

*Resilience tested: Middle East tensions and Australian
agribusiness*
Australia agribusiness monthly



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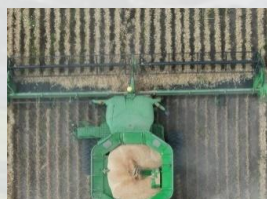
This report is based on information available as at 5/3/2026

Commodity outlooks



Climate

February rainfall was positive in most of the pastoral zones, while much of the wheatbelt still requires additional moisture ahead of seeding. Rainfall probability remains skewed to the downside in southern regions.



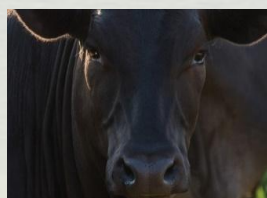
Wheat and barley

Global wheat prices strengthened over the past month on geopolitical spillovers, weather-related supply concerns and short covering. Australian markets were supported by strong exports. The outlook now hinges on Northern Hemisphere weather as crops emerge from dormancy.



Canola

Oilseed prices have firmed on stronger energy markets, export demand and robust global vegetable oil consumption, despite rising oilseeds supply expected in 2025/26. For the 2026/27 season, prices are supported by steady demand, and weather developments are the swing factor.



Beef

Cattle prices are expected to continue tracking sideways. Finished cattle prices remain at historic highs, driven by strong global demand, while restocker cattle prices are around the five-year average, reflecting the steady state of the national cattle herd.



Sheep

Lamb and mutton prices are expected to remain around current high levels. The prospect that there remain some lambs in the system will support prices, but as we move toward the middle of the year these numbers will decline, although we don't believe prices will rise as a result.



Wool

Wool prices held steady over the past month, with the EMI indicator up 2%. Finer microns largely performed better than coarser wool. However, the standout was 25-micron wool which rose 16% MOM.



Cotton

Signs that global cotton production could tighten next season are providing the market with some hope at a time when Australian cash prices and US futures are downtrodden. Should supply tighten and demand hold up next season, speculators may begin to question their large net-short position.



Farm inputs

For fertilisers, all focus is on the US and Israel-Iran war. The wider Middle-East region represents approximately 45% of global urea exports and is heavily reliant on the Strait of Hormuz. Should disruptions continue, urea prices could rise sharply.



Dairy

There has been a broad-based bounce in dairy commodity values, which is welcome news for local dairy exporters. The global market remains set to be well supplied in the short term, which could limit further upside. Much will depend on how much milk powder the Middle East continues to import.



Consumer foods

Food and non-alcoholic beverage inflation was slightly down to 3.1% in January 2026 on an annualised basis. The main contributors in grocery channels were coffee, meat and dairy products. Out-of-home meal price inflation is also elevated amid rising food costs and wage inflation.



Interest rate and FX

As we warned last month, the cash rate has risen, and more rate hikes could be on the way. The Australian dollar remains close to multi-year highs, with potential to climb to 0.72 against the USD by year end.



Oil and freight

Geopolitical risks in the Middle East have now been realised as war has broken out between the US, Israel and Iran. Oil prices are rising, and higher freight insurance fees are also likely to spike supply chain costs.

Geopolitics

The US and Israel-Iran war and US tariff shifts impact farm margins

The joint US-Israeli strikes on Iran, and Iran's retaliation against several countries in the region, may further tighten farm margins due to the risk of increased input costs, especially for fertilisers like urea and diesel. The wider Middle East region is a key supplier of crude oil, natural gas, urea and sulphur fertilisers. Crude oil and urea prices have already risen since the attacks started, and diesel and fertiliser prices in Australia have also increased.

Urea price upside is linked to the risk that around 30% of the global urea exports could be disrupted via an eventual closure or disruption of the Strait of Hormuz. Flows of ammonia, urea's typical feedstock, could also see disruption. This would limit shipments from Iran, Iraq, Kuwait, Bahrain, Qatar, the UAE, and to a lesser extent, Oman and Saudi Arabia. Qatar exports about 10% of global urea via the Strait of Hormuz, and Saudi Arabia ships a large portion of its roughly 8% share of global urea exports through the same route. Iran has become a sizeable urea exporter in recent years, accounting for almost 10% of global urea exports.

Iranian retaliation against countries in the region could also affect urea supplies indirectly – for example, in Egypt, where production depends on natural gas sourced from Israel. Egypt accounts for about 8% of global urea exports.

The Middle East has also become an increasingly important market for milk powders in recent years, particularly important as Chinese demand has softened. Most imports are destined for Egypt, Saudi Arabia and the UAE. The region also imports other food and grains. While disruptions are possible, they are difficult to forecast, as global supply chains are heavily interconnected.

The recent US tariff changes stem from a US Supreme Court ruling in early February requiring the trade tariffs introduced by the second Trump administration early last year to be removed. In response, President Trump immediately introduced a revised tariff rate of 15% under alternative tariff rules and schemes. For Australian products like sheepmeat and wine, US tariffs accordingly increased from 10% to 15%, in line with those applied to most other countries. This slightly reduces the competitiveness of Australian products in the US market relative to some other countries. For beef – Australia's major export product to the US – tariffs remain suspended, as beef imports were excluded from the tariff regime in November 2025.

What to watch:

- **Escalation and duration of the Iran war** – In 2025, disruptions to urea and energy supply were short-lived, as the war ended within 12 days. The impact on prices this time will depend on how long and how severe disruptions to energy and fertiliser exports from the region will prove to be.



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Climate

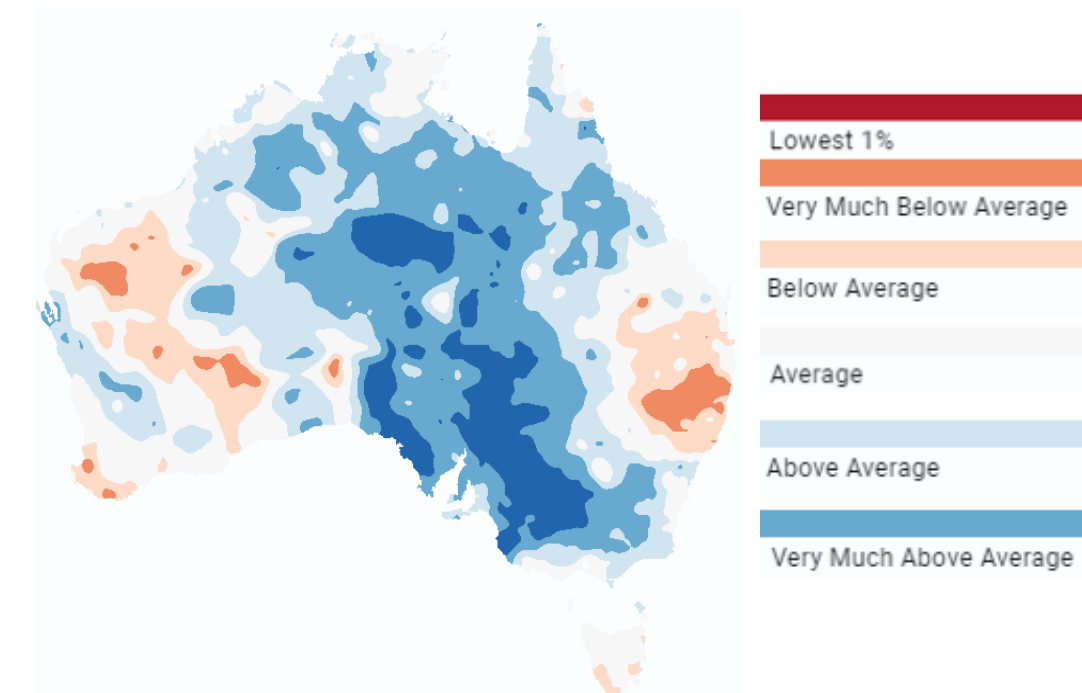
Rainfall lifts pastoral zones' confidence, while wheatbelt waits

February rainfall improved soil moisture across much of Australia, but for the wheatbelt more rainfall is necessary to reach satisfactory soil moisture levels ahead of seeding. Murray-Darling basin water storage sits at 48%, down from 60% 12 months ago, pushing temporary water allocation prices up.

From a livestock perspective, conditions have been more favourable. Northern and pastoral regions received widespread rainfall, supporting feed availability, although flooding across properties and roads warrants attention. Several **Top End weather stations recorded more than 400mm during February.**

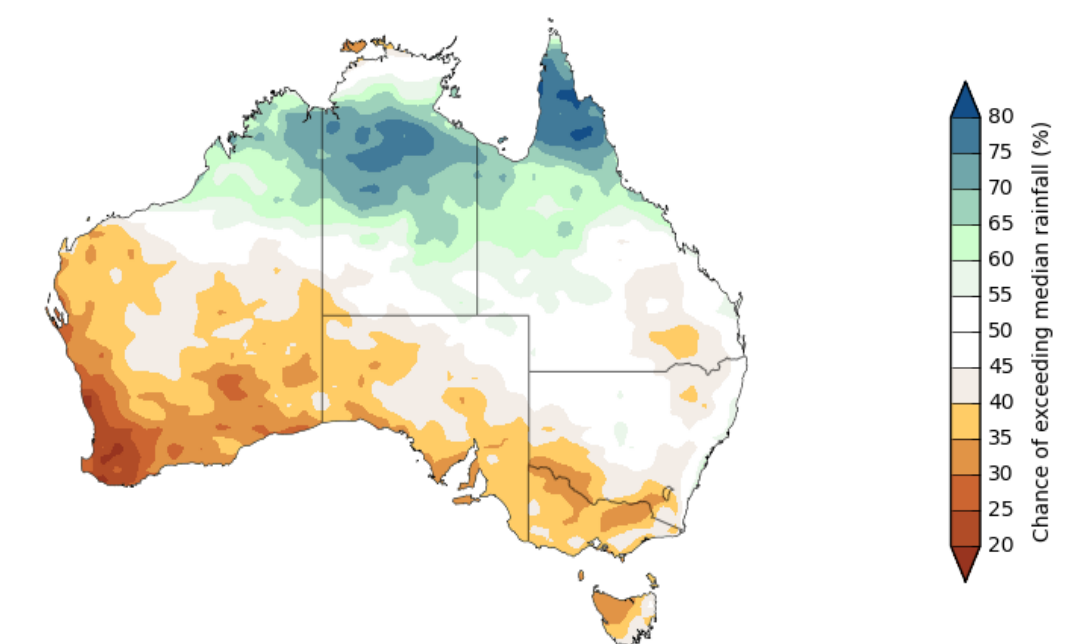
Looking ahead, there is an **increased chance of below-average rainfall from April onward across Victoria, and large swaths of South Australia and Western Australia**, while northern Australia is likely to receive above-average rainfall during March. **El Niño remains a possibility for the second half of 2026**, and maximum autumn temperatures are expected to be above average across much of southern Australia and parts of the far north.

Root zone soil moisture



*Note: As of 03 March 2026.
Source: BOM*

March to May chance of exceeding median rainfall



*Note: As of 26 February 2026.
Source: BOM*



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Wheat and barley

Wheat prices rise on weather risk and short covering

Global wheat prices firmed over the past 30 days across major futures markets, including CBOT, ASX, and MATIF, driven by a combination of macroeconomic and supply-side factors. Rising crude oil prices, linked to heightened geopolitical risk in the Middle East, spilled over into grain markets and, together with weather concerns, triggered short covering by managed money. Large parts of North American wheat-growing regions experienced a dry and unusually warm winter, while Europe and the Black Sea faced harsher conditions. Below-average temperatures and frozen soils have increased the risk of delayed early crop development. Cropping intentions for the 2026/27 season point to broadly stable wheat area year-on-year in both the US and Canada.

In such conditions, **CBOT wheat rallied strongly, rising 9.9% MOM to USD 217/tonne.** MATIF followed with a more modest increase of 1.7% to EUR 198/tonne, as did ASX, which was up 2.2% to AUD 322/tonne. **Currency movements limited the transmission of the CBOT rally into the Australian market, with the Australian dollar appreciating 2.2% MOM to 0.712 against the US dollar.** Australian wheat prices have held in the low AUD 300 to 325/tonne range at

What to watch:

- **North American weather outlook** – Most weather models suggest that wheat-growing regions in the US and Canada are likely to receive rainfall broadly in line with long-term averages between April and June, a critical period for yield formation in winter wheat and for sowing spring varieties. Temperatures over the same period are expected to be above average, by around 0.5°C to 2.0°C, which could cap yield potential as much of the southern US remains under drought conditions.
- **Middle East conflict** – Grains and energy prices are historically moderately to highly correlated. Higher crude oil and LNG prices tend to support wheat, but large recent harvests have capped near-term upside. If the conflict extends further into 1H, fertiliser constraints could tighten wheat supply and potentially boost wheat prices into 2026.

port, supported by strong export demand. October–December shipments totalled 5.1m tonnes, the second-highest volume on record for that period. With the peak export window running from December through March, export performance over coming months will be critical in underpinning local prices, with weaker shipments increasing reliance on later-season exports when Northern Hemisphere supplies dominate trade.

Strong export volumes have also supported Australian barley prices, with national port price averages rising month on month. October–December barley exports reached 2.3m tonnes, the second-largest volume on record for the period, with China and Middle Eastern markets remaining the key destinations.

Looking ahead, **the market is entering a key seasonal volatility window as Northern Hemisphere winter wheat approaches dormancy break.** Favourable weather could cap prices or reverse the recent upward trend, while a prolonged dry spell in North America would likely sustain upside risk. In contrast, as correlations with global feed-grain markets weaken, barley prices are increasingly driven by local supply-and-demand dynamics.



