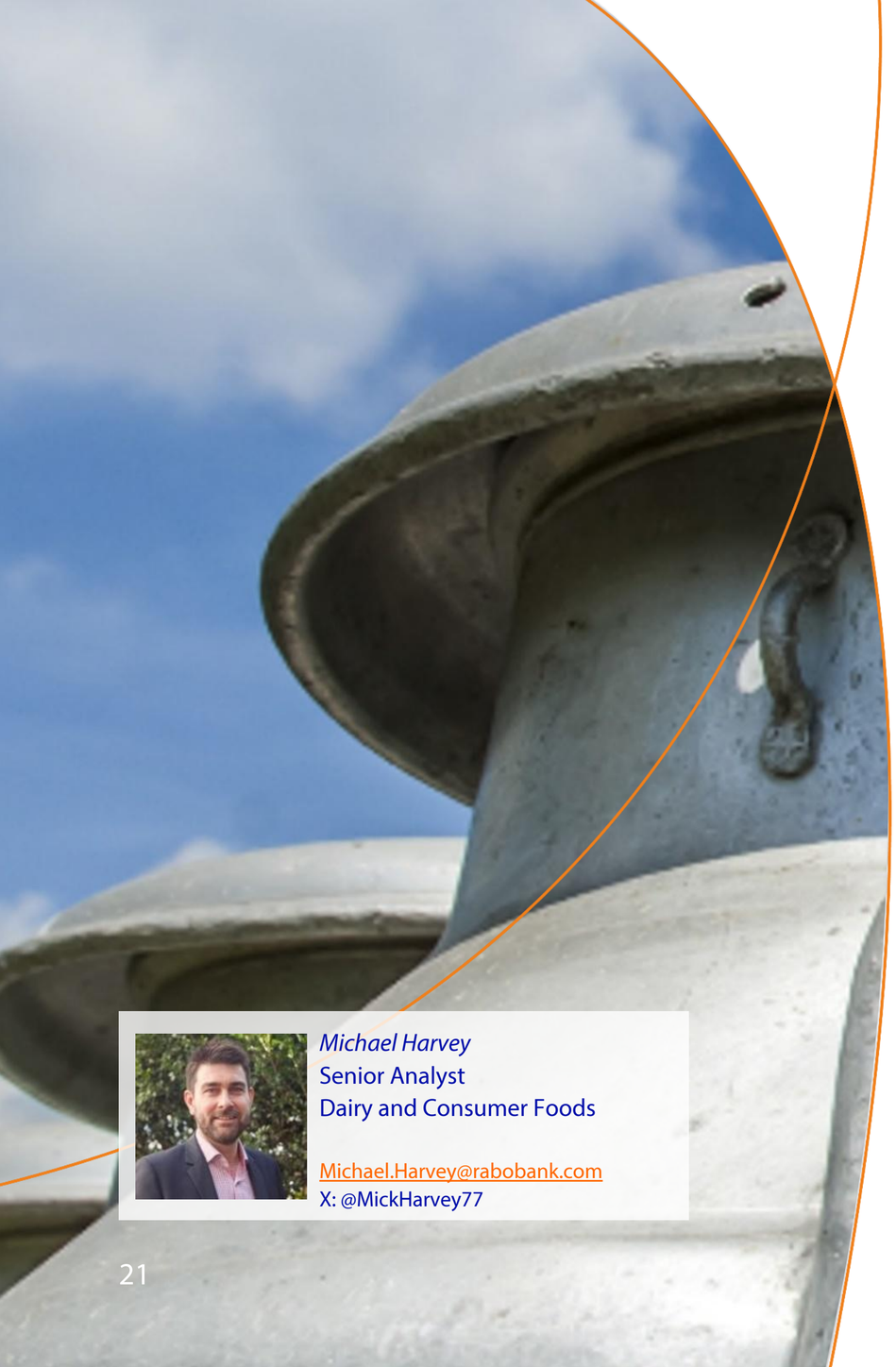
Source: *Macrobond, RaboResearch 2026*

Sugar prices rally to highest in almost a year



Note: *Current as of 30 July 2026.*
Source: *Macrobond, RaboResearch 2026*

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Dairy

Commodity values are weak, but there are positive signs

Dairy commodity values are trending well below the early 2026 peaks (in March). However, there are more concrete signs of stability emerging. Milk powder markets have been the standout performers in Q3, driving a recovery in dairy commodity prices amid broader market weakness. Recent GDT results showed strong gains in SMP and WMP prices, supported by firm demand and strengthening European powder markets. In contrast, butterfat markets remain subdued due to ample global supply, while cheese markets continue to face pressure from expanding production and abundant product availability despite solid export demand.

Global market fundamentals are entering a new phase in the cycle. This starts with a slowdown in milk supply growth in export regions. Global milk supply growth is expected to tighten, with RaboResearch forecasting Big 7 export region milk production growth to slow to 0.5% year-on-year in 2H 2026, including a 0.2% contraction in Q4 2026.

El Niño remains the key risk to the global dairy outlook. While milk price forecasts remain historically strong, the market is increasingly focused on the potential for drier conditions across New Zealand and Australia during the peak production period. Southern Hemisphere weather outcomes are likely to be a major driver of market direction through the remainder of 2026.

