



2026

Australian Agriculture Mid-Year Outlook

 **Bendigo Bank**
Agribusiness

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Executive summary

↔ Cattle

The support from tight domestic supply is outweighed by growing export headwinds, foreshadowing a modest easing of prices from recent near record highs.

↔ Cropping

A much-improved season lifts crop potential across the belt, but comfortable global supply and weak Australian export competitiveness keep prices rangebound.

↓ Dairy

Farmers will continue to feel the margin squeeze, weighing on production, while the price competitiveness of Australian dairy products will be challenged.

↓ Horticulture

Robust fruit and nut yields are tempered by mixed demand and cost pressures, placing a premium on top quality produce. Tight margins remain a key concern for producers.

↔ Sheep

Ongoing strong lamb and mutton pricing will continue to benefit producers, although production is likely to remain subdued in the second half of 2026.

↔ Wool

The Australian wool industry will need to navigate price volatility as supply shortages balance against global macroeconomic demand pressures.

Bendigo Bank's *Australian Agriculture Mid-Year Outlook 2026* report presents a somewhat positive picture as we enter the second half of the year. Despite the significant challenges faced so far, the recent improvement in seasonal conditions and strong red meat prices have boosted expectations. However, the remainder of the season will see continued uncertainty surrounding the conflict in the Middle East, which has driven input costs higher and weighed on the broader economy. Similarly, the forecast for drier weather conditions indicates the potential for renewed challenges over the next six months and beyond.

The Middle East conflict has been a key focus since its outbreak at the end of February, with wide ranging impacts across both agriculture and the global economy. The conflict resulted in the closure of the Strait of Hormuz, a key trade route for significant portion of global oil, fertiliser and gas supply, and led to a sharp rise in input costs, broader inflation and consequently interest rates. Any successful peace agreement and the opening of the Strait of Hormuz will help ease supply concerns of fuel and fertiliser; however, it will likely take months for supply and prices to return to pre-conflict levels. Amplified cost pressures have impacted all sectors of the industry, driving a decline in vegetable planted acreage and influencing broadacre crop rotations, while concerns remain around fertiliser availability at critical crop and pasture stages in the coming months. Meanwhile, the RBA Official Cash Rate has already increased three times in 2026, climbing back up to 4.35 per cent which is in line with the highs of 2024, keeping the pressure on household budgets. The Australian Dollar (AUD) has also surged in 2026, climbing above 72USc to its highest point since 2022. Although the firmer AUD is beneficial for the importation of inputs, it will reduce the affordability of export focused products such as wool as we move through the remainder of the year. Despite the recent optimism regarding the peace negotiations in the Middle East, the unfavourable cost environment has upped the stakes for growers this season with margins being pressured across all commodities.

The past six months have brought varied conditions across agricultural regions. A hot and dry summer culminated in bushfires in the south, while some northern regions faced major flooding events – both resulting in significant livestock losses and property damage. Rainfall across the southeast to start autumn boosted confidence for the season, while dry conditions lingered in New South Wales and southern Queensland into May. Widespread rainfall at the start of winter has helped improve the outlook for the

remainder of 2026, but the negative impacts of the tough start will continue to be felt as we move in the second half of the year in the form of delayed crop planting and limited pasture growth. Looking ahead, the Bureau of Meteorology is forecasting warm and dry conditions over the next three months, alongside the development of a strong El Niño event. If this drier outlook eventuates, limited crop development and pasture growth in livestock systems can be expected throughout the critical spring period. However, the effects of the drier than average conditions should be muted to some extent by the replenishing of soil moisture levels throughout June, while the dry spring would also be beneficial for stone fruit quality.

Australian agricultural production also faces uncertainty as a result of the recent detection of H5N1 avian influenza, posing risks to both poultry and the broader livestock sectors. This is a particular watchpoint for the dairy industry, with potential implications for production if a widespread outbreak occurs.

Despite the geopolitical and seasonal risks, the outlook for Australian agriculture is cautiously optimistic as we move into the second half of the year. The relatively favourable start across most regions and expectations of firm commodity pricing provide a positive starting point. However, the dry three-month rainfall outlook paired with cost concerns driven by the Middle East conflict have the potential to dramatically swing the dial to a far more negative footing over the next six months.



Economic outlook

The Australian economy has been buffeted by a range of macroeconomic forces seemingly tugging in different directions. The year began with a strong recovery in growth and demand thanks to the three rate cuts in 2025, but demand suddenly exceeded supply causing inflation to reemerge. This convinced the RBA to hike rates in February, but then in March a new force was impacting the Australian economy: a global energy shock due to the Middle East conflict. This added to inflationary pressure, prompting another two RBA hikes, as CPI jumped above four per cent. The economy has slowed in the wake of rate hikes and higher oil prices, but another macro-force has provided some offsetting underlying support: the global technology investment boom. This has lifted 'machinery and equipment investment' as reported in the national accounts to its highest level in over 30 years.