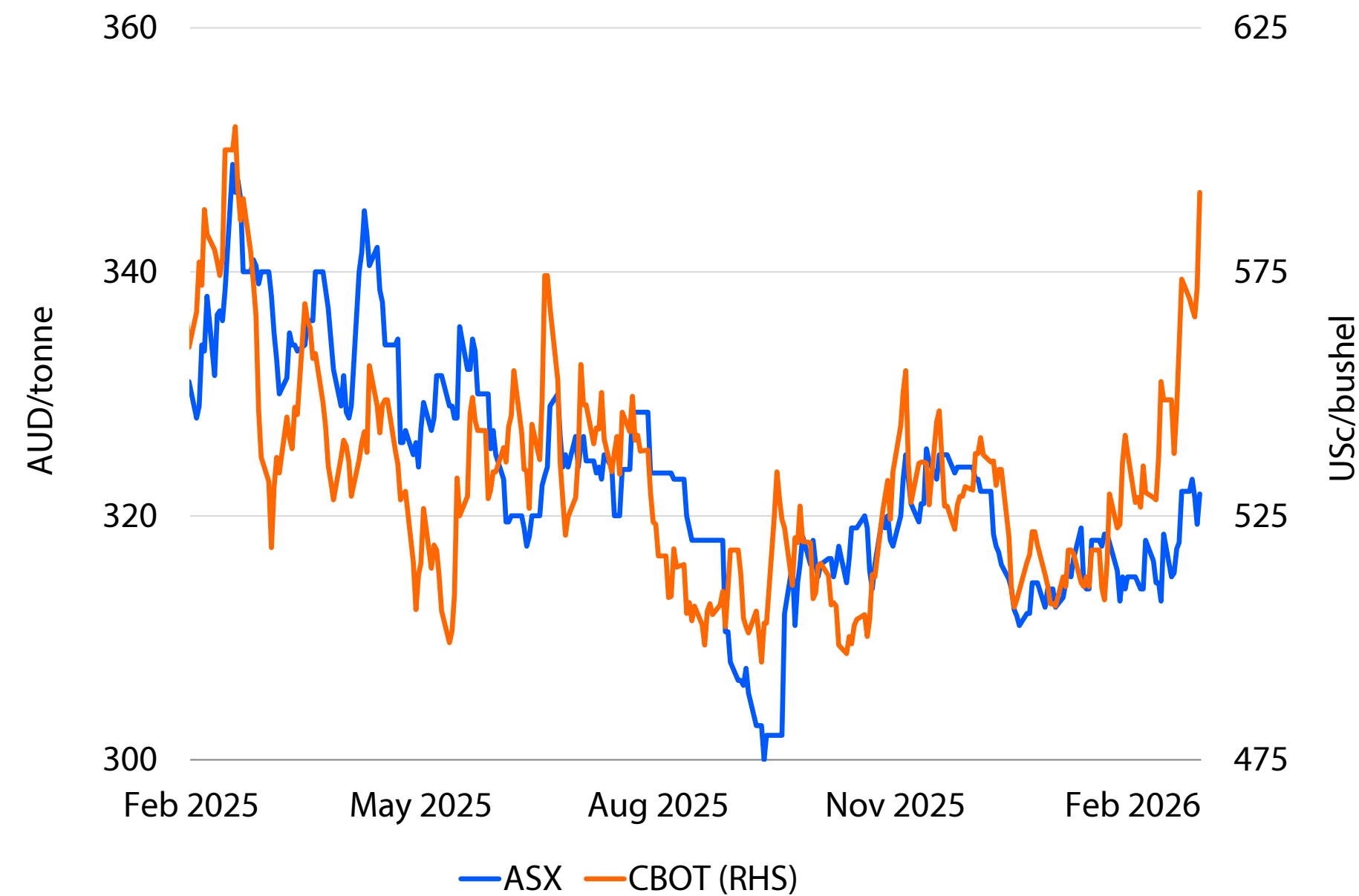
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Wheat and barley

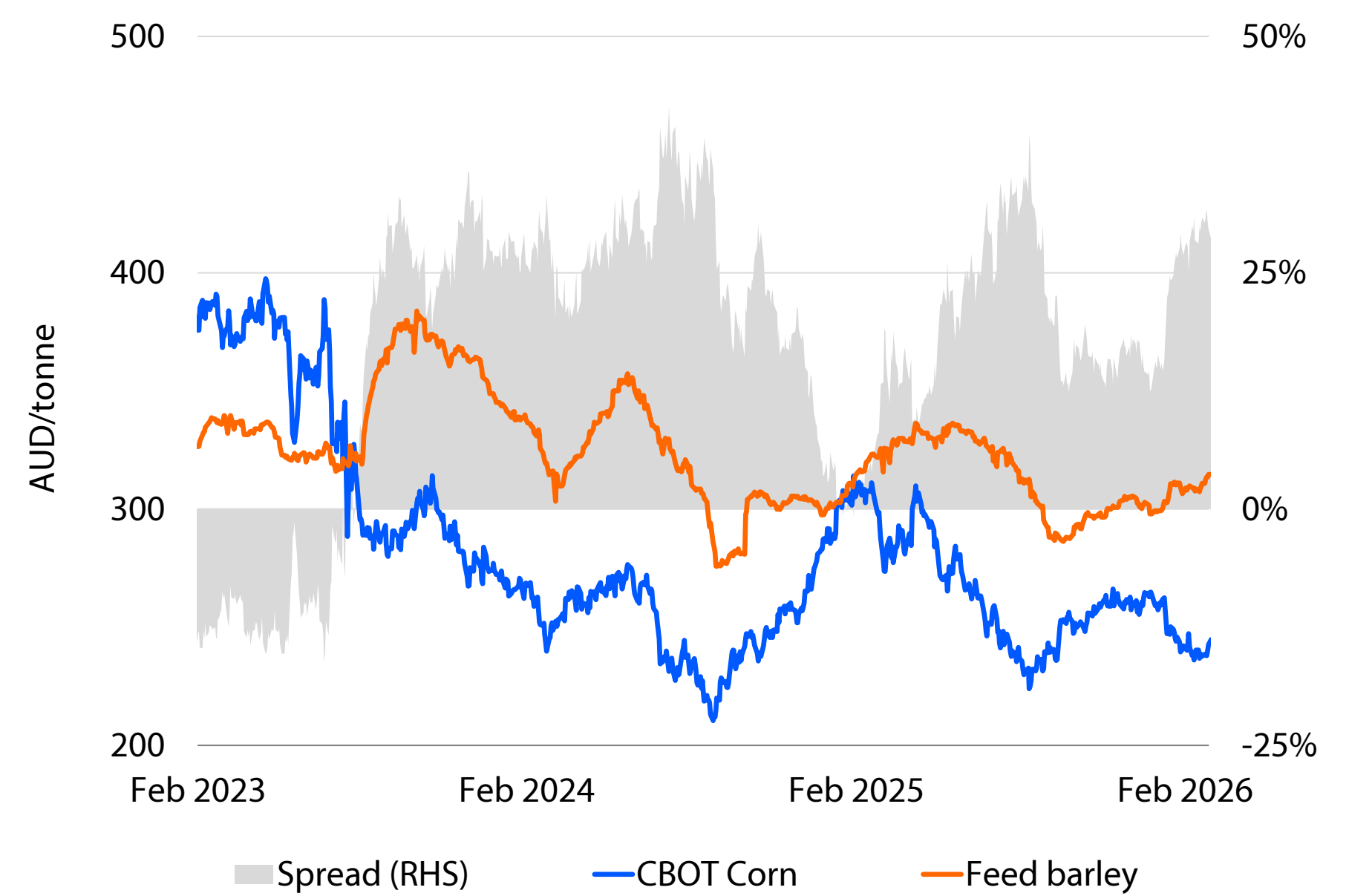
Wheat rallies offshore and currency fluctuation holds prices in Australian dollar terms

CBOT wheat front-month surges in February were not reflected on ASX, as the Australian dollar appreciated at the same time



Source: Bloomberg, RaboResearch 2026

Australia's feed barley prices' correlation to CBOT corn weakens as demand from the local feed market remains strong



Source: Bloomberg, RaboResearch 2026

Canola

Prices are supported, with 2026 weather a key swing factor

In the last 30 days, oilseeds markets have been supported by higher crude oil prices, the US announcement of 25m tonnes of soybean exports to China over the coming years, and weather concerns in the Northern Hemisphere. In response, front-month MATIF canola prices rose 0.4% MOM to EUR 487/tonne, while ICE canola increased 4.1% to CAD 675/tonne. In Australian dollar terms, only ICE recorded a month-on-month increase, as the Australian dollar strengthened by 2.5% against the euro and by 2.4% against the Canadian dollar. Australian port price fell month-on-month, with the Kwinana GM price dropping 3.2% to AUD 667/tonne, and Geelong non-GM declined 3.9% to AUD 684/tonne.

For canola, India and China are the final countries to harvest in the 2025/26 season, and both are expected to increase production year-on-year, following increases already seen in Canada, Australia and the EU. Globally, 2025/26 canola production is estimated at around 85.4m tonnes, up 12% YOY. This increase lifts stocks-to-use and reverses the four-year downward trend, tempering a larger price upside for 2026. Notwithstanding this, the global vegetable oil complex remains well supported, with three of the past four seasons recording demand growth that exceeded production, despite substantial

increases in crushing, providing price support and constraining stocks from rebuilding. Global soybean crushing rose 3.1% YOY to 369m tonnes in 2025, canola by 3.0% to 80m tonnes, and sunflower by 1.7% to 51m tonnes.

The strength of vegetable oil demand is illustrated by the regulation proposition set forward by the US Environmental Protection Agency. The agency has sent its long-delayed Renewable Fuel Standard (RFS) "Set 2" regulation proposition for 2026-2027 to the White House for final inter-agency review. If approved, the total renewable fuel mandate would increase from around 84.5bn litres in 2025 to about 91bn litres in 2026 and 92.6bn litres in 2027. **This uplift would strengthen soybean oil demand, supporting soybean oil prices and, by extension, the broader vegetable oil complex.**

The coming weeks are expected to bring greater clarity on Northern Hemisphere crop conditions. **Global vegetable oil demand in 2026 is likely to mirror 2025 growth,** as decarbonisation efforts and energy supply risks continue to support oilseed demand and underpin crushing margins.

What to watch:

- **Black Sea soil temperatures** – After a very cold winter, soil temperatures across the Black Sea region may not warm quickly enough to allow timely sunflower seeding in early spring. Delays could reduce yields or planted area, tightening sunflower stocks and supporting prices, with implications for EU crushing where sunflower competes directly with canola for demand.
- **Canadian canola trade outlook** – The Agriculture and Agri-Food Canada report projects Canadian canola area at 8.9m hectares, broadly in line with recent years, reflecting improved confidence following the tariff agreement with China. However, further trade complications cannot be ruled out, and they remain a key risk factor behind the widening GM versus non-GM price spread expected by early 2026.



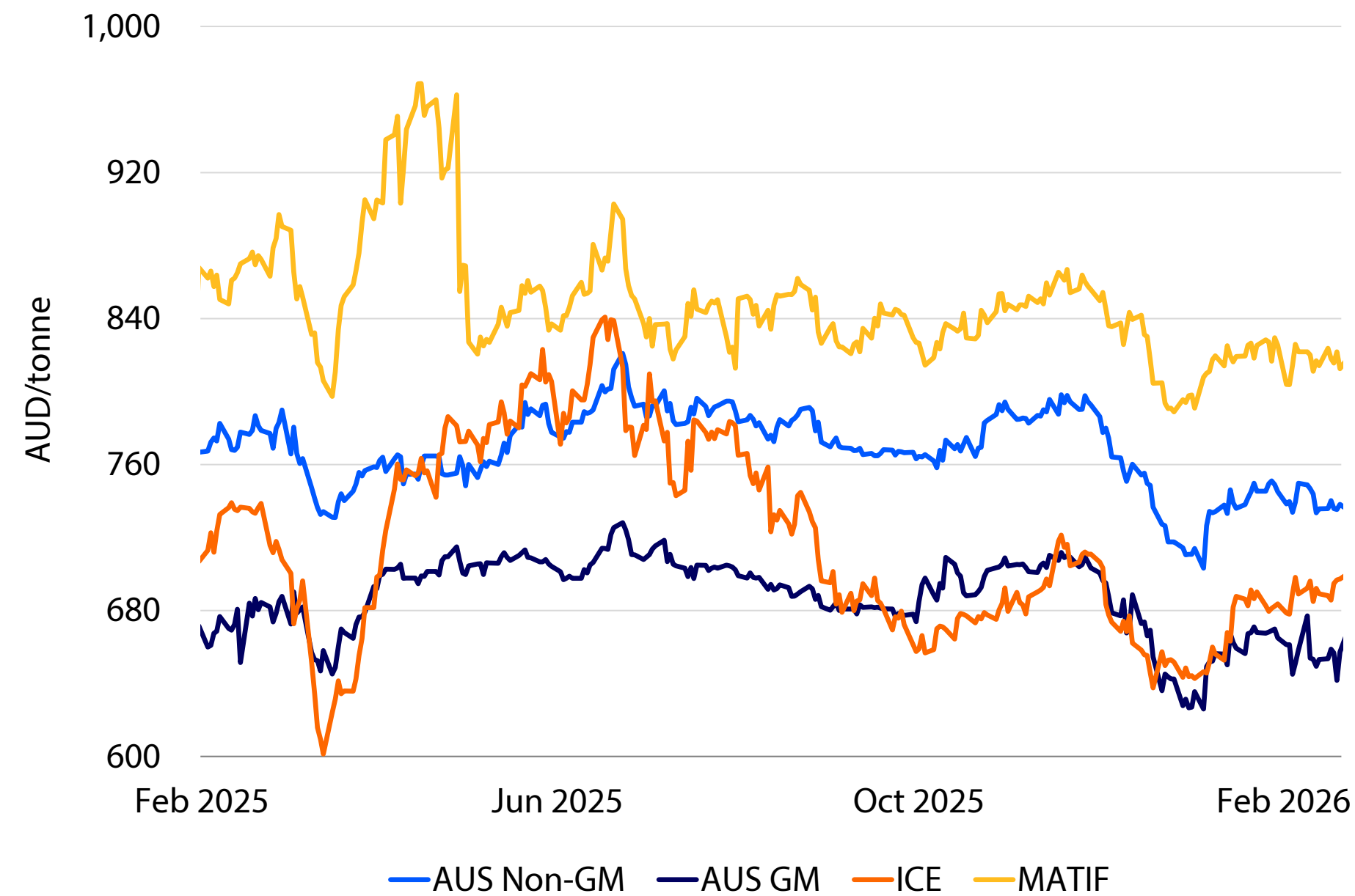
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Canola

ICE rallies on Canada-China deal, while MATIF lags as supply may increase this season