Meanwhile, positive signals continue to emerge in key dairy import regions. In China, dairy consumption is gradually recovering, with dairy product output increasing 5% year-on-year from January to July 2026 and leading dairy companies reporting combined revenue growth of nearly 5% in 1H 2026. Similar positive signs are seen in dairy market performance in some key Southeast Asian economies.

Local farmgate milk prices for 2026/27 are largely established, with the domestic market continuing to provide some insulation from volatility in global dairy commodity markets. Looking ahead, further price increases will likely depend on a sustained improvement in global dairy commodity returns, particularly for cheese.

Corporate activity in Australia's dairy sector continues at pace. Brownes Dairy's sale process adds to the growing consolidation of the Australian dairy sector, following recent transactions including Lactalis' acquisition of Fonterra's Mainland Group and Danone's purchase of MADE Group, highlighting strong international appetite for Australian dairy processing assets.

What to watch:

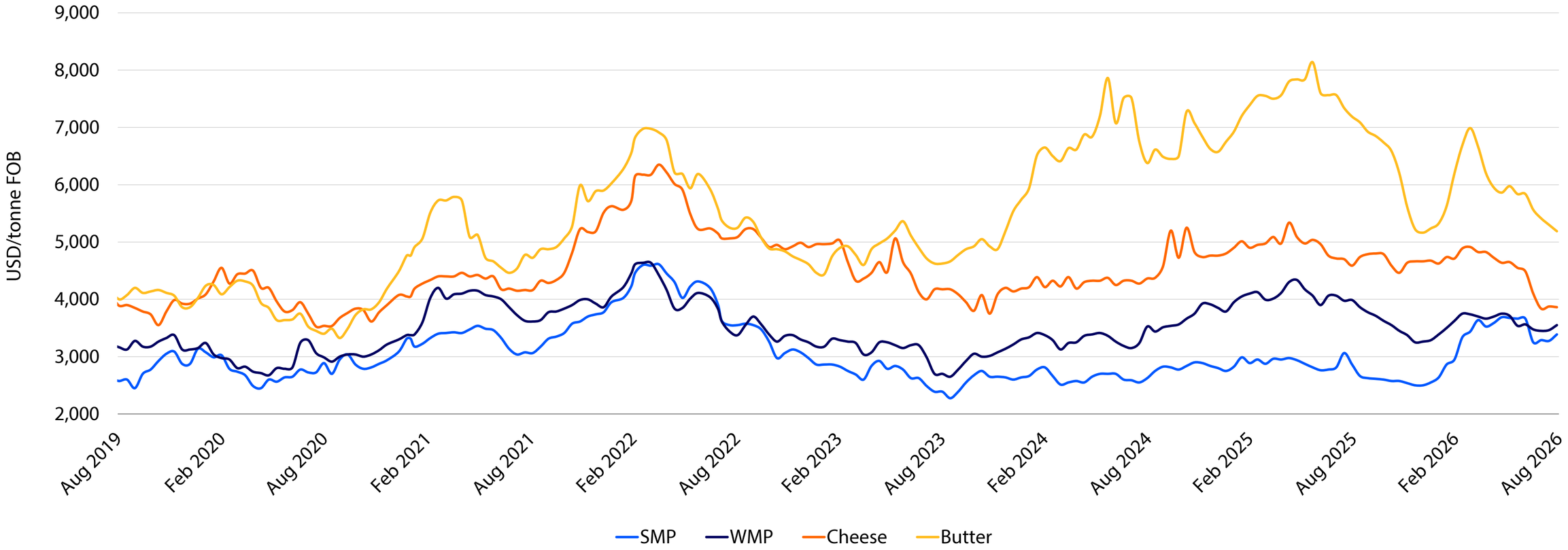
- **Rising feed and input costs:** While the direct impact on dairy demand has so far been limited, higher input costs due to Middle East disruptions could place further pressure on producer margins globally which could further impact the milk supply slowdown already underway.
- **China's dairy industry is at an inflection point:** There is demand recovery, milk prices have stabilised, and corporate dairy farms have returned to profitability. Industry consolidation continues, while only modest milk supply growth is helping improve market balance.

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Dairy

Early signs of price support in dairy commodity values

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



Source: *USDA, RaboResearch 2026*

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Consumer foods

Australia's grocery recovery is becoming volume-led

Both Coles and Woolworths delivered solid supermarket sales growth in FY26, with the driver increasingly volume-led rather than inflation-led.

At Coles, supermarkets sales (excluding tobacco) increased 5.1% for the year. Food inflation remained subdued at 1.2% excluding tobacco, highlighting a relatively benign pricing environment despite cost pressures from dairy, livestock and fuel.

These pressures were partly offset by deflation in fresh produce and eggs. Coles' exclusive brands continued to outperform the broader portfolio, delivering 6.1% sales growth, underpinned by strong momentum across the Coles Own Brand range.

Woolworths reported a similar theme, with comparable sales growth of 4.6% in the Australian food segment, driven primarily by higher transactions and item growth rather than pricing. Inflation remained negative through much of the year, with Q4 average prices down 0.6% year-on-year.