As these competing forces shape the economy, the most obvious variable is how long the Middle East conflict will last for (and therefore how long will oil and other key commodity prices be elevated for) – and the recent signing of a Memorandum of Understanding between the US and Iran has seen Brent crude oil fall back below US\$80 per barrel. Markets will be impatient to see how lasting this ceasefire is and how many ships will suddenly be passing through the Strait of Hormuz, but equity, currency and bond markets have initially taken the good news at face value. Share prices are at or near record highs, bond yields have eased and the US Dollar has strengthened, so 'stagflation risks' that were elevated for Australia and all advanced economies have eased.

The market is now grappling with the path ahead for central banks around the world and the US Federal Reserve are now expected to increase rates as inflation has rebounded sharply. However, the RBA have been earlier and more aggressive than their peers in hiking rates three times (before remaining on hold in June) so rates here may have already peaked. The Consumer Price Index is still above four per cent while core inflation is around 3.5 per cent suggesting that the tightening bias will remain in place. Furthermore, the unemployment rate has edged higher to 4.5 per cent and consumer sentiment has plunged in the wake of higher rates, the reemergence of cost-of-living pressures and also perceptions of the Federal Budget. Tax changes are always contentious, but it remains to be seen if these changes to negative gearing and Capital Gains Tax mainly just limit residential property values or if they adversely impact the broader economy.

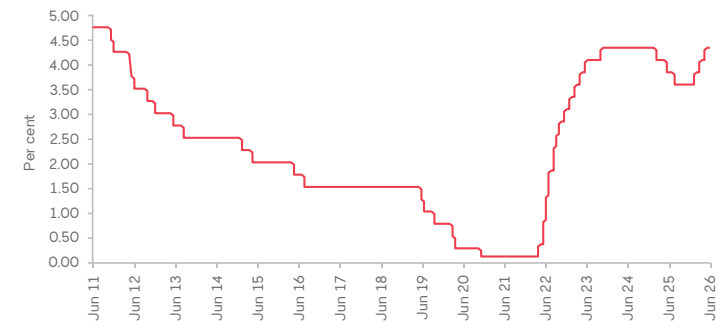
Our forecasts show the pace of economic growth slowing from 2.5 per cent at present to around 1.3 per cent by year-end with inflation remaining above target, but labour markets remaining fairly resilient and export markets picking up as Australia's major trading partners (mainly in Southeast Asia) outperform. While rate cuts appear to be well down the track it is hoped that moderating energy prices will see inflationary pressures ease into 2027, but Australia remains at the mercy of offshore developments. We continue to forecast a mildly stronger AUD but do expect that volatility on the financial markets will remain high, including for bond and equity markets.