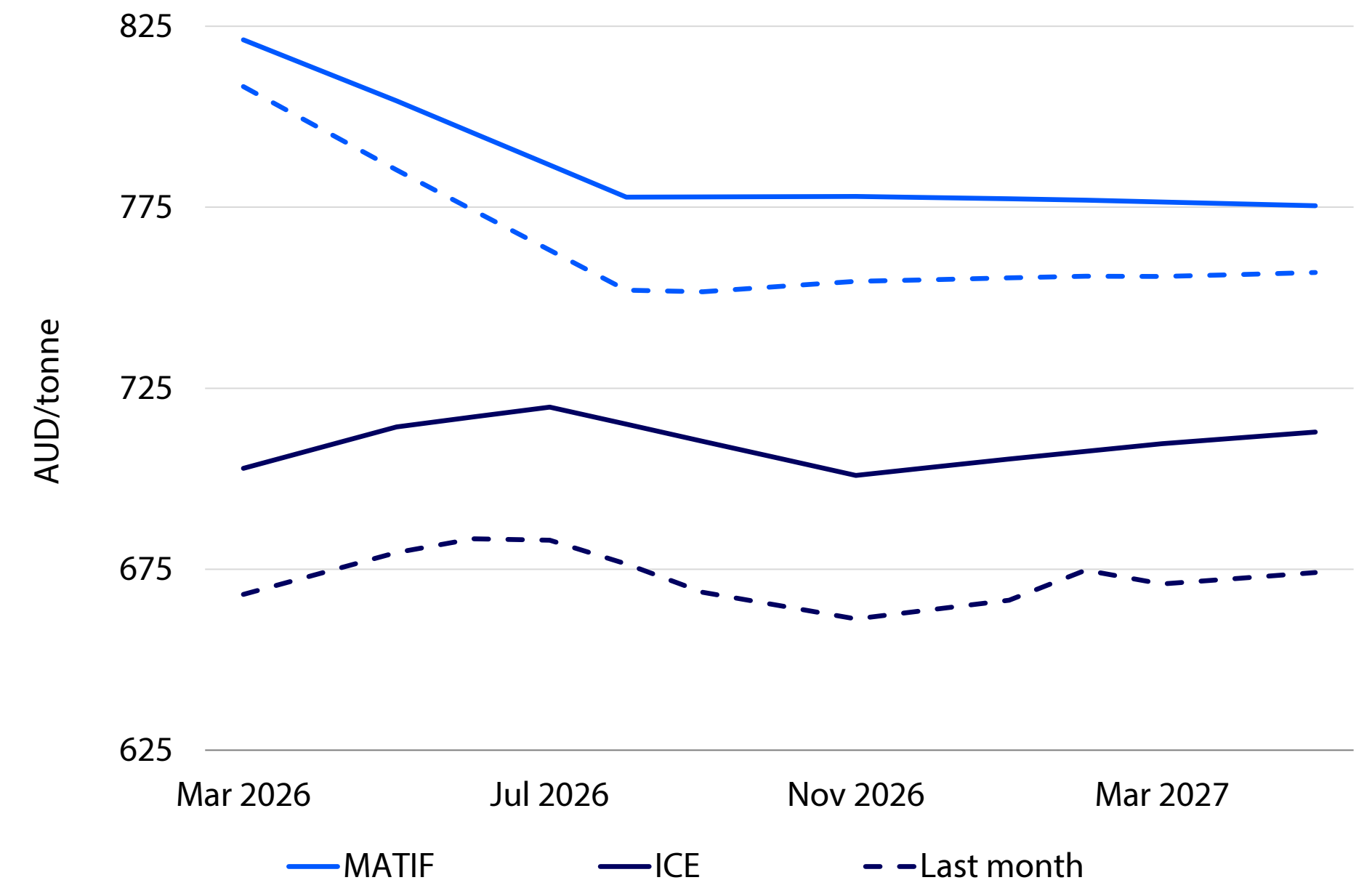
ICE prices rose in response to Canada-China tariff deal, while the currency rise created headwinds for Australian prices



Note: Australian prices refer to the port price average.

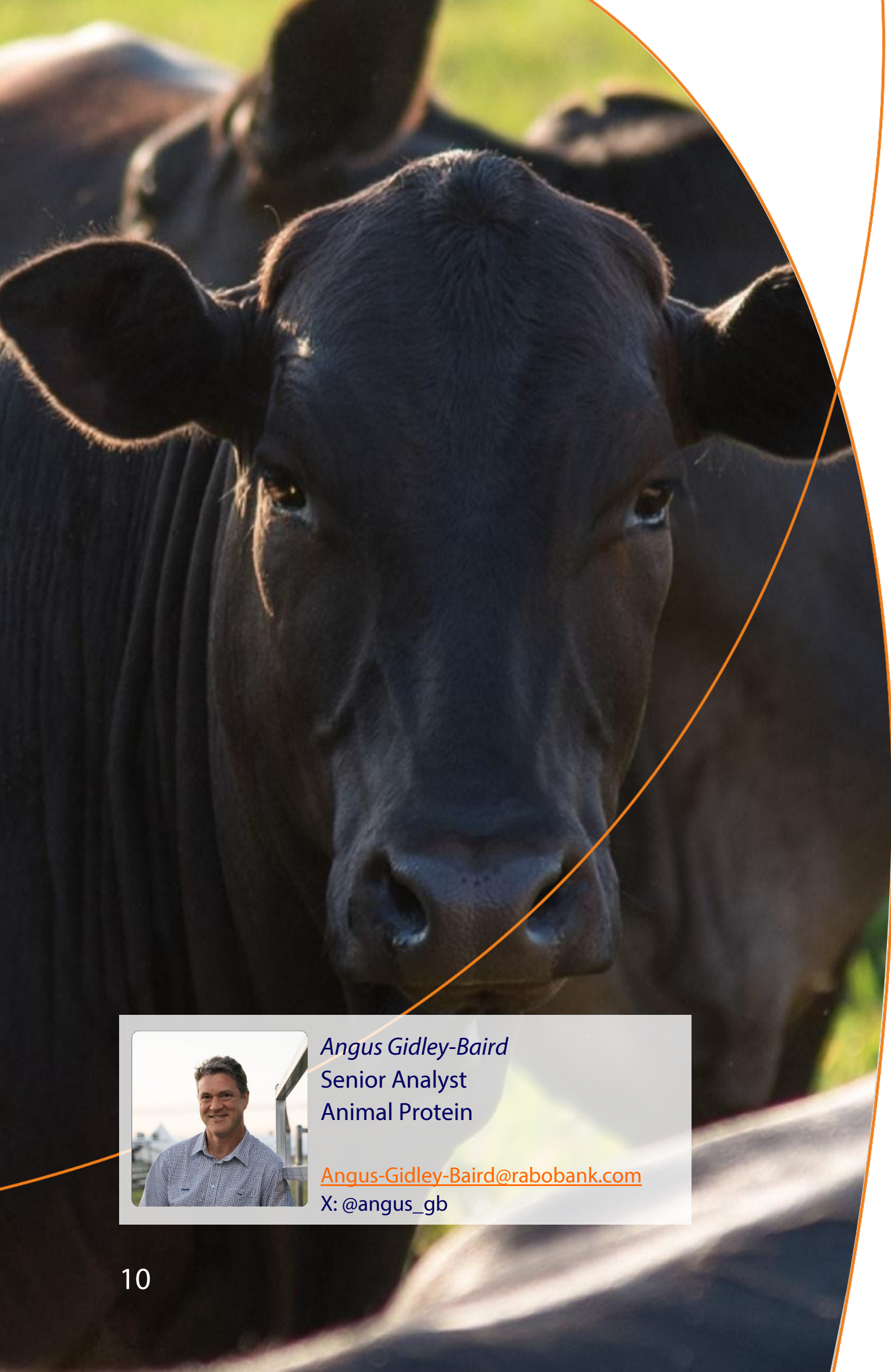
Source: Bloomberg, RaboResearch 2026

Futures diverge but signal rising global canola supply in 2026, with MATIF in backwardation and ICE in mild contango



Note: As of 27 February 2026, forward curves are adjusted for a strengthening Australian dollar.

Source: Bloomberg, RaboResearch 2026



Beef

Market continuing to hold steady

Australian cattle prices have remained relatively stable for the first two months of 2026. Restocker/store stock prices remain close to the five-year average – the National Young Cattle Indicator was AUD 4.55/kg on 28 February, about 29% higher than the same time last year and up 7% on the five-year average. The large spread (~100c/kg) between steers and heifers remains, reflecting the low producer appetite for replacement heifers. Finished cattle prices remain at historical highs with heavy steers and processor cows at some of the highest prices for this time of year in the last 10 years. **We believe cattle prices are likely to hold at these levels for the next month. Beyond March, the northern cattle properties will start their first-round musters; this additional stock entering the market may see prices soften slightly – particularly in Queensland.** US import prices remain strong, continuing to edge up slightly and currently 22% higher than the same period in 2025 despite large volumes of imports – particularly from Brazil – in the last month. However, a stronger Australian dollar has seen prices in Australian dollars ease slightly since January.

National slaughter and production data was released mid February for the Q4 2025. Total cattle slaughter was up 8% on Q4 2024, bringing the annual total to 9.2m head, a 12% increase on 2024 numbers. Male slaughter numbers were up 8% for the year and female numbers were up 12% for the year. The female proportion of

total slaughter was 53%. We believe this higher female proportion is due to increased productivity within the herd and a younger herd profile, with a lower need for replacements rather than any herd liquidation activities. Weekly cattle slaughter numbers are just over 150,000 per week, up 4% for the year to date. **Cattle slaughter is expected to continue at this rate for the next couple of months as cattle supply remains strong.**

February beef exports were up 11% on February 2025 volumes. Exports to China were up 26%, as we suspect exporters are looking to send volumes before the quota is reached. Exports to the US and South Korea were also up 14% and 4%, respectively. The 15% tariff the US announced on 20 February does not apply to beef, and Australian beef remains tariff-free into the US. The EU-Mercosur trade agreement, which was referred to the Court of Justice of the European Union last month, will be provisionally implemented following an announcement on 27 February. The deal generally allows for an additional beef import quota of 99,000 tonnes for the South American trade bloc. This may be beneficial for South American countries facing quota restrictions into China, but it will likely add to competition for Australian beef being sold to Europe. Australian exports to the EU, although relatively small, almost doubled in 2025 and, with a trade agreement currently being negotiated, we could see the market grow further.

What to watch:

- **China's beef import quotas** – It appears unlikely that there will be any industry-coordinated management of the new Chinese import quota this year. With production and export volumes expected to remain high in 2026, and China's quota limit for China likely to kick in around mid-year, we believe exporters will try and take advantage of the market while they can before having to find alternative outlets. This may see support for finished cattle prices for the next couple of months but could mean softer feeder cattle prices as 100-day grain-fed cattle purchased now would be marketed beyond that potential quota-threshold date.



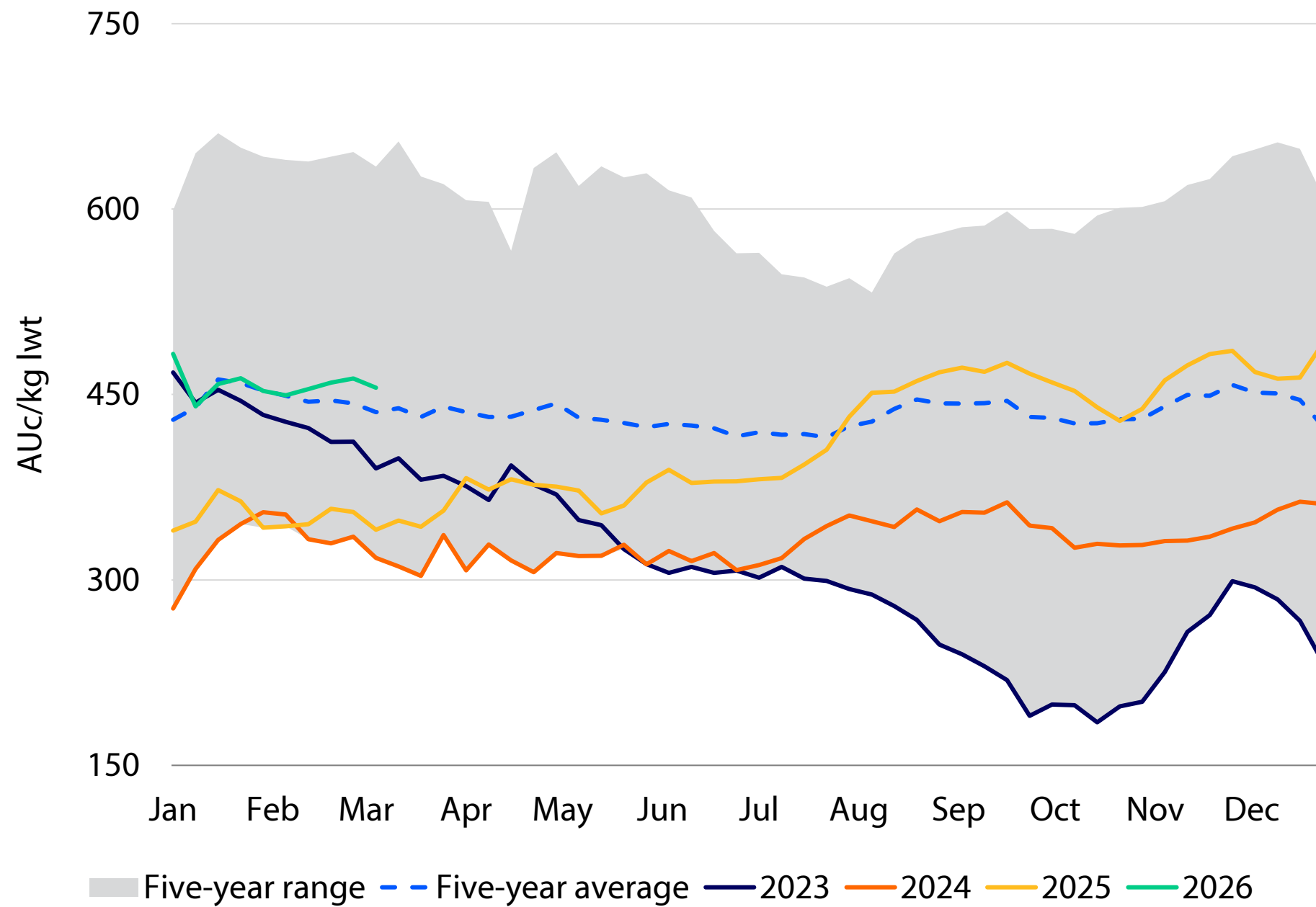
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Beef