Grocery categories remained in deflation due to ongoing lower shelf price investments and elevated promotional activity, while in the fresh segment there was modest inflation led by higher beef and lamb prices.

Woolworths' own and exclusive brand sales increased 5.5%, outpacing overall food sales growth and reinforcing the growing role of private label in driving sales momentum.

Australian consumer confidence has been trending higher in recent weeks, with the latest ANZ-Roy Morgan Consumer Confidence survey reaching its highest level since March 2026. The improvement followed the RBA's decision to leave the cash rate unchanged at 4.35% at the recent meeting.

Stronger sentiment was driven by a more positive outlook for household finances, particularly expectations for financial conditions over the next 12 months, which rose to their highest level since February.

Overall, the FY26 results from several local listed foodservice operators suggests the foodservice channel remains challenged by cautious consumer spending but, encouragingly, conditions appear to be stabilising. Growth is increasingly concentrated in value-focused QSR formats.

Food inflation remained a key contributor to Australian CPI in June 2026, with food and non-alcoholic beverage prices rising 3.3% year-on-year and 0.4% month-on-month. Meals out and takeaway food prices were the main contributor with wage inflation a key reason.

What to watch:

- **Consumers are willing to try new international food brands –** Firehouse Subs opened its first Australian store in Brisbane during FY26 and achieved record opening-day sales of more than750 transactions. Management is targeting four stores by December 2026 and 15 stores within three years, reflecting confidence in the brand's long-term rollout potential.

Michael Harvey
Senior Analyst
Dairy and Consumer Foods

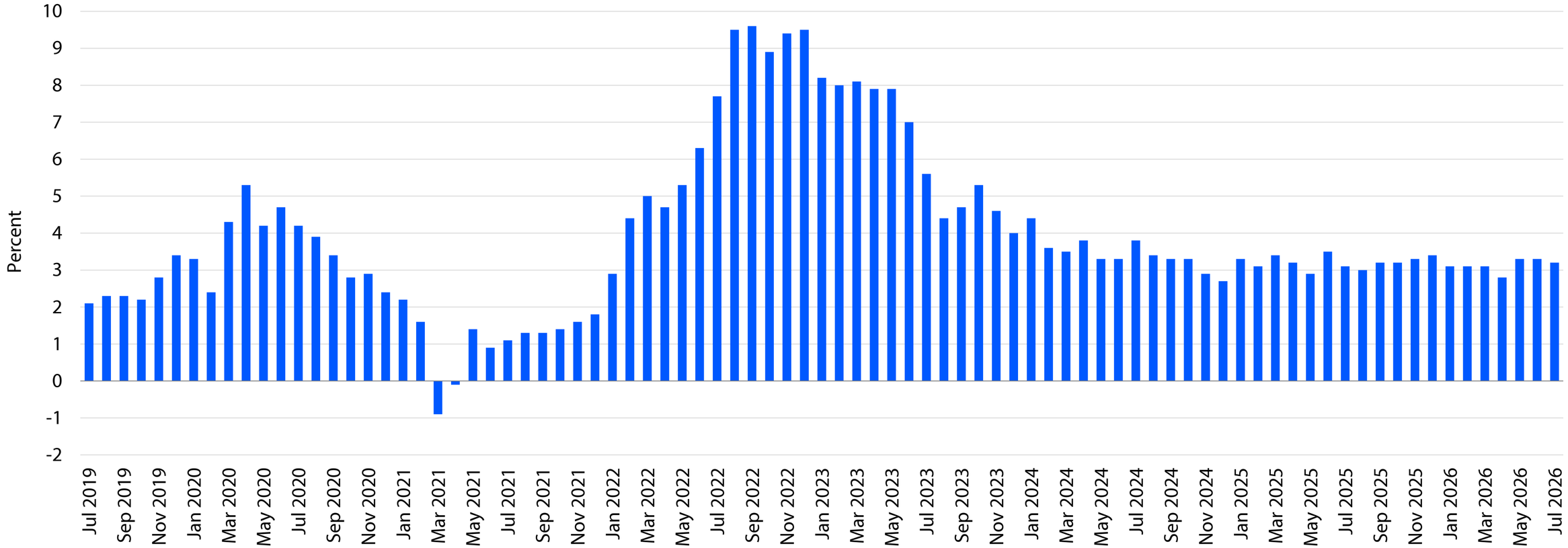
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Consumer foods

Foodservice inflation remains a main contributor to overall food inflation

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



Source: *ABS, RaboResearch 2026*

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Interest rates and FX

Strong inflation in July puts rate hikes back on the agenda

Expectations for further rate hikes rose upon the release of the Australian Bureau of Statistics' July CPI inflation report in late August. Several Australian banks that had previously been suggesting that the rate hiking cycle was over have since revised their forecasts to project rate rises in either September or November.

RaboResearch has maintained a forecast for several months that the Reserve Bank of Australia is likely to raise the cash rate again. **We now revise our forecast to bring forward a projected 25bp rate hike to September from our previous projection of November.**

Headline CPI inflation in the year to July actually fell slightly from 3.8% to 3.5%, but this was mainly due to base effects as a very strong reading from July last year fell out of the calculation. The consensus estimate from economists surveyed by Bloomberg was for the inflation rate to fall to 3.3%, so the actual result was quite a bit higher and concerningly-broad based.