AUD/USD Spot exchange rate



Source: RBA

RBA Official Cash Rate



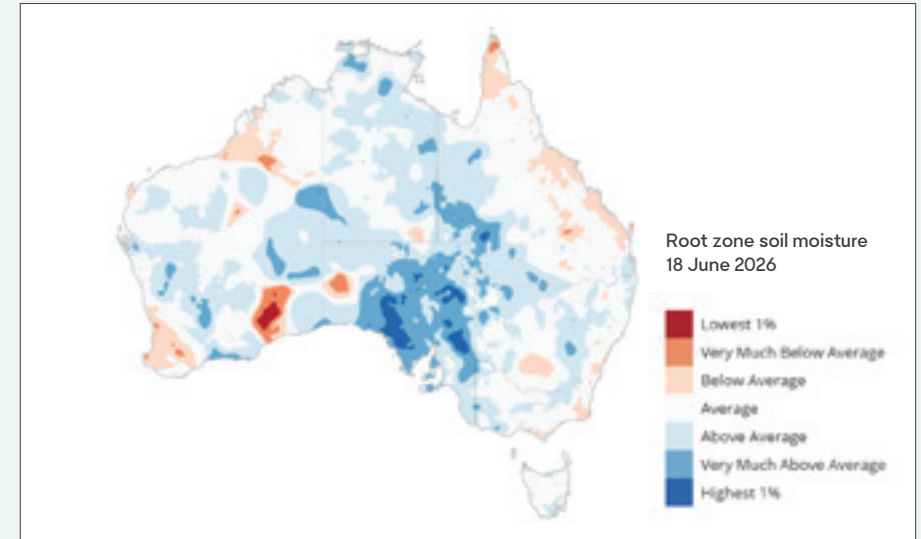
Source: RBA

Climate and carbon

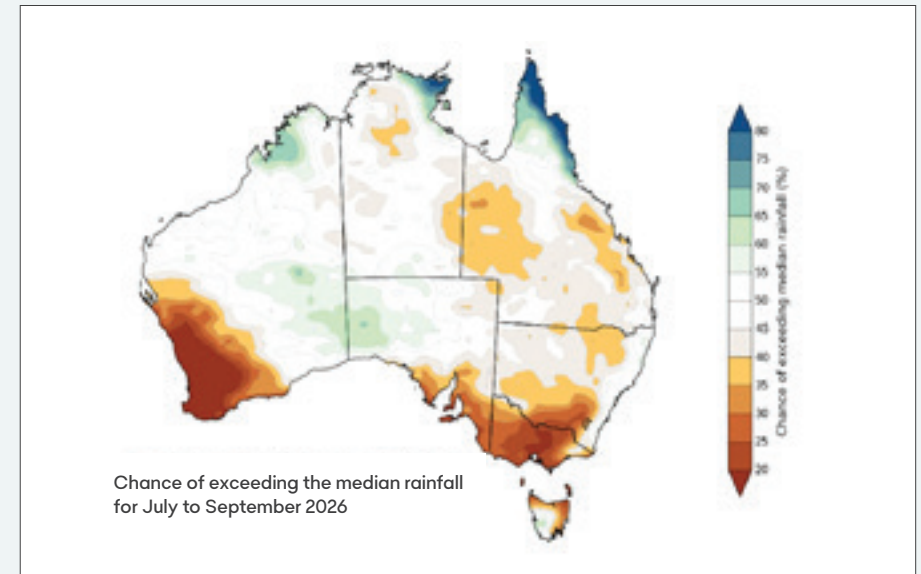
Seasonal Outlook

The first half of 2026 has posed a broad range of conditions across the country. The southern regions endured a hot and dry summer, with bushfires impacting parts of the country, while at the same time, some of the northern regions were facing widespread flooding – with both events resulting in devastating loss of livestock, pasture and infrastructure. Timely rainfall at the end of February helped improve the outlook for the coming season for some, while parts of New South Wales and Queensland were particularly dry throughout autumn. These dry conditions drove increased turn-off of stock throughout these regions to manage feed availability, as well as delaying winter crop planting considerably. From a market perspective, this forced cattle prices sharply lower and weighed on sheepmeat values, while the northern feed grain market strengthened. More recently, the widespread rainfall throughout June improved the production outlook across most agriculture regions; while only partly alleviating pressures in the northeastern regions, other areas are now better prepared for the potentially dry conditions ahead.

The three-month outlook from the Bureau of Meteorology paints a concerning picture to start the rest of 2026. The El Niño–Southern Oscillation (ENSO) is now in an El Niño phase and there are increasing signs of further development in the tropical Pacific, indicating at least a ‘moderate strength’ El Niño event occurring this year. The likelihood of a significant event feeds into the expectation of below median rainfall across most agricultural regions in the coming months, which when paired with the higher likelihood of warmer conditions, could significantly reduce soil moisture levels and hinder crop and pasture development through spring.



Source: Bureau of Meteorology



Source: Bureau of Meteorology

Beyond the chokepoint: How global fuel shocks are fast-tracking Net Zero

The closure of the Strait of Hormuz in March 2026 following the conflict between the US and Iran had a profound impact on global energy markets, causing energy security crises in many countries. However, this disruption to global energy markets may result in an unexpected benefit regarding Australia's Net Zero goals, as an increase to renewable energy spending looks to speed up progress in emissions reductions.

Although Australia only imports a small portion of crude oil directly from the Middle East, approximately 30 per cent of Australia's refined oil is transited through the Strait of Hormuz to refining hubs in Singapore and South Korea. The closure of this chokepoint, in effect, exposed the fragility of crude oil-based supply chains, which drove fuel prices to record highs. In response to the volatility seen in the markets for crude oil, both governments and private sector investors are dramatically increasing their capital expenditure on domestic wind, solar and battery storage infrastructure.

The accelerated rollout of renewable projects within Australia has amplified existing concerns about the encroachment of solar arrays and transmission lines onto agricultural land, yet the promise of future climate and financial benefits from embracing renewable

energy must be considered. It is known that Australia's agricultural sector is highly vulnerable to crude oil disruptions due to its heavy reliance on diesel for production and transport. Unfortunately, both the cost and supply of diesel are not mitigated by any domestic renewable energy rollout, however, reduction in grid-based electricity costs, and the possibility of an independent revenue stream from the installation of wind or on-farm solar can offset price spikes in diesel. A further area of investment is the use of biodiesel, with renewed demand for Australia to expand its domestic capacity in working to secure fuel independence.