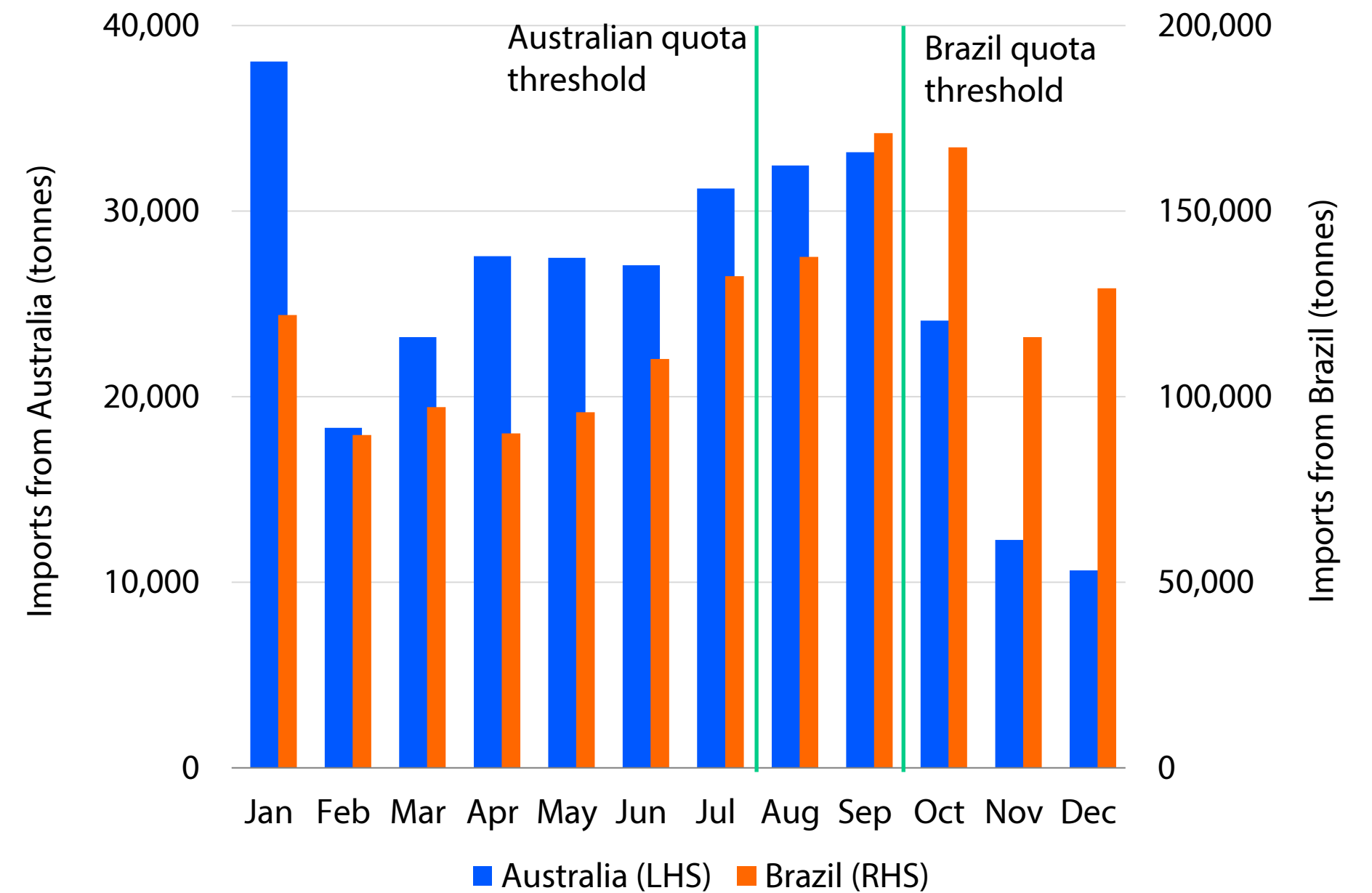
Australian cattle prices track sideways while China quotas may cause volatility in coming months

NYCI continues tracking sideways



Source: MLA, RaboResearch 2026

Will Chinese trade follow the same volume pattern as 2025 given new import quotas?



Source: China Customs, RaboResearch 2026

Sheepmeat

Strong prices persist but uncertainty remains with volumes

Australian sheep and lamb prices remain high. In what could be compared to the prisoner's dilemma from game theory, the uncertainty that exists around lamb and sheep numbers is driving the market to bid higher, in anticipation of what other operators are doing. But the higher prices are not resulting in any more lambs or sheep becoming available. Trade lamb prices remained relatively flat over February, finishing the month at AUD 11.16/kg. Mutton prices rose slightly, up about 5% to AUD 7.92/kg.

RaboResearch believes prices will remain around current levels for the next month or two.

There is speculation in the industry that as we progress toward winter, lamb volumes will drop and prices will be forced higher – similar to what happened in 2019 and 2025. In these years, prices jumped close to 45% between March and July as weekly slaughter numbers declined. But consider 2020, the year after the sharp price jump in 2019, much like what we saw in 2025. **In 2020 lamb prices dropped 17% between March and July.** Lamb volumes were low and fell further, and there was no incentive for buyers to push prices as there was little chance of getting more lambs to market.

National slaughter and production figures were released in mid-February showing that sheep slaughter was down 14% for the year

and lamb slaughter was down 7%. While it was the largest year-on-year contraction in lamb slaughter since 2010, the volume of lambs (24.5m) was still the third highest in history. Carcase weights rose slightly (3%) in Q4 reaching 23.77kg compared to Q4 2024, after weights had been falling from the highs of 25.09kg in 2022.

Weekly lamb slaughter volumes are hovering around 450,000 head, down 8% on the same period last year but up 9% on the five-year average. Sheep slaughter at 150,000 is down 33% on last year but just above the five-year average. This takes total sheep and lamb slaughter to just over 600,000 head per week, which is lower than the last two years but higher than 2023. Such numbers are possibly supporting processors' buying attitudes with plants still running relatively efficiently.

January lamb export volumes were down 4% YOY to 23,267 tonnes swt, reflecting the lower production volumes. Volumes to China were up 18%, while volumes to the Middle East and the US were down 31% and 2% respectively. **After the US Supreme Court ruled Trump's 10% tariffs to be illegal, he announced a new 15% tariff on imports, which includes sheepmeat.** At the same time a number of Republicans are calling for an additional 30% tariff to be imposed on imported Australian and New Zealand lamb.

What to watch:

- **Lambs on feed** – There is no data that would give any indication of the number of lambs on feed at present, but you don't have to speak to many lamb producers before you find plenty that are. With historically high lamb prices and very low grain costs, the numbers are definitely in favour of feeding. But how many are there, and when might they be coming to market? This is possibly one question that has processors guessing, and may help explain why lamb prices are holding at high levels amid expectations that substantial numbers of lambs on feed will come to the market in the coming months.



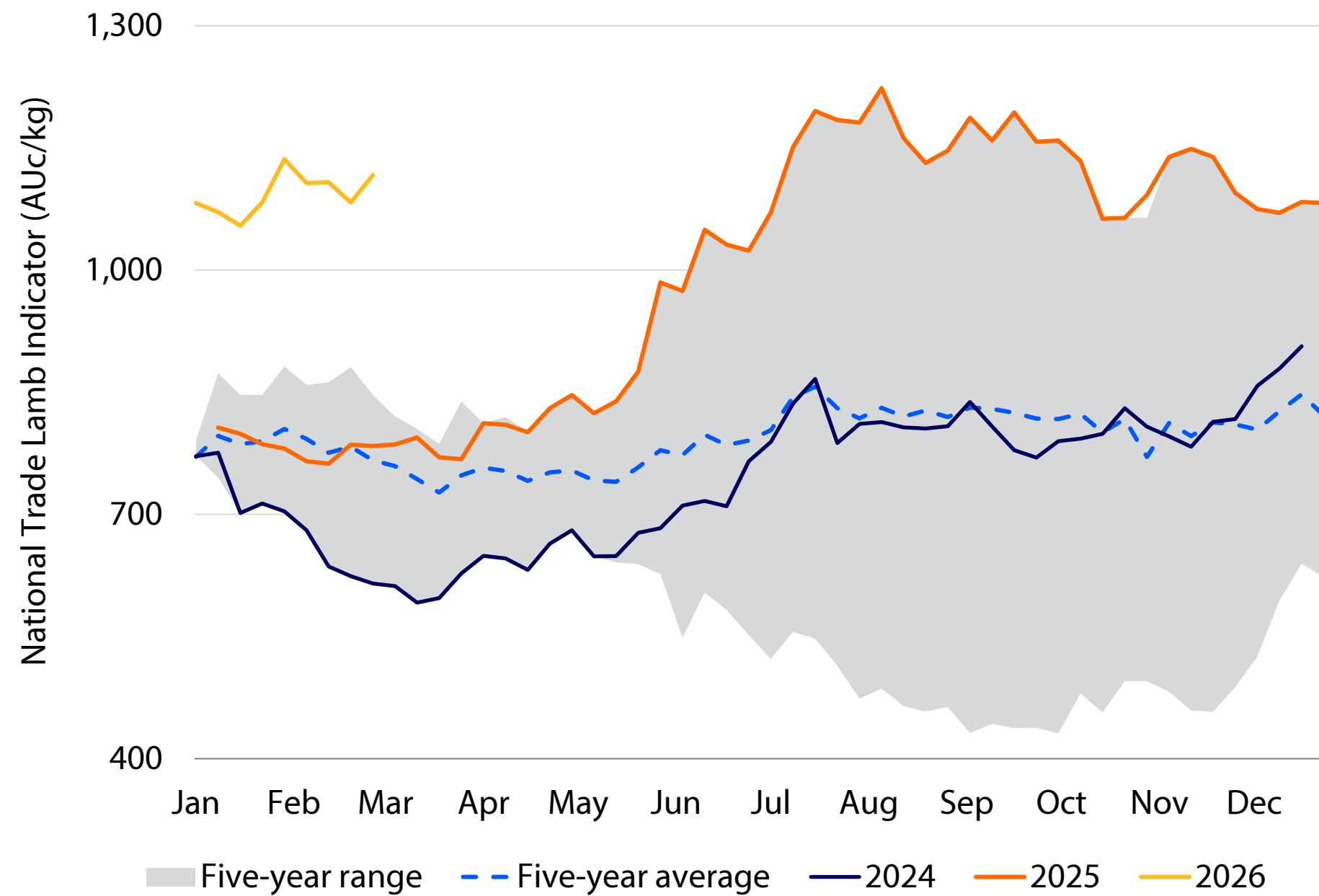
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Sheepmeat

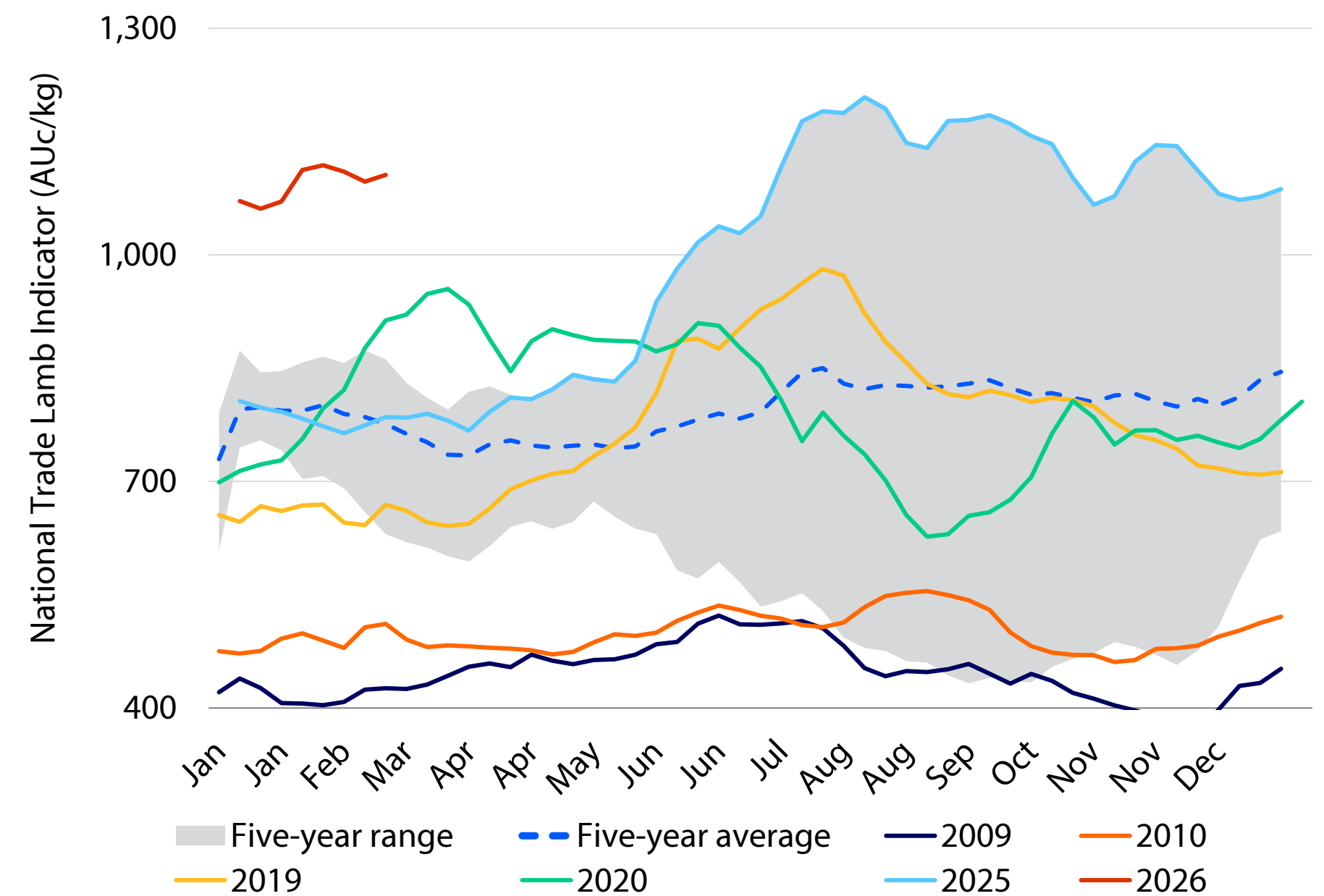
Lamb prices remain strong but is this the top of the market?

National Trade Lamb Indicator (NTLI) remains elevated



Source: MLA, RaboResearch 2026

Does history repeat? After a year of dramatic price rise, are prices more stable in 1H of the following year?