With continued pressure on energy and other commodity prices from the ongoing disruption in the Strait of Hormuz the RBA is concerned that demand remains sufficiently strong for businesses to pass higher prices through to consumers. The impression that consumer demand remains strong was confirmed by household spending figures released in August, which showed spending up by 7% year-on-year in nominal terms, led by spending on non-essentials.

June quarter GDP figures released on 2 September were likely the nail in the coffin for a September rate hike. Demand growth in the year to June was 2.1%, well above the market consensus estimate of 1.8% and above the RBA's and RaboResearch's 1.9% projection.

The RBA's inflation mandate specifically targets *consumer* inflation. Increasing the cash rate to weaken demand in the economy acts to subdue consumer inflation by preventing businesses from passing on higher costs.

The impression that interest rates are likely to rise further also helped the Australian dollar to lift over the course of August. The AUD is dealing at 0.7160 against the USD at time of writing. RaboResearch projects further appreciation toward 0.7300 on a 12-month timeline.

What to watch:

- **September RBA meeting, 29 September –** Following the unexpectedly strong inflation figures for the month of July, there is a strong sense that the September RBA meeting is 'live'. RaboResearch has recently updated its forecast to bring forward a projected rate hike from November to September.
- **August CPI inflation, 30 September –** The release of August inflation data just one day after the RBA meeting might be a reason for the Reserve Bank to 'wait and see' before lifting the cash rate. A strong inflation print in August would strengthen the case for further monetary tightening.



Benjamin Picton
Senior Strategist

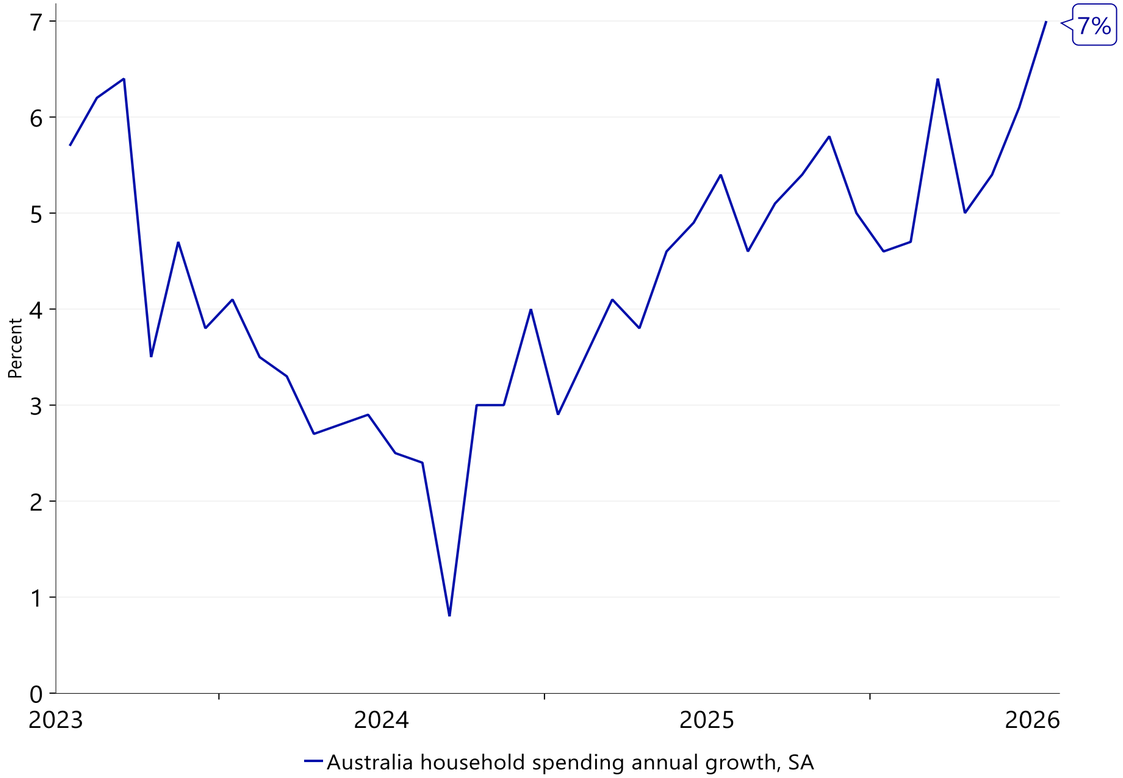
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Interest rate and FX