This is not just unique to Australia, countries such as Canada are responding in a similar fashion of prioritising investment in renewable infrastructure. Per the International Energy Agency (IEA), this global increased investment in renewables has the potential to reduce global CO₂ emissions by an extra billion tonnes per year by 2030. The prolonged disruption of the Strait of Hormuz has been acting as a brutal but effective catalyst for investment in renewable energy. The economic pain of high fuel prices is creating a shift in how Australian policymakers and producers view energy security, with a focus shifting towards domestic, decentralised power generation.

These changes have helped rewrite the global timeline for decarbonisation, helping to align climate targets with fuel security. While there will be growing pains of the accelerated move towards these goals, the ultimate results should aid Australia in ensuring it achieves its Net Zero goals ahead of schedule. For the agricultural sector, increased investment in renewable domestic energy, which as a by-product would include reaching these targets earlier than planned, would mean decoupling from unpredictable energy shocks sooner. This accelerated timeline is signalling that the window to secure early-adopter incentives and favourable land-lease agreements is narrowing. Leveraging the surge in domestic energy investment is a strategy that may protect the immediate bottom line for producers, while securing a competitive advantage in increasingly carbon conscious global supply chains, as discussed in our *2026 Planning for change – Climate report*.

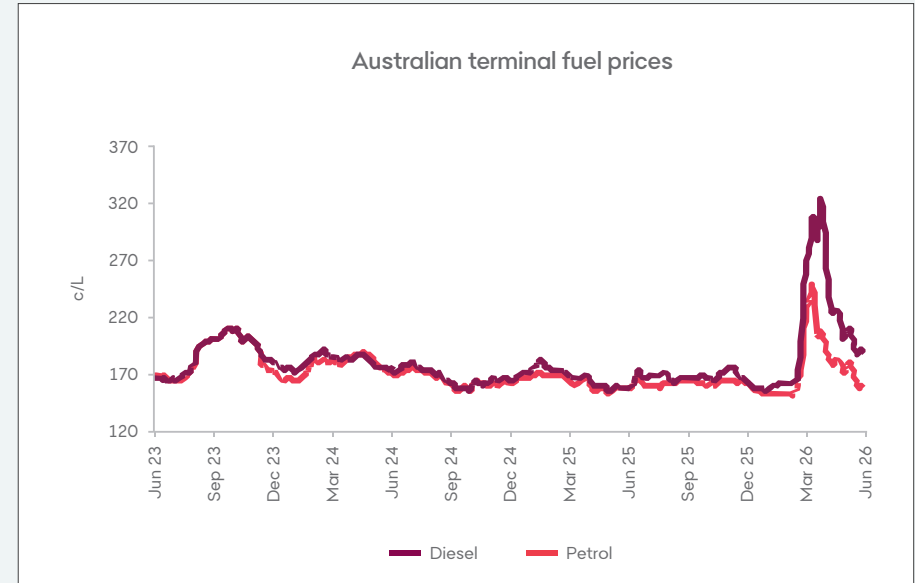
Production costs

The sharp rise in input costs and the continued tightening of profit margins have been a major constraint for agriculture in 2026. The Middle East conflict resulted in a surge in fuel and fertiliser prices, while dry conditions in some regions have pressured feed costs and tightened water availability. Even with a resolution to the conflict, the delay in supply chains normalising, in addition to Australia's dry weather outlook, will likely keep the pressure on costs for producers over the rest of this year.

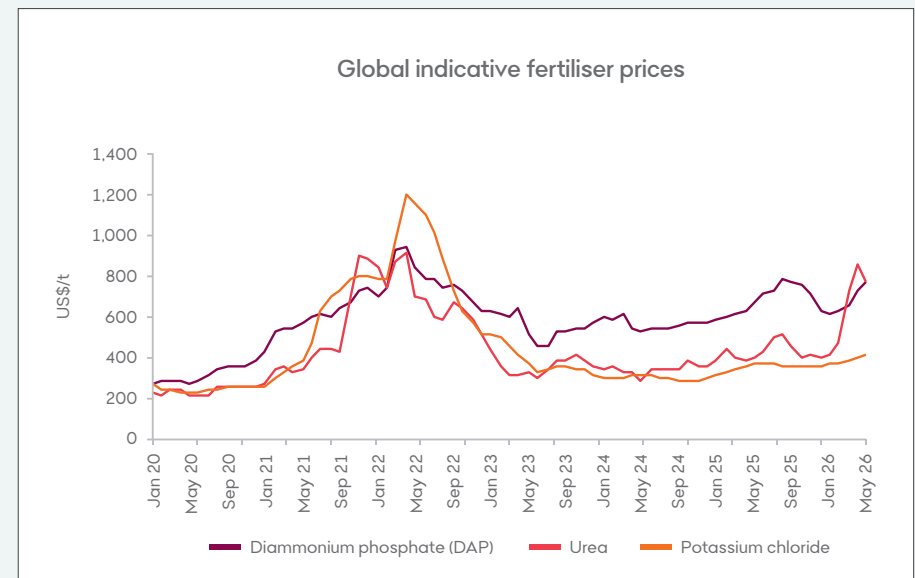
The conflict in the Middle East has caused major concerns regarding fuel and fertiliser availability this season, sending prices sharply higher in the weeks following the outbreak of hostilities. Fuel and fertiliser prices have been severely impacted by the conflict due to the closure of the Strait of Hormuz, which is a key supply route for a significant portion of global oil, gas and fertiliser. Diesel prices climbed from an average of \$1.65/L at the end of February to \$3.26/L at the start of April as users rushed in to secure supply. Since then, prices have eased as panic-buying slowed considerably and domestic fuel stocks have also held up relatively well over the past two months. Meanwhile, fertiliser prices almost doubled at the start of the conflict, with anecdotal reports of urea prices jumping above \$1,500/t in some areas – and even then, supply was not a certainty.