Source: ABS, RaboResearch 2026

Wool

Export data continues to disappoint but prices hold firm

Australian wool markets followed a relatively steady course over the past month, with only limited shifts across most micron categories. The Eastern Market Indicator closed the month at AUc 1,709kg, marking a +2% change from the previous month.

Although price signals were mostly stable, buyer behaviour stayed highly selective, with most movement concentrated at the finer end, where 17-micron wool gained 3.2% and 18-micron wool increased 3.7%. Notably, the major outlier was 25-micron wool, which jumped an impressive 16% MOM. This rise pushed prices above the AUc 1,000 threshold for the first time since 2020.

Export volumes for November were reported at 30m kg greasy, a 25% YOY decline, with shipments to China down 30.1% YOY. Demand beyond China remained uneven, although improvements were seen in India (+53% YOY), Czechia (+56% YOY) and Italy (+26%). These markets form the largest buyers outside China, yet their gains were insufficient to offset the substantial fall in

What to watch:

- **Demand outside China – The latest ABS data showed solid export growth to India, Czechia and Italy.** With limited visibility on stock levels in these markets, inventory positions remain something of an unknown. However, the recent export figures offer a positive signal for these regions. If this trend persists in the coming months, it may help offset softer demand from China.

Chinese imports. The outlook for the Chinese economy will be crucial for wool demand in 2026. The recent US Supreme Court ruling deeming US emergency tariffs unlawful may provide some support.

For China, the weighted average tariff on Chinese goods was 36.8%, but after the ruling it fell to about 26.5%. This may present an opportunity for Chinese textile and apparel exporters – key buyers of Australian wool – and could aid short-term economic prospects.

On the supply front, data continues to highlight declining Australian wool production, with wool tested down 21% last month year-on-year. However, in RaboResearch's assessment, for the current rally to remain intact, the market must see clear indications that demand is improving. The latest ABS export figures are not showing this. Overall market participants will continue monitoring both demand conditions and supply developments closely in the months ahead to gauge the sustainability of recent trends carefully and consistently.



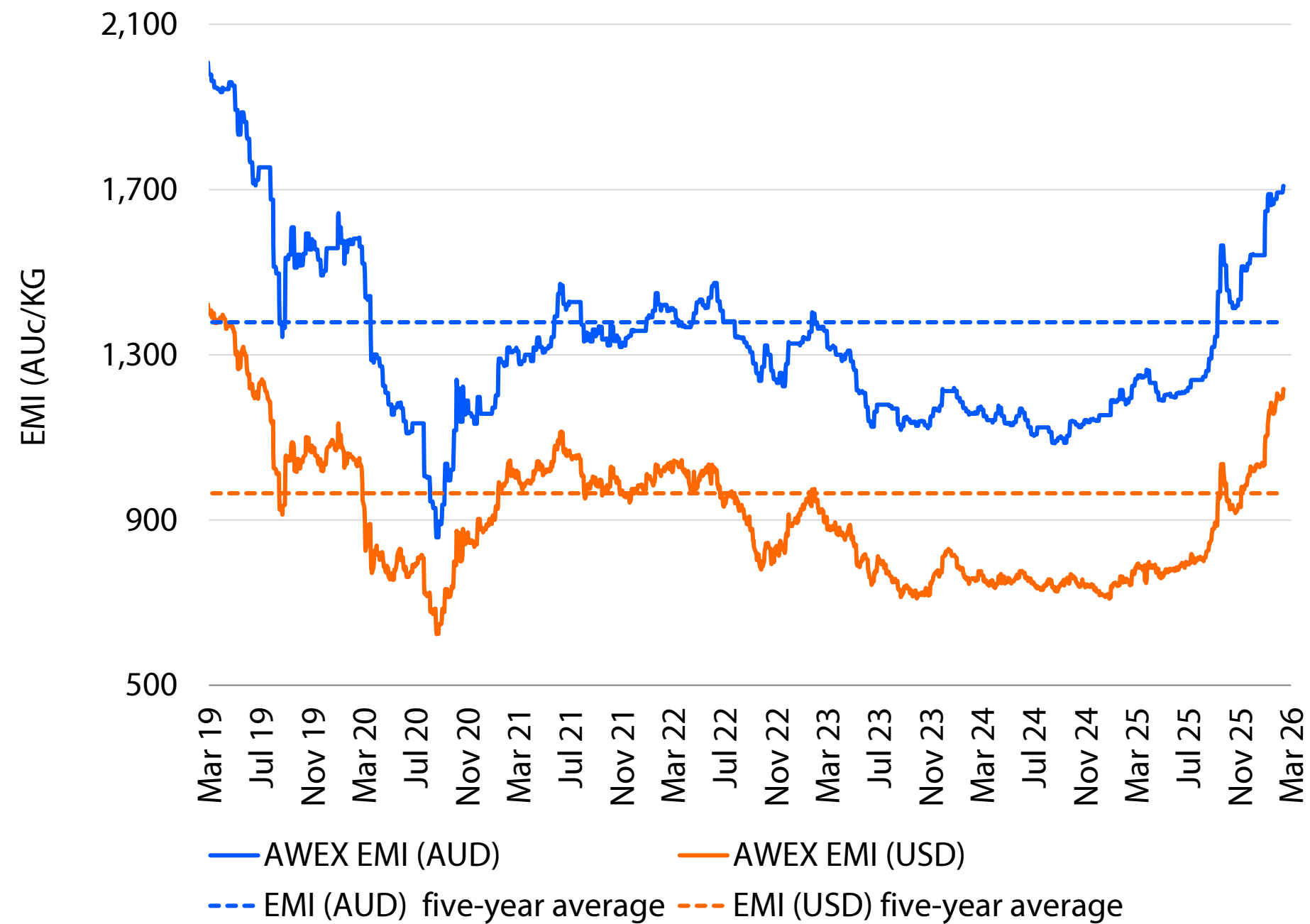
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Wool

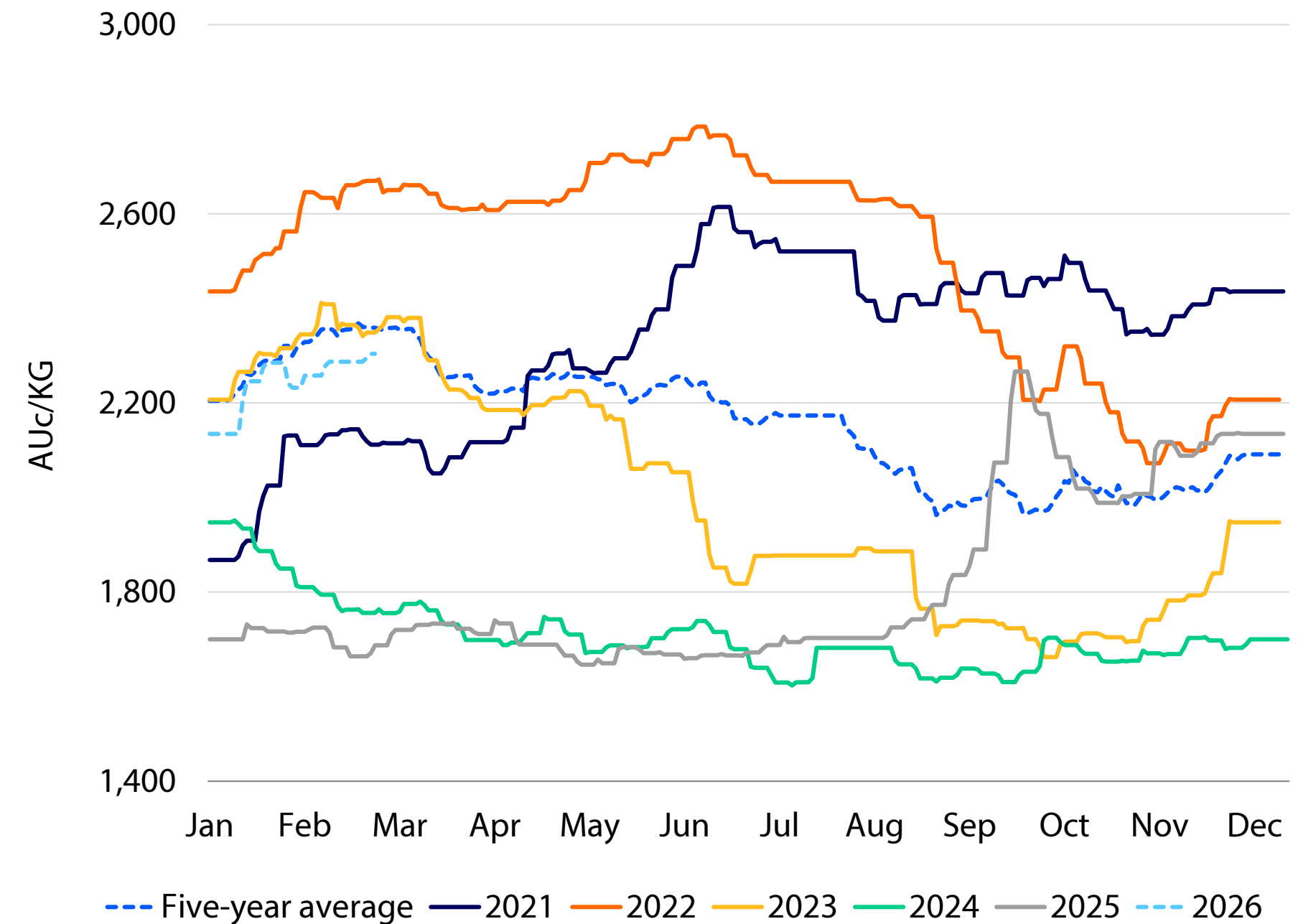
It was a relatively muted month for wool price action, despite exports underperforming

EMI prices rose 2% month-on-month



Source: Bloomberg, RaboResearch 2026

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



Source: Bloomberg, RaboResearch 2026

Cotton

Australian cash prices weaken amid Australian dollar strength

ICE #2 cotton futures softened in early February but rebounded later in the month, ultimately finishing 0.8% MOM higher.

The late-month rally in US futures was likely driven by two key factors. First, US weekly export data surprised to the upside for the week ending 12 February, hitting a marketing-year high. Because other exporting nations typically report with significant delays, US shipment data is often viewed as a reliable proxy for real-time global demand.

Second, the USDA's Agricultural Outlook Forum projected a 3% YOY decline in 2026/27 global cotton production, partly due to reduced acreage in Brazil. The department was also relatively optimistic about consumption, forecasting demand to exceed production by roughly 4m bales. This would imply lower global ending stocks next season, a scenario that generally supports stronger prices. However, RaboResearch notes the rising risk of downward revisions to consumption forecasts due to

escalating trade frictions, including the recent announcement of a 15% US global tariff. These developments introduce fresh uncertainty into supply chains and pose potential headwinds for mill use going forward.

Australian cash prices remain under pressure, continuing to trade below AUD 525/tonne. A stronger Australian dollar has been a significant drag, with the AUD/USD cross appreciating 3% MOM.

Speculative positioning has also been a major talking point. While funds engaged in significant short covering in early January, momentum has since reversed, with managed money once again extending short positions toward record territory. RaboResearch maintains that a short-covering rally could emerge later in the year – provided demand holds up – given that the global oversupply narrative appears largely priced in and producers are beginning to scale back. Ultimately, demand remains the key market swing factor.

What to watch:

- **US export data** – At this point in the season, the market is sensitive to US trade data, so any signs of continued strong demand could help support cash prices.
- **Tariff developments** – The constant shifts in tariffs are creating uncertainty for mills, contributing to the recent trend of hand-to-mouth buying. The market will be looking for clearer, more stable trade terms going forward to help underpin demand.



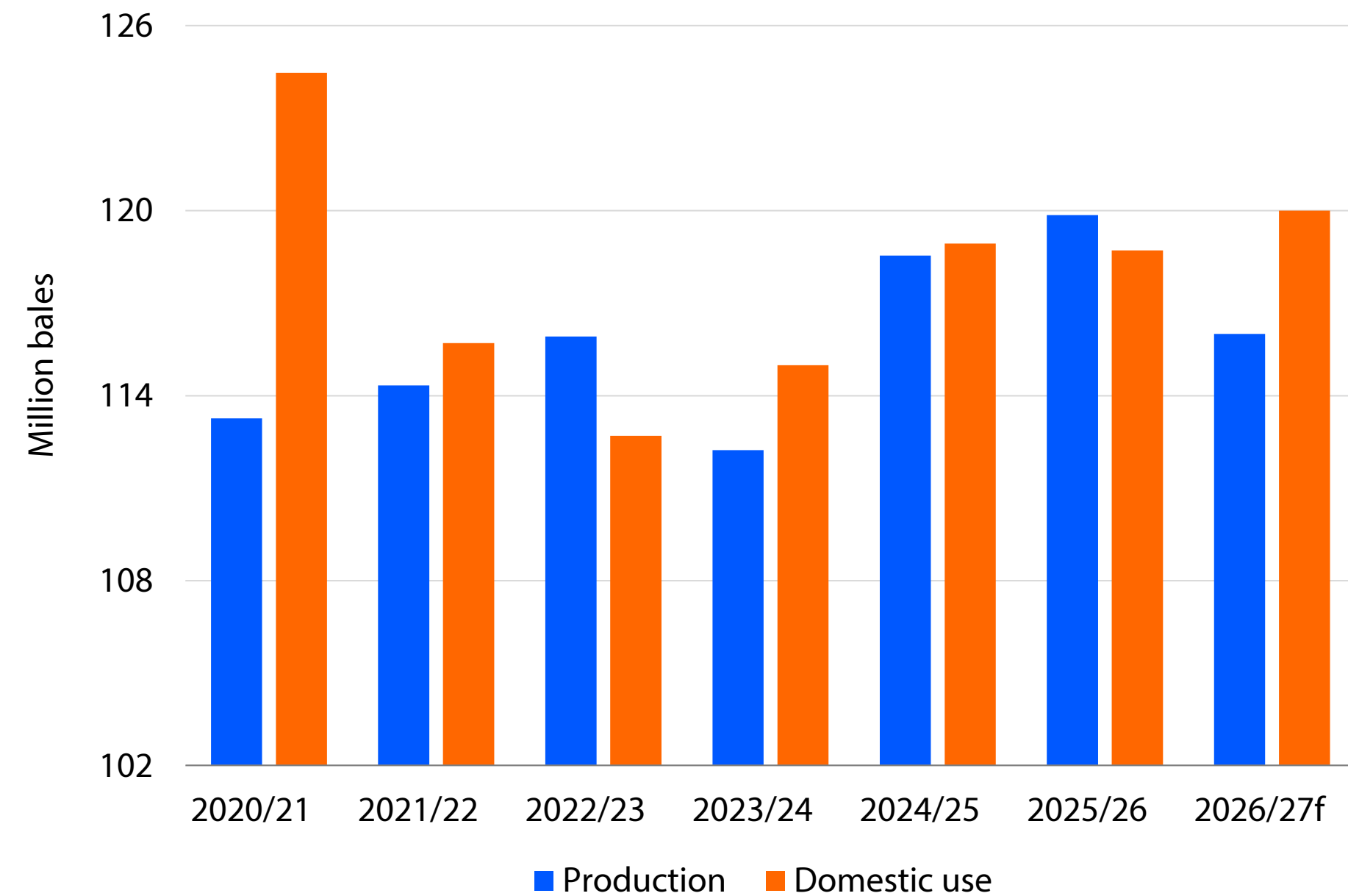
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Cotton