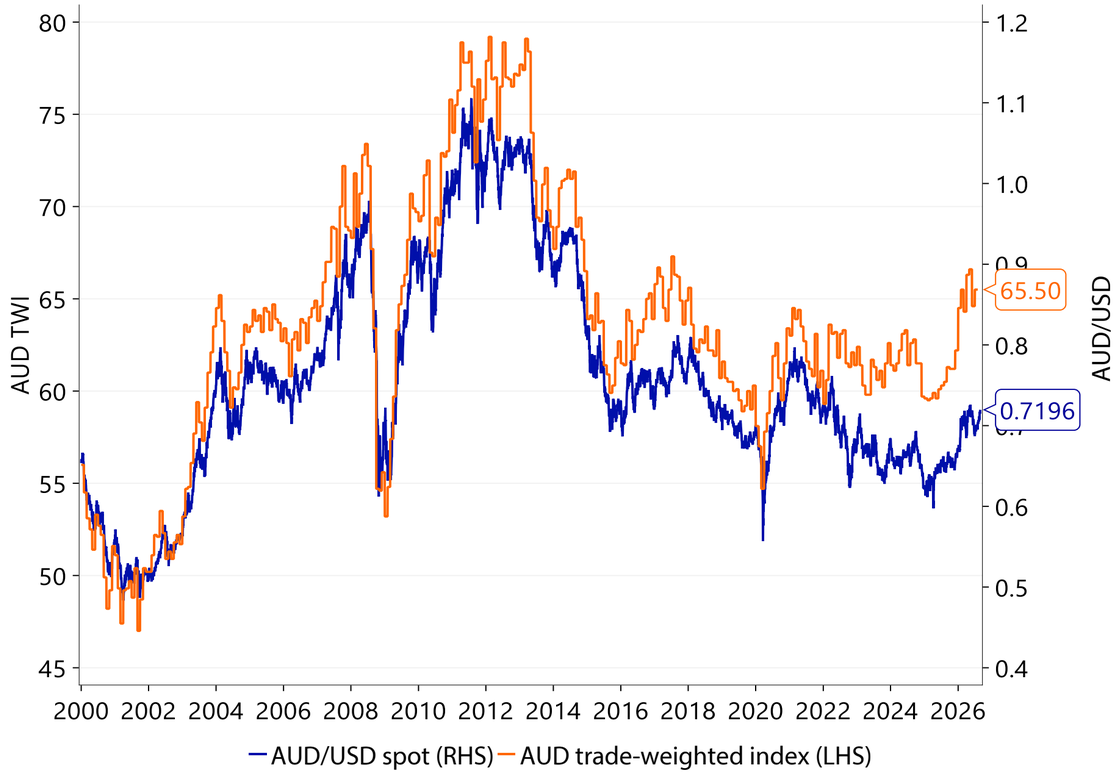
Household spending growth shows that local demand is still strong, and a worry for inflation

Australian household spending growth, 2023-2026



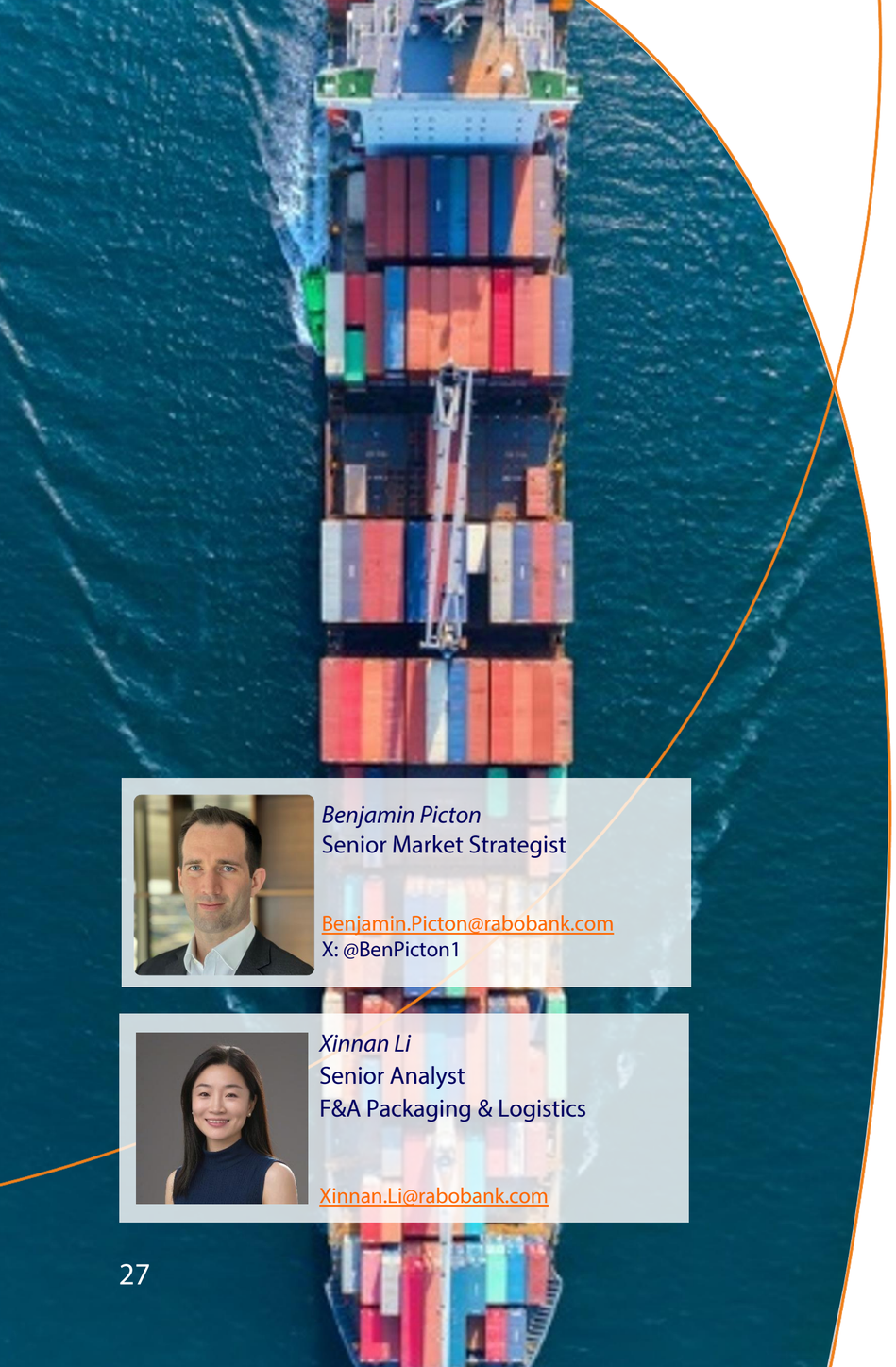
Source: *Macrobond, ABS, RaboResearch 2026*