The US and Iran announced a peace agreement in the middle of June which looks set to see the Strait of Hormuz reopened in some form. While the news triggered an immediate response from crude oil markets and eased supply concerns, it is expected to take several months for fuel and fertiliser supply chains to refill and for prices to return to pre-conflict levels. In addition, many hurdles remain in the path to a durable peace in the region.

Fodder markets have been split into two distinct segments across the country in the first half of 2026. Hay prices have lifted in New South Wales and Queensland regions in response to dry conditions and comparatively favourable livestock prices, while in southern regions prices have tracked steady to lower following an early autumn break. Fodder prices are expected to face further downwards pressure in the short-term as widespread rainfall throughout June has eased feed availability concerns and boosted confidence. However, fodder production expectations are being tempered by the drier outlook over the next three months, while heightened input cost pressures will also encourage some producers to pullback production. As such, we expect fodder prices to rise as we move towards the end of the year.

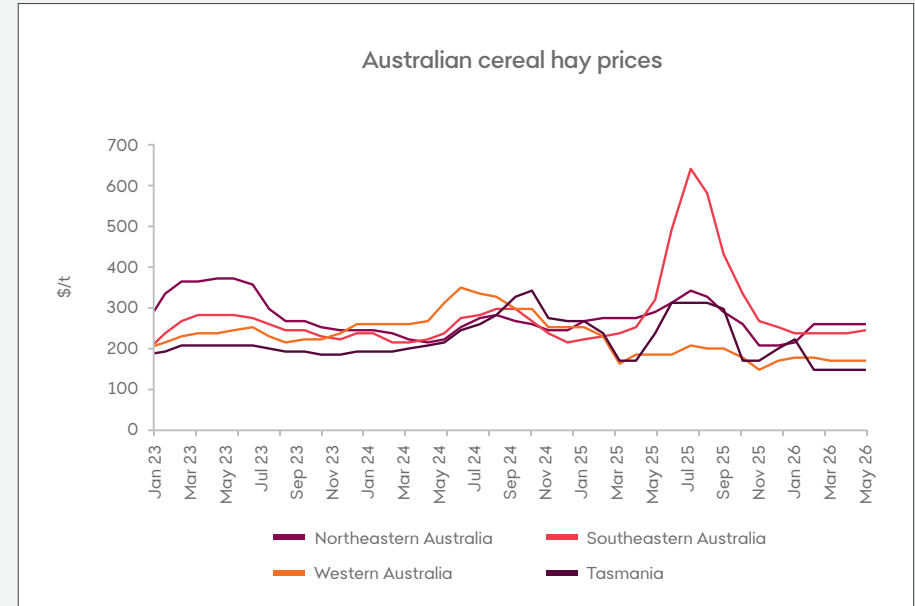


Source: Australian Institute of Petroleum

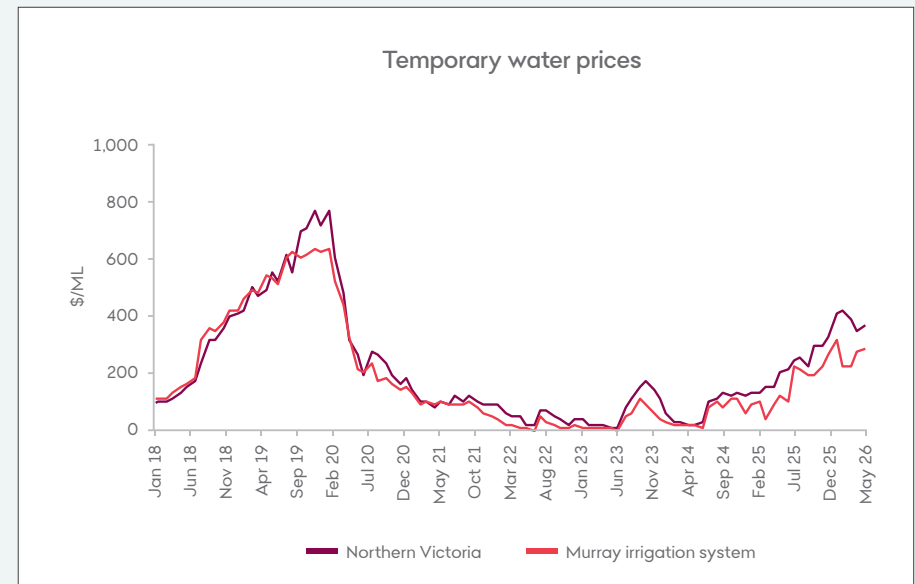


Source: World Bank Group

The continued deterioration of water storages in the Murray Darling Basin has resulted in a jump in temporary water prices. Over the past 12 months, whole basin water storage levels have declined by 10 per cent and are now 30 per cent below the reported levels in May 2024. Temporary water prices in the Northern Victoria region were up 84.7 per cent compared to May last year, and up 140.8 per cent in the Murray Irrigation system over the same period. Considering the weaker water flows into storages, opening seasonal determinations are likely to be low, restricting access to allocations across key systems. The decline in water storages and tight initial allocations, alongside drier conditions forecast to start the second half of the year, signal that further uplift in temporary water prices is likely as we move further into 2026.



Source: Australian Fodder Industry Association



Source: Victorian water register, Murray Irrigation system



Cattle



Supply

National beef production will remain historically strong but soften from recent highs as export demand declines.



Demand

International demand for Aussie beef remains resilient, anchored by a deep import deficit in the US.



Price

Australian cattle prices are set to ease off recent near record highs due to weaker export markets.



Outlook

The support from tight domestic supply is outweighed by growing export headwinds, foreshadowing a modest easing of prices from recent near record highs.

Supply