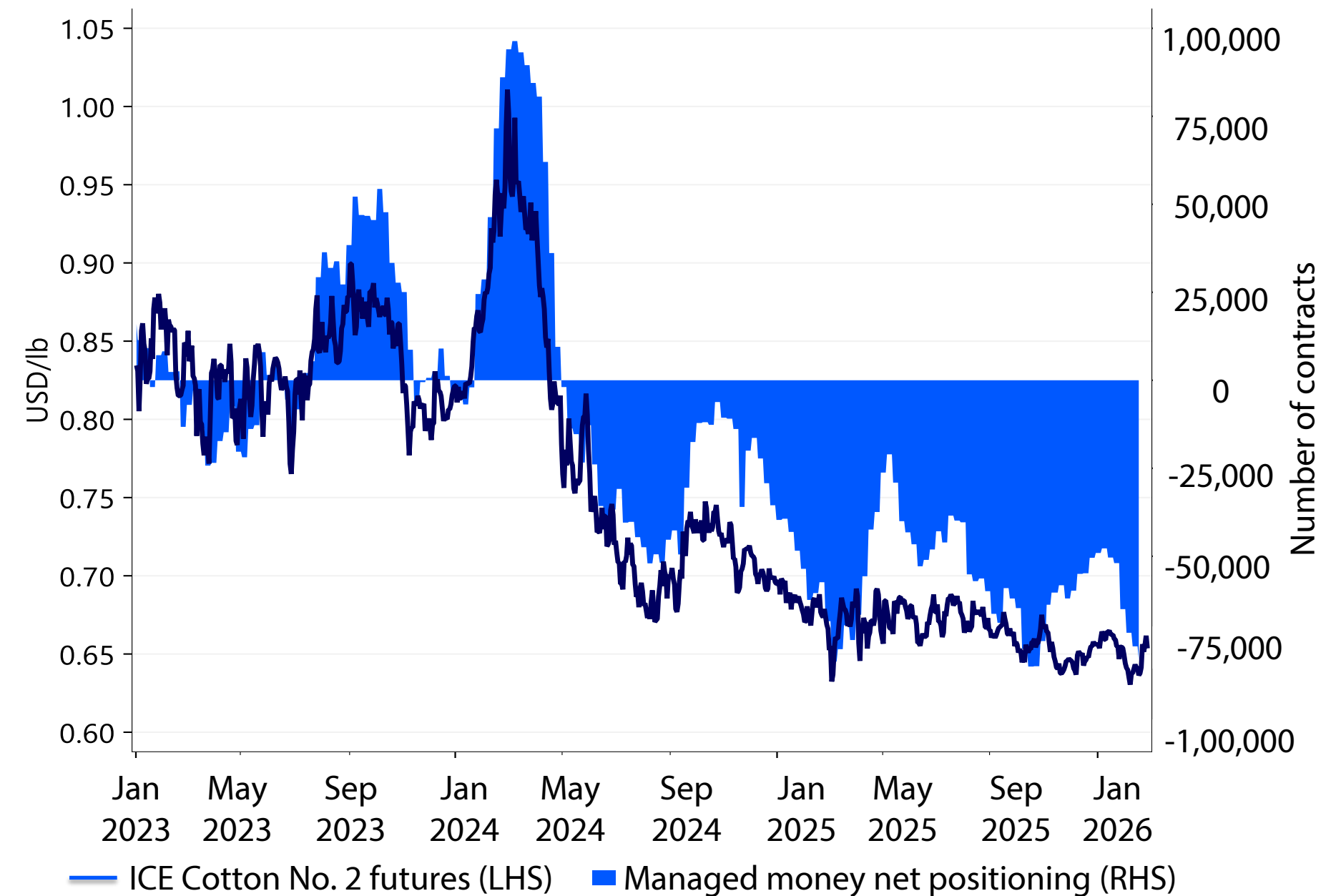
ICE #2 cash prices bounced back in the second half of February to finish 0.8% higher month-on-month

The USDA's Agricultural Outlook Forum forecasts global supply contracting, and demand rising in 2026/27



Source: USDA, RaboResearch 2026

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



Source: CFTC, Bloomberg, RaboResearch 2026

Farm inputs

The US and Israel-Iran war pushes urea prices back into focus

It was an active month for fertiliser markets. Urea prices rose 8% MOM in Australian dollar terms, while phosphate prices increased a more modest 3%. Potash was the exception, declining 2% MOM. These price movements do not yet capture the onset of the US and Israel-Iran war, and we expect more pronounced upward pressure soon – particularly for urea, with some further upside likely for phosphates.

Global fertiliser market attention is now firmly on the Middle East following the joint US-Israel strike on Iran, to which Iran has responded with attacks on Israel, several other countries in the region and US assets.

Beyond the direct threat to Iranian urea exports (which represent 10% of global urea trade), broader disruption to energy markets could significantly increase urea production costs, given natural gas is the key feedstock. Iran's retaliatory actions across multiple Middle Eastern countries are especially concerning from a urea-market perspective, as the wider region represents around 45% of global urea exports.

Iran has targeted several tankers within the Strait of Hormuz – a major energy choke point. Continued disruptions within the critical shipping route could exacerbate price increases.

Historical precedents suggest the risk of sharp urea-price moves is significant. During the early stages of the Russia-Ukraine war, urea prices in Australian dollar terms surged 67% from February to March 2022, driven by war-related uncertainty and disruptions to both urea exports and natural gas supply – the key feedstock for urea production. At that time, Russia accounted for around 12% of global urea trade. In the current situation, an even larger share of global urea export capacity is at risk. This implies price reactions could be sharp, especially if disruptions persist.

At the same time, Chinese urea exports are slowing and are unlikely to return meaningfully until Q2, due to strong domestic demand during Q1 2026. The outbreak of war raises longer-term questions about whether other major exporters may introduce protectionist measures to safeguard domestic supply amid heightened geopolitical uncertainty.

What to watch:

- **Middle East disruption risk** – From a urea-export perspective, the market will be attempting to gauge the impact on urea production within the region, alongside the overall impact on exports.
- **Indian urea demand** – While Iran remains the primary focus, the market is also closely watching Indian urea demand following its tender earlier this month. If the key buyer returns to the market in search of substantial volumes in the coming months, it could tighten supply-and-demand dynamics even further.



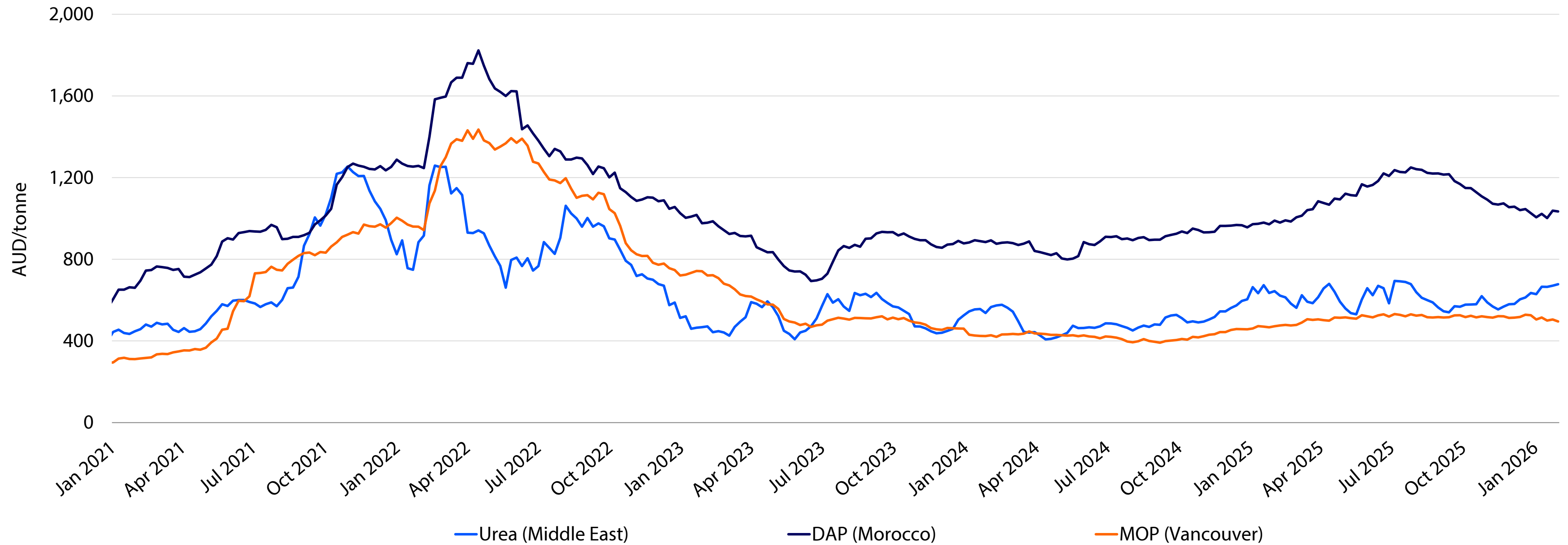
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Farm inputs

Fertiliser prices tick higher month-on-month

Urea prices spike amid Iran risk, with potential for further increases if the situation intensifies



Source: CRU, RaboResearch 2026

Dairy

Dairy prices bounce amid Middle East conflict monitoring

There has been a broad-based bounce in Oceania commodity values to start 2026, which is good news for dairy exporters.

Since the start of 2026 commodity values have jumped for whole milk powder (WMP) and skim milk powder (SMP) by 11% and 18%, respectively. Butter prices are also up 20% over the same period. Cheese markets are marginally higher, but strong whey prices are supporting this stream of return.

The global fundamentals still point to a well-supplied global market.

At the end of 2025, milk production across the Big 7 dairy export regions was 4.4% YOY higher, providing sufficient supply growth. A slowdown is tipped for 2026 as farmer margins come under pressure from lower milk prices, but the contraction is not expected to materialise until Q3 2026.

Australian milk production is showing some signs of improvement.

As of January 2026, Australian milk production is down 1.2%, at 5.3bn litres season-to-date. Falls in milk production have been led by western Victoria and South Australia, although the monthly declines have slowed. There has been a turnaround in production in New South Wales and Tasmania.

There have been mixed results across the Australian dairy export sector.

At the end of December, Australia's export sector had seen volumes decline by 0.7% since July, with large year-on-year falls in

butter and whey exports. Overall export values were 5.6% higher, reflecting improved cheese and liquid-milk export returns.

Irrigation water prices have risen, and culling activity remains elevated.

The outlook for 2026/27 seasonal water determinations is likely to be low unless winter and spring inflows improve. Current storage levels are the lowest since 2020 due to several years of below-average inflows. Average temporary water trades on the Murray irrigation system have jumped over the past 12 months.

In response to dry conditions and elevated market returns, culling activity remains high in Australia. Year-to-date cull rates are up 15% in the 2025/26 season, while prices are close to 40% higher than at the same time last year.

Local retail dairy prices are rising again modestly.

Retail dairy inflation was running at 2.9% in December on a year-on-year basis. Inflation in cheese aisles was more muted at 0.5%, with inflation on liquid milk shelves at 3.9% and ice cream at 4.2%.

Australian drinking milk volumes are falling.

The drinking milk market has been contracting on a volume basis so far in 2025/26. Between July and October, volumes fell 0.5%, meaning the monthly volume is around 200m litres, but flavoured milk is outperforming in the category.

What to watch:

- **Whey prices remain strong** – Strong demand for high dairy protein products is a key driver of record-high WPC prices. This is providing broader support for the dairy-protein complex. Prices are expected to remain elevated as supply shortages persist, but the market is monitoring potential demand pushback and supply response as new capacity comes online.
- **Middle East imports of milk powder** – The Middle East has been a growth outlet for New Zealand milk powder exports in recent years in the face of more absent Chinese buying. Between 2021-2025, New Zealand milk-powder volumes jumped 28%, led by trade to the UAE and Saudi Arabia. Any disruption to trade presents downside risk to commodity prices.