Australian dollar versus US dollar and trade-weighted index, 2000-2026



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

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Oil and freight

Stalemate tightens energy markets

Oil prices started August sharply lower following a decision by OPEC+ to raise production quotas by 188,000 barrels/day and an announcement from President Trump announcing that planned strikes on Iran would be cancelled.

There were some positive developments during the month as Oman and Iran were reported to be close to finalising an agreement on a new route and administrative structure for shipping through the Strait of Hormuz, and ship-to-ship transfers of crude oil picked up. Nevertheless, oil prices gradually rose over the course of the month to be close to late July levels as ongoing impediments to shipping caused global supplies to tighten.

The US and Venezuela struck a deal in late August for the US to assume majority control of 65 billion barrels worth of Venezuelan reserves. The deal will reportedly involve the establishment of joint-venture operations between US oil majors and Venezuela's state oil company. US oil majors are set to make substantial investments to increase Venezuelan production, but this is unlikely to move the needle in the short-term. For now, pressure on refined product inventories remains the most acute pinch point in energy markets.

Carriers are gradually restoring services following the prolonged Red Sea disruptions, with MSC, Maersk, and Hapag-Lloyd cautiously resuming transits through the Suez Canal, though security risks in the region continue to pose operational uncertainties. Trans-Pacific demand has remained stronger than expected, with carriers reporting healthy cargo volumes and improving earnings outlooks. Meanwhile, inland and port-side bottlenecks continue to challenge global supply chains, as congestion across several regions is increasingly viewed as a structural issue driven by infrastructure limitations, weather-related disruptions, and imbalanced trade flows. Further uncertainty emerged from the Panama Canal, where drought-related transit restrictions raised concerns over capacity constraints during peak periods. Looking ahead, freight markets are expected to remain relatively firm through the remainder of 2026, as congestion, weather disruptions, and the gradual normalization of Suez routings continue to absorb effective vessel capacity and support freight rates.

The Baltic Panamax index (a proxy for grain bulk freight) has continued to trend higher, supported by steady vessel demand and improving market fundamentals.

What to watch:

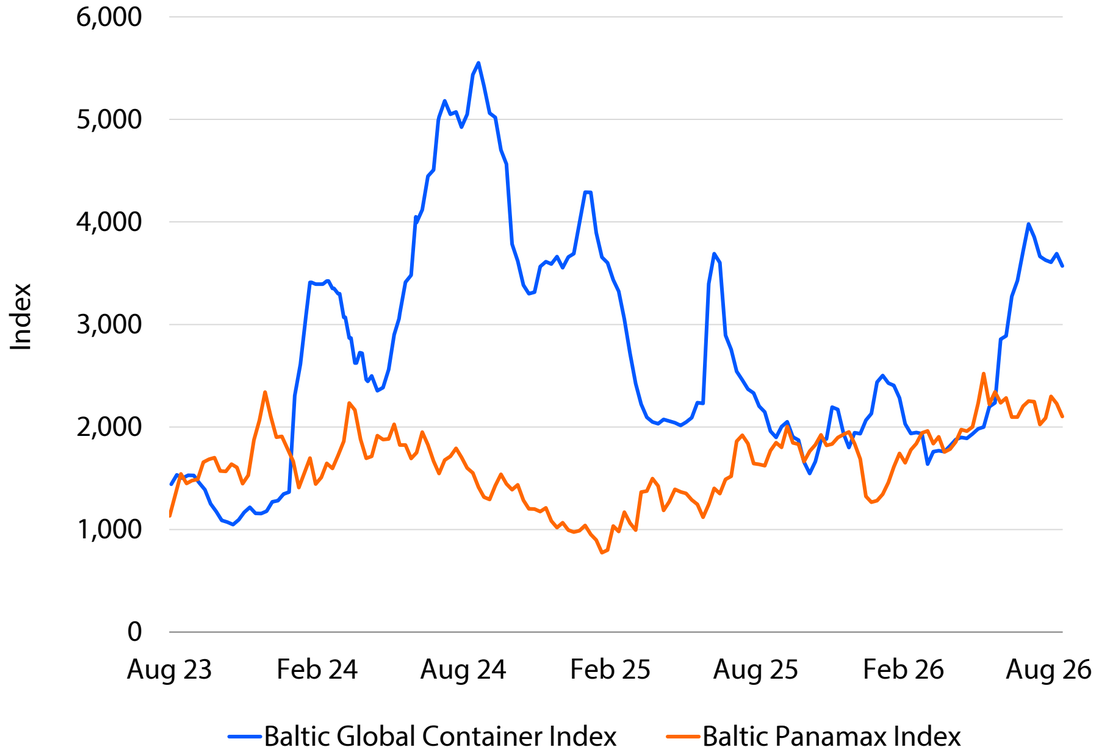
- **Iran peace negotiations –** The status of the Strait of Hormuz and the Bab el-Mandeb Strait remains the most important variable in world energy markets. Signs of escalation in late August added some further risk premium to prices.