Australian cattle supply will tighten through the second half of 2026, pivoting from the historically elevated turnoff levels seen earlier in the year. Widespread May rainfall across eastern Australia provided the catalyst, delivering enough soil moisture and pasture growth to alter producer behaviour in favour of retention.

The impact of this seasonal break will extend well beyond the immediate flush of green feed. Producers are leveraging deep feed reserves to take a strategic, longer term approach to herd management, becoming highly selective with their marketing decisions. This will severely constrain market ready supply, limiting processor throughput growth for the remainder of the year.

Across Australia's major global competitors, the beef supply picture is heavily polarised. The US continues to grapple with historic herd liquidation and tightening domestic production, severely restricting

their local supply. Conversely, Brazilian exporters will compete aggressively for market share, backed by large domestic supplies and an established export network. The former offers a significant opportunity for continued export performance, whilst the latter will moderate the upside by providing buyers with a price-competitive alternative.

Demand

Australian beef exports will remain strong by historical standards, but total volumes will contract from the highs recorded in the first half of the year. This softer outlook is largely driven by the activation of safeguard tariffs across key North Asian markets.

China's new 'safeguard' arrangements represent the most significant emerging constraint on export performance. The implementation of a 55 per cent out of quota tariff will severely decrease Australian volumes, driving a heavy reduction in shipped beef.



Cattle

Concurrently, similar mechanisms in South Korea will create equally restrictive headwinds for trade to that market. Australia is not the only target of such measures. Impending Chinese tariffs on Brazilian beef will push South American exporters to redirect more product to the US, placing Australia directly in competition with Brazil for market share. Collectively, these changes create real challenges for Australian volume growth, all but guaranteeing a softer export volume through the second half of 2026.

Demand from the US will remain firm as declining domestic production and tight cattle supplies increase reliance on imported beef. This provides a valuable outlet for Australian exports, particularly as the US works to supplement local supply. However, from an Australian perspective, it is unlikely to fully offset the weaker volumes shipped to key Asian markets.

Into the medium term, maintaining access across a broad range of export destinations will become increasingly important as global trade flows adjust and competition increases.

Price

Australian cattle prices will ease from their recent highs through the second half of 2026, though are forecast to remain firm by historical standards. The rapid price recovery following the May rainfall will not be sustained, as the market confronts a weaker export environment and a less favourable seasonal outlook.