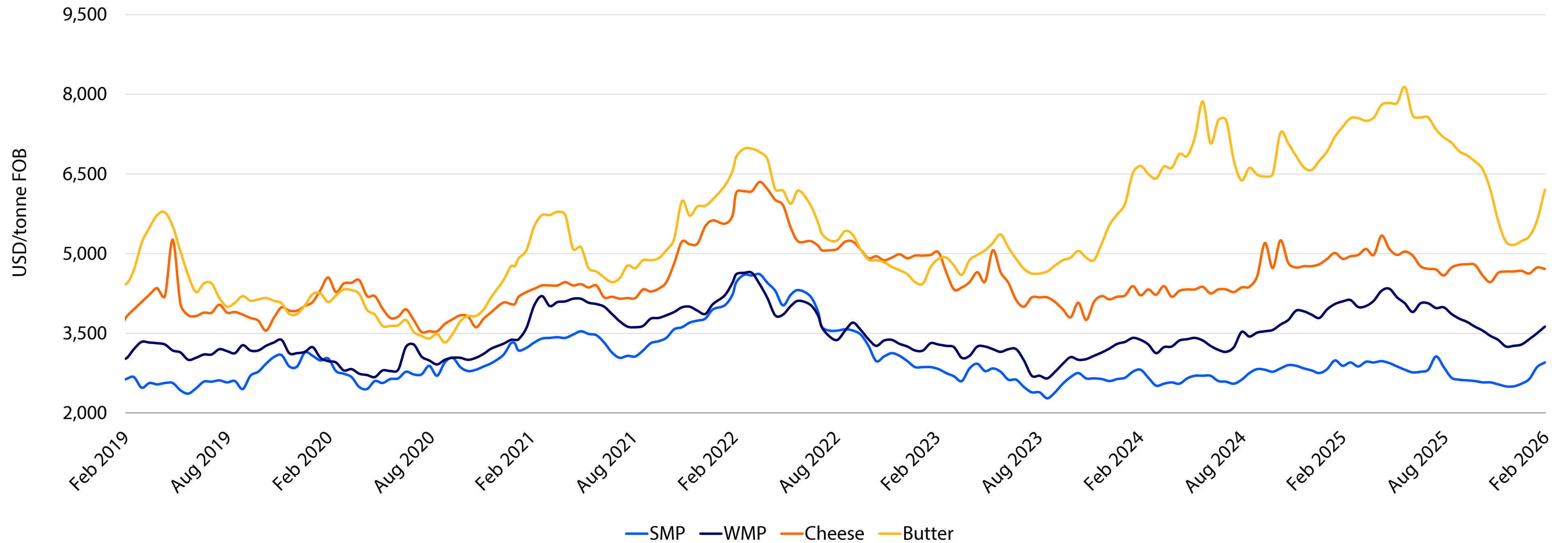
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Dairy

A broad-base bounce in commodity values good news for dairy exporters

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



Source: USDA, RaboResearch 2026



Consumer foods

Wages are not keeping pace with the cost of living

Food inflation remains a key driver of Australia's sticky inflation. The latest CPI data shows food and non-alcoholic beverages rising 3.1% annually to January 2026, easing slightly from 3.4% in December 2025, indicating a gradual moderation in price pressures. Within the food sector, meals out and takeaway foods continue to post above-average increases, reflecting higher wage and ingredient costs. In supermarkets, meat, dairy and coffee are among the main categories still contributing to overall food inflation.

Wages are not keeping pace with the cost of living. The seasonally adjusted Wage Price Index rose 0.8% in Q4 2025, bringing annual wage growth to 3.4%. Both the private and public sectors recorded quarterly increases of 0.8%, although the public sector continued to outpace the private sector on an annual basis, with wages rising 4.0% compared with 3.4%.

Consumer confidence remains historically weak. ANZ-Roy Morgan Consumer Confidence rose 3.1 points to 80.2, supported by improved expectations for the Australian economy over both the year ahead and the next five years. However, confidence remains 9.6 points lower than a year ago, and many Australians continue to report that their families are financially worse off than at the same time last year.

What to watch:

- **Whey costs** – Record-high whey prices are causing challenges for manufactures of high-dairy-protein products that need to procure whey ingredients. Strong demand and limited supply are driving prices to record levels. The outlook is for whey prices to remain elevated in 2026, increasing pressure on food and beverage manufacturers with whey exposure to pass higher costs on to consumers – a move that could soften demand and weigh on volumes.

Woolworths recorded resurgence as pricing remains a central battleground. In Q4, Woolworths reported comparable sales growth in supermarkets of 4.4% YOY. This compares to Coles, which reported 2.4% comparable sales growth for the same period. This momentum has continued into early 2026 based on the latest results.

Woolworths' first-half results showed continued deflation, with average prices (excluding tobacco) falling 0.5% in Q4 2025 – its eighth consecutive quarter of year-on-year price declines. The company also highlighted that Australian shoppers remain highly value-driven and are increasingly splitting their spending across multiple retailers.

At Coles, supermarket price inflation rose to 1.9% in the same quarter (up from 1.6% in Q1 2026), while inflation excluding tobacco increased to 1.7%, driven mainly by higher dairy and red meat prices and easing deflation in non-food categories.

Competition is heating up in foodservice. Domino's Pizza Enterprises is facing softer trading conditions in Australia. The company's half-year results showed same-store sales in Australia and New Zealand falling 4.7% YOY in the first six months of FY 2026, reflecting the impact of its pricing reset and a pullback in discounting.



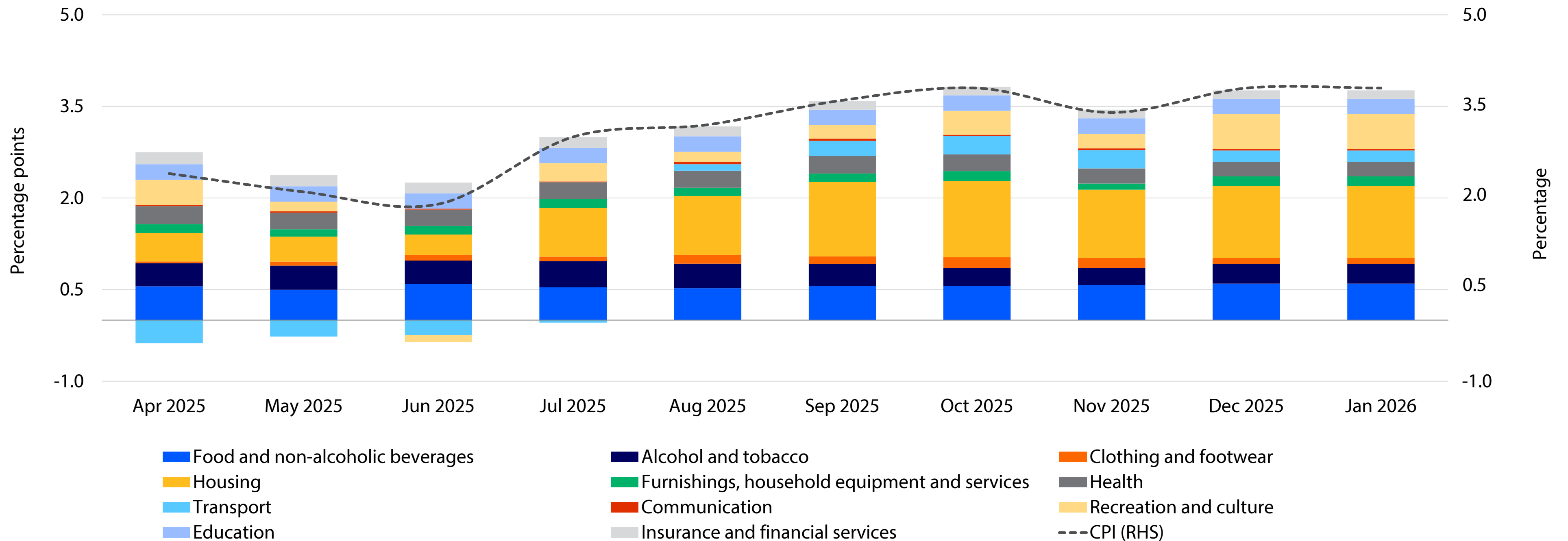
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Consumer foods

Food is the second-largest contributor to inflation

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



Source: ABS, RaboResearch 2026

Interest rate and FX

Cycling higher

The Reserve Bank of Australia (RBA) raised the overnight cash rate target by 0.25 percentage points to 3.85% in February. This follows a short cutting cycle last year, during which the cash rate fell from 4.35% to 3.60%.

The decision to raise the cash rate in February was unanimous among RBA board members and was accompanied by an updated set of economic forecasts, which saw substantial upgrades to the expected path of inflation. This is despite the forecasts incorporating an assumption that the cash rate would rise as high as 4.2% by the end of 2026 and 4.3% by the end of 2027.

In February we also saw confirmation that the unemployment rate remained at a lower-than-expected 4.1%, and that wages growth accelerated just a touch at the end of last year. The RBA estimates that the unemployment rate needs to be closer to 4.6% for the economy to grow sustainably with inflation at target.

Speaking of inflation, February also brought us the release of the inflation figures for January, which were higher than

the median estimate of economists surveyed by Bloomberg.

Continued strength in categories that tend to exhibit a high degree of persistence – like market services and new home construction costs – is likely to be causing headaches at the RBA and has raised market expectations that the central bank will be lifting the cash rate again.

Consequently, RaboResearch has revised its own forecasts. **We are now projecting an RBA rate rise to 4.10% in May of this year.** There is an RBA meeting in March, where the board could choose to raise the cash rate, but we think they will wait to get a look at the more comprehensive Q1 inflation data that will be released in April.

As market expectations for the cash rate have lifted, so has the Australian dollar. It traded as high as 0.7127 against the US dollar in mid-February, before easing slightly later in the month. The US and Israel-Iran war may cause some risk-off selling in early March, but higher energy prices resulting from disruptions to crude oil flows could just as easily send the dollar higher since Australia is a net exporter of energy.

What to watch:

- **The US and Israel-Iran war** – The war in Iran threatens to push inflation higher by squeezing energy supply. If energy flows are disrupted for long enough, this could force the RBA to tighten interest rates further than anticipated.
- **RBA cash rate decision, 17 March** – RaboResearch sees a change in the cash rate in March as being unlikely, but this meeting will still be important for providing insight into the RBA's thinking on the economic effects of the war in the Middle East and for reinforcing market expectations of a rate rise in May.



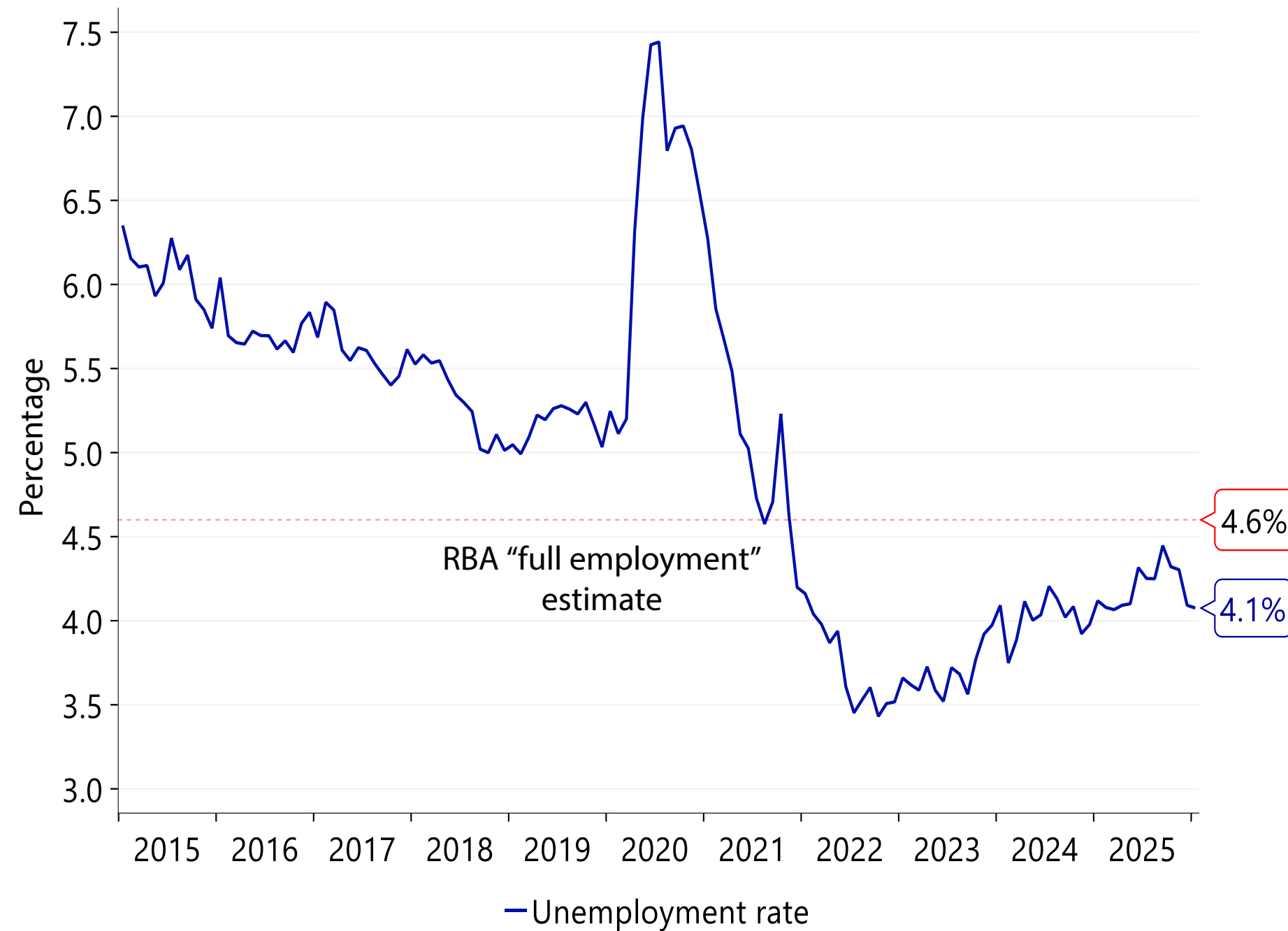
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Interest rate and FX