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Oil and freight

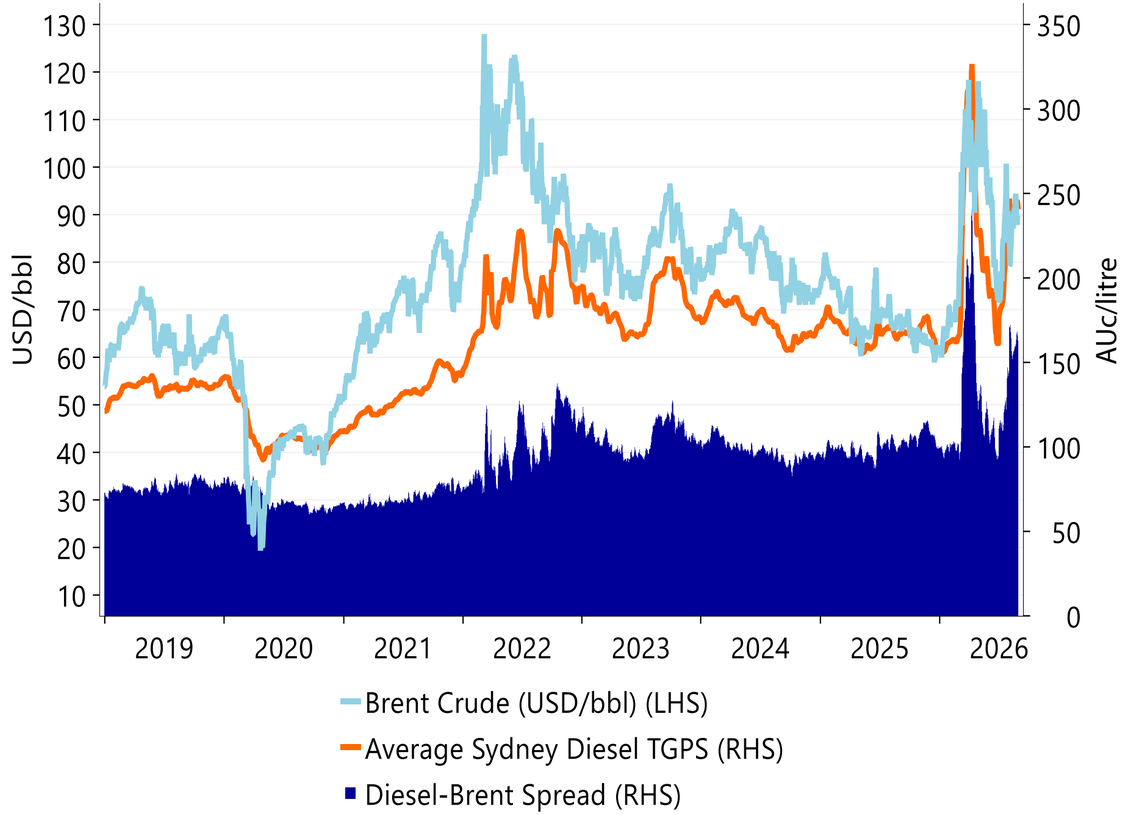
Refined product prices continue to rise relative to crude