The primary downward pressure on prices will stem from softer global trade conditions and consumer headwinds. Reduced access to China and South Korea is expected to increase competition across alternative destinations as global trade flows adjust. In particular, Brazil will compete aggressively for market share, particularly in markets where import demand remains strong. Retail beef prices are expected to remain elevated through the second half of 2026, despite some easing in livestock prices. Higher prices at the retail level are likely to weigh on consumption growth as consumers continue to navigate broader cost-of-living pressures.

Local weather conditions present a renewed downside risk. While the autumn break provided a powerful boost to producer confidence, forecasts point to a drier finish over the coming months. This will limit the pasture driven optimism that underpinned recent saleyard rallies.

A price collapse is not anticipated. Ongoing constraints on the availability of market-ready cattle, a direct result of producer retention, will act as the primary buffer against any sharp declines. However, the downward pressure from weaker exports and a drier forecast will outweigh the support from tight local supply, resulting in a modest easing of prices from their current peaks.



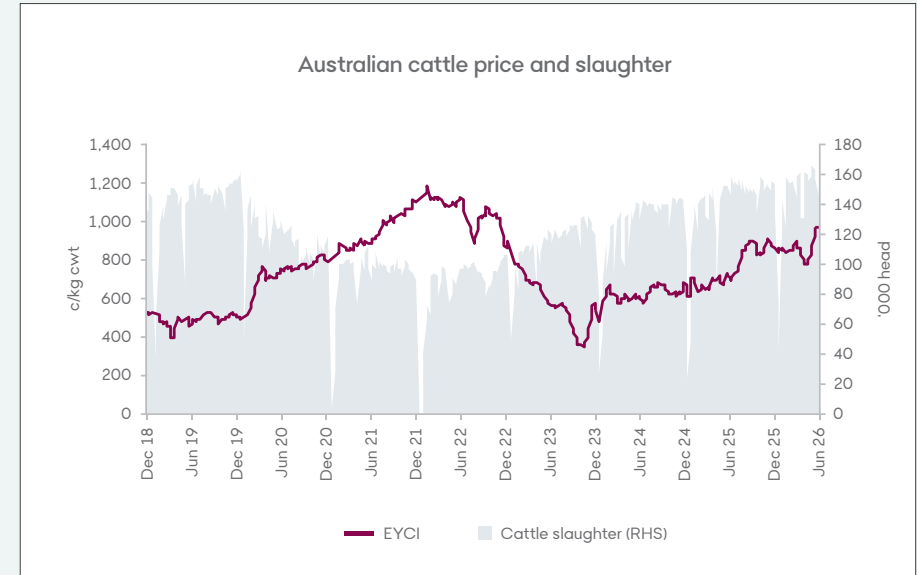


Cattle

From the field...

“Conditions are a lot different than they were a few months ago, with many producers now carrying more confidence and flexibility than they had earlier in the year. While a more competitive export environment is likely to limit further gains and ease overall prices through the second half of 2026, the reduced availability of larger cattle, due to early-year sell-off, should act as a strong buffer, keeping demand and prices for heavier lines firm by historical standards.”

Craig Rosenbaum,
Regional Manager Agribusiness – Northern New South Wales



Source: MLA



Source: Department of Agriculture, Fisheries and Forestry



Cropping

↑ Supply

Improved rainfall has lifted crop potential across most of the cropping belt, supporting larger cereal and canola crops than looked likely earlier, with the spring finish still the main swing factor.

↔ Demand

Demand is mixed: barley has firm Chinese support and canola has crush-led demand, while soft wheat export competitiveness into Asia and India-capped pulse demand limit the overall pull.

↔ Price

Prices are broadly rangebound: canola and barley sit high by historical standards, but comfortable global supply, weak wheat competitiveness and demand-led pulse softness keep the complex sideways rather than directional.

↔ Outlook

The outlook stays balanced: the spring finish, export competitiveness and comfortable global supply pull in different directions, so values look more rangebound than trending, with weather the main swing.

Cereals

Supply

The winter crop has moved past the dry autumn scare, but the season is still being set up rather than decided. Our working base for the national wheat crop is around 28.4 million tonnes, a reference point rather than a fixed outcome this far out from harvest. That is above the latest ABARES estimate near 26.7 million tonnes and broadly in line with the USDA at around 28.0 million tonnes. The difference to ABARES is largely one of timing, reflecting the credit we give to late May and June rainfall across northern New South Wales and southern Queensland. Establishment risk has eased and the rainfall profile has improved materially across most of the nation's cropping regions, a turn now visible in international weather assessments as well as our own, which leaves the spring finish as the main swing factor from here.

Globally the market looks comfortable, and futures have held that tone. Headline world stocks still overstate how much grain is genuinely tradeable, because China holds a large and mostly non-exportable stockpile, and once it is stripped out the balance among the major exporters is thinner. That thinner exporter balance matters, but it is best read

as a cushion under prices and a point of sensitivity to any shock, not as a force actively tightening the market today. For now, the low-cost supply that sets the price Australia competes at is not short: Russian and Ukrainian winter crops are filling well, and the core European wheat belt remains broadly supported, with stress more localised in the south-west of the bloc.