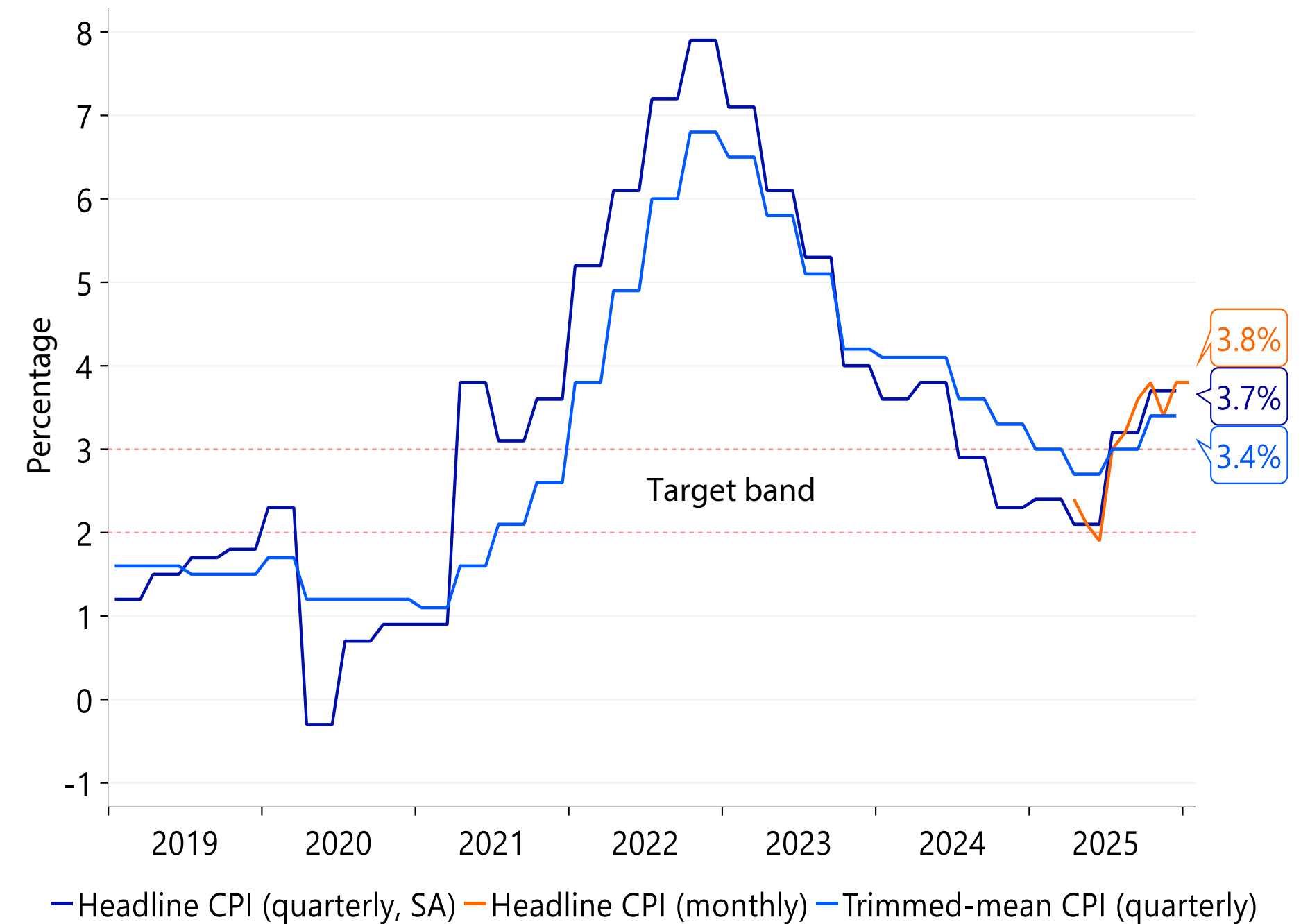
Inflation remains a problem as low unemployment puts capacity strain on the economy

Australian labour force indicators, 2015-2026



Source: Macrobond, ABS, RaboResearch 2026

Australian inflation indicators, 2019-2025



Source: Macrobond, ABS, RBA, RaboResearch 2026

Oil and freight

War in Iran is now the main driver of energy prices

Geopolitics is again shaking up energy markets, as the risk we flagged last month of military intervention in Iran has now materialised.

Iran itself is a major oil producer, with a high proportion of cargoes loaded at terminals on Kharg Island, which has been hit by missile strikes. Iran has responded by targeting Saudi and Qatari energy infrastructure and has taken steps to curtail tanker movements in the Strait of Hormuz.

If Hormuz remains closed to shipping, up to one-quarter of global crude oil flows and one-fifth of LNG could be prevented from reaching the market. At the time of writing, the strait remains technically open, but actual tanker transits have ground to a halt. Consequently, prices have rallied sharply.

Iran-backed Houthi rebels in Yemen have already said that they will resume targeting shipping in the Red Sea, while the US is planning to underwrite war insurance for tankers and provide naval escorts to get energy flowing again.

Delayed trans-Pacific contract negotiations and deteriorating schedule reliability point to continued volatility through the first half of 2026. Ocean freight rates remain on a downward trend as shippers hold off on 2026/27 service contracts, anticipating further spot rate declines. At the same time, severe North Atlantic weather sharply reduced on-time performance in January, disrupting both trans-Atlantic and trans-Pacific operations and adding pressure to already strained networks.

With new ocean shipping capacity coming online and demand remaining unstable, carriers are actively recalibrating networks globally, especially in Asia and adjacent trade lanes. Hapag-Lloyd announced plans for integration with Zim's Gold Star Line, expanding its intra-Asia footprint. As a result, this could influence the feeder and transshipment flows that Australian and New Zealand exporters and importers rely on.

The Baltic Panamax index (a proxy for grain bulk freight) saw good momentum even through Chinese New Year, with activity outpacing Western markets.

What to watch:

- **The US and Israel-Iran war** – War in the Middle East continues to be the main price driver for energy in the short term. A decisive victory for the US and Israel that keeps the Strait of Hormuz open to shipping would be the outcome most likely to limit price rises for crude oil and distillates. A prolonged interruption to shipping could see crude oil prices rise to well over USD 100/bbl. The war is also impacting freight rates as war insurance policies are cancelled, premiums rise, and tanker capacity is taken out of the market.



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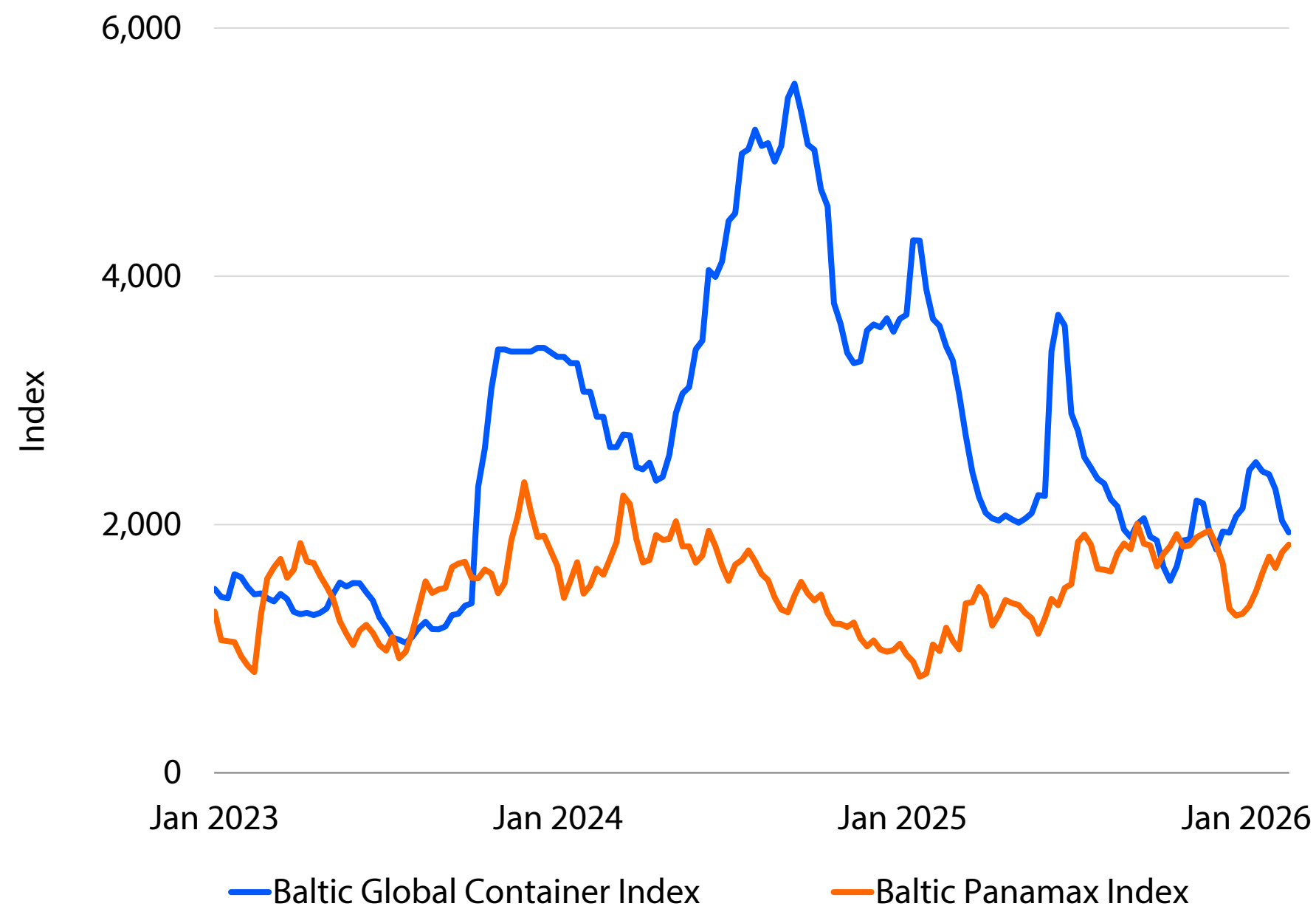
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Oil and freight

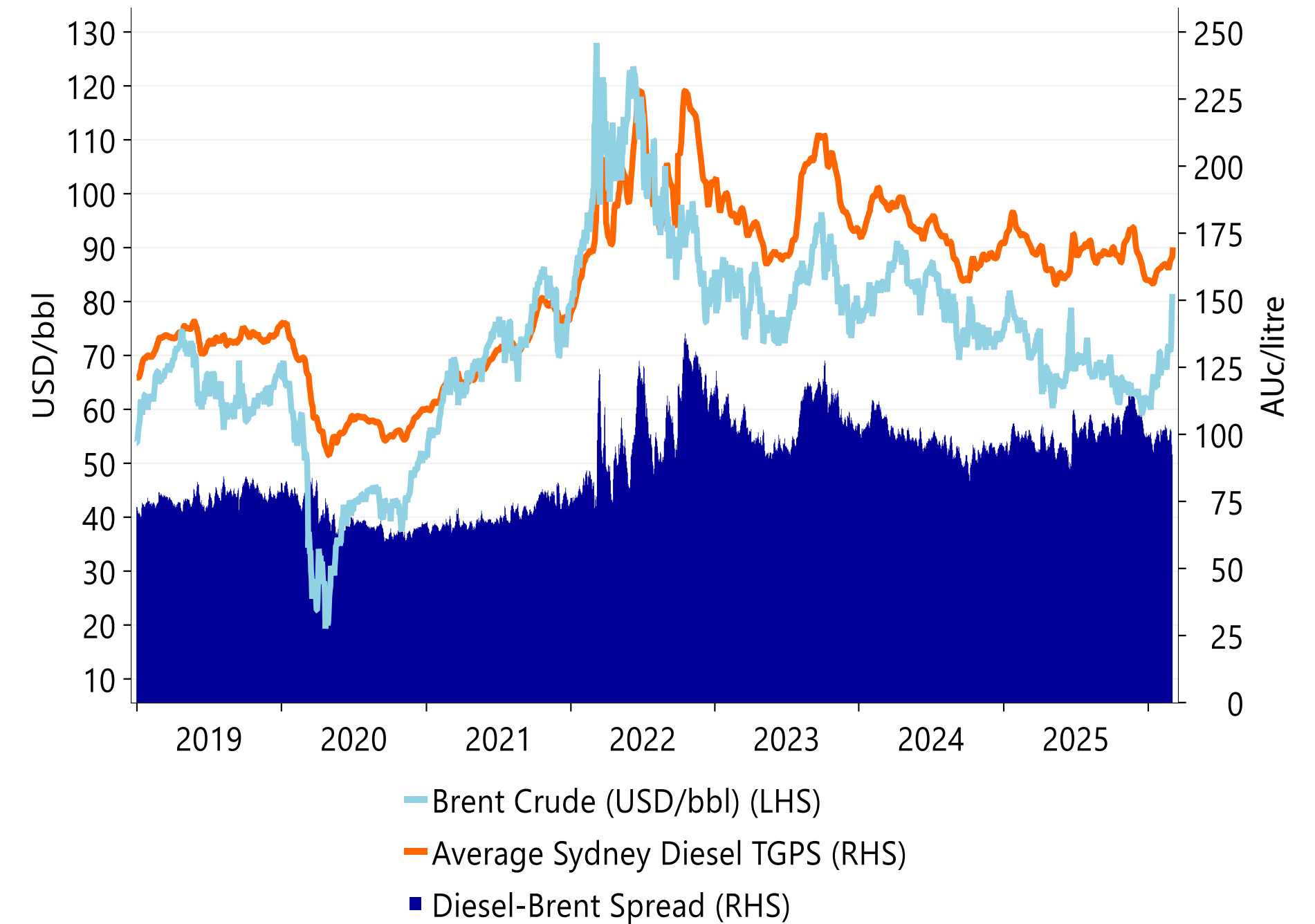
Geopolitical shocks are moving energy and freight markets in March

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



Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Brent crude versus Sydney diesel prices, 2019-2026



Source: Macrobond, ICE, AIP, RaboResearch 2026

Agri price dashboard

26/02/2026	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	566	536	579
CBOT soybean	USc/bushel	▲	1,148	1,075	1,029
CBOT corn	USc/bushel	▲	431	430	483
Australian ASX EC Wheat Track	AUD/tonne	▲	322	315	340
Non-GM Canola Newcastle Track	AUD/tonne	▼	727	745	732
Feed Barley F1 Geelong Track	AUD/tonne	▲	300	298	320
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	857	807	670
Feeder Steer	AUc/kg lwt	▼	467	474	361
North Island Bull 300kg	NZc/kg cwt	▲	965	950	735
South Island Bull 300kg	NZc/kg cwt	▲	930	915	700
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	1,097	1,071	774
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,100	1,080	820
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	1,095	1,080	800
Venison markets					
North Island Stag	NZc/kg cwt	•	1,045	1,045	920
South Island Stag	NZc/kg cwt	▲	1,045	1,040	915
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	5,625	5,238	7,200
Skim Milk Powder	USD/tonne FOB	▲	2,863	2,550	2,988
Whole Milk Powder	USD/tonne FOB	▲	3,500	3,288	4,050
Cheddar	USD/tonne FOB	▲	4,738	4,675	5,013

Source: Baltic Exchange, Bloomberg, RaboResearch 2026

Agri price dashboard

26/02/2026	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	75.6	74.2	78
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	64.2	63.7	67
Sugar markets					
ICE Sugar No.11	USc/lb	▼	14.6	14.7	21.1
ICE Sugar No.11 (AUD)	AUD/tonne	▼	433	448	646
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,689	1,541	1,184
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	479	443	445
DAP (US Gulf)	USD/tonne FOB	▲	700	668	615
Other					
Baltic Panamax Index	1000=1985	▲	1,866	1,681	1,177
Brent Crude Oil	USD/bbl	▲	71	68	75
Economics/currency					
AUD	vs. USD	▲	0.712	0.704	0.635
NZD	vs. USD	▼	0.600	0.606	0.573
RBA Official Cash Rate	%	▲	3.85	3.60	4.10
NZRB Official Cash Rate	%	•	2.25	2.25	3.75

Source: Baltic Exchange, Bloomberg, RaboResearch 2026



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