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



Source: *Baltic Exchange, Bloomberg, RaboResearch 2026*

Brent crude versus Sydney diesel prices, 2019-2026



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

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Agri price dashboard

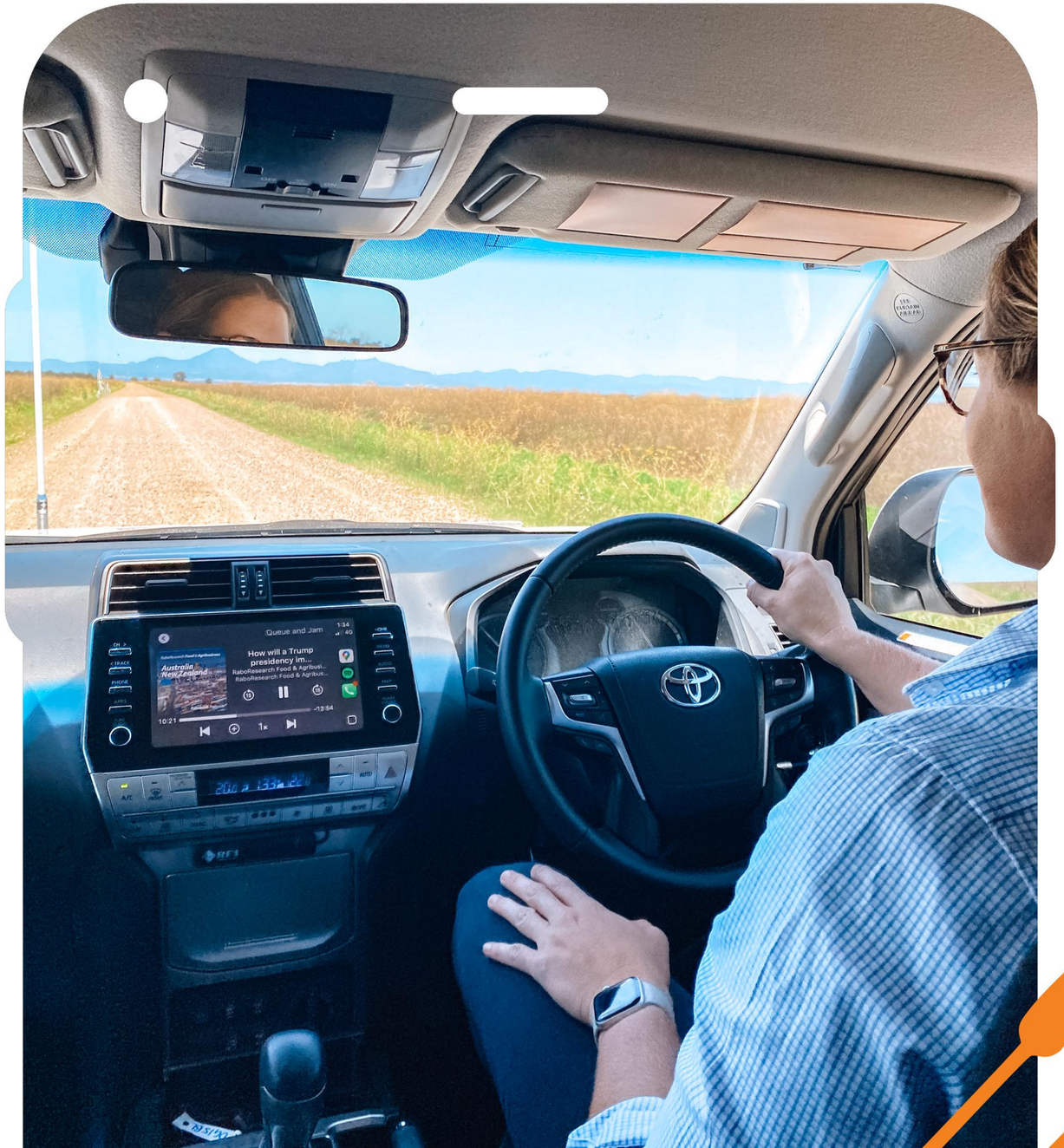
31/08/2026	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	684	639	502
CBOT soybean	USc/bushel	▲	1,218	1,172	982
CBOT corn	USc/bushel	▲	494	441	398
Australian ASX EC Wheat Track	AUD/tonne	▲	349	342	308
Non-GM Canola Newcastle Track	AUD/tonne	▲	748	744	730
Feed Barley F1 Geelong Track	AUD/tonne	▼	290	305	300
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	1,010	924	800
Feeder Steer	AUc/kg lwt	•	487	487	420
North Island Bull 300kg	NZc/kg cwt	▲	995	970	830
South Island Bull 300kg	NZc/kg cwt	▲	965	945	765
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	•	1,184	1,184	1,190
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,195	1,145	975
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,185	1,140	980
Venison markets					
North Island Stag	NZc/kg cwt	▲	1,110	1,100	970
South Island Stag	NZc/kg cwt	▲	1,110	1,100	955
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	5,413	5,838	7,563
Skim Milk Powder	USD/tonne FOB	▼	3,288	3,663	2,775
Whole Milk Powder	USD/tonne FOB	▼	3,450	3,538	4,063
Cheddar	USD/tonne FOB	▼	3,838	4,550	4,763

Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Agri price dashboard

31/08/2026	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	89.8	85.3	79
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	79.6	72.2	66
Sugar markets					
ICE Sugar No.11	USc/lb	▼	14.4	14.3	16.6
ICE Sugar No.11 (AUD)	AUD/tonne	▲	453	472	572
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,943	1,934	1,208
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	425	408	493
DAP (US Gulf)	USD/tonne FOB	•	840	840	750
Other					
Baltic Panamax Index	1000=1985	▼	2,040	2,154	1,741
Brent Crude Oil	USD/bbl	▲	88	73	73
Economics/currency					
AUD	vs. USD	▲	0.702	0.692	0.651
NZD	vs. USD	▲	0.587	0.568	0.596
RBA Official Cash Rate	%	•	4.35	4.35	3.85
NZRB Official Cash Rate	%	▲	2.50	2.25	3.25

Source: Baltic Exchange, Bloomberg, RaboResearch 2026



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