The risk that could change that sits in the northern hemisphere spring wheat still to be made, and over the past fortnight it has eased rather than built. Broad showers have moved across Kazakhstan and into central Russia's spring belt, and the Canadian Prairies are mostly favourable with only patchy dryness in Alberta. With the near-term weather threat receding, that steady tone looks well founded rather than complacent.

Barley is a conditional recovery story rather than a tight new-crop one. Planted area is estimated to be up around 6 per cent on last year, but the crop is still tracking about 10 per cent below last season, so the upside is genuine if the season finishes well, but it remains potential rather than realised supply.



Cropping

Demand

Wheat exports are running softer than the bumper years, but they are not collapsing. Official bulk and container exports reached about 13.3 million tonnes through October to April, and our end-May estimate is around 15.3 million tonnes. That pace is close to the five-year median, although below the average inflated by the large 2021/22 and 2022/23 programs. Those bumper years were lifted by price-sensitive Asian demand, especially China, rather than by a permanent step-change in the base market. We expect exports to finish around 23 million tonnes, down from the original 25 million tonne expectation, with competitiveness into Asia the constraint rather than underlying demand.

Barley is the stronger demand story. Exports have run at a record pace, with China taking the bulk of shipments and drawing old-crop availability tight. That means any late-season slowdown is more likely to reflect limited supply than weaker Chinese demand. It also leaves new-crop barley with a firmer demand base than wheat, although upside still depends on China staying active and feed barley remaining competitive against other feed grains.

Price

Domestic wheat values sit mid-range rather than strong. Kwinana APW averaged around \$355/t through May, about the middle of its ten-year range and little changed year-on-year, with new-crop bids only a few dollars above old crop. The regional pattern mattered more than the national average: northern New South Wales and Queensland bids eased as late May and June rain stripped out weather premium, while WA values held near the mid-\$350s and parts of South

Australia found support in higher-protein and ASW grades. Underneath softer published bids, nearby cash demand held up better than flat prices suggested. That points to nearby demand and selective grower selling rather than a confirmed shortage of wheat.

What keeps a lid on those values is competitiveness into Asia. Australian APW lands in North Asia near US\$310/t CNF, around US\$30, or roughly 12 per cent, above cheaper competing origins, which leaves it the second most expensive of the major suppliers and limits demand to buyers tied to Australian quality or nearby freight advantages. With global supply comfortable, that gap is enough to hold the market rangebound rather than directional, since cheaper origins take the price-sensitive business Australia chased in the bumper years. The upside case does not sit in current supply but in the thin exporter balance turning from a cushion into an active driver, which would take a fresh deterioration in Black Sea or spring-wheat conditions. Absent that, the spring finish decides yield and quality while competitiveness decides how much of the crop clears at current values.

Barley values have eased from their highs but remain high by historical standards. Tight old-crop availability is supporting nearby values, which sat near the top of their ten-year range in May before coming off that peak through June as new-crop prospects improved. The ceiling on any new-crop rally is the global feed-grain complex: abundant corn gives feed buyers alternatives if barley rallies to far, even though China-led demand should keep barley better supported than wheat.

Oilseeds

Supply

We put the national canola crop at around 6.22 million tonnes, a little above ABARES, after an early sowing window into good soil moisture and warm soils. The crop is generally better advanced than usual for this time of year, and planted area lifted through the autumn, so the crop is shaping up larger than it looked earlier in the season. The spring finish remains the swing, and for canola it sets oil content as well as yield.

The global backdrop caps the upside more than it creates a shortage story. The broader oilseed complex is led by large soybean supply, which limits how far vegetable-oil and meal values can run. Canola and rapeseed are tighter than soybeans, so they remain more sensitive to Canadian crop risk, European import needs and any sustained Chinese buying, but the current balance is not tight enough to drive a supply-led rally on its own.

Demand

Demand is the more supportive side of the canola story, but the support is still measured. Global crush is rising, helped by biofuel demand, and the European Union remains structurally short, crushing well above what it grows and importing every year, which is a durable pull. China's appetite has recovered at the headline level, and with a steep tariff now sitting on Canadian canola there is a clear opening for Australian supply. Its return is supportive, with the first meaningful Australian canola flows since 2020 now visible through early cargoes and trial buying, but it is still too early to bank as durable demand.



Cropping

Price

Canola values remain historically firm, but the support is uneven. WA non-GM values held in the low-to-mid \$800s/t through mid-June, while GM values sat in the mid-to-high \$700s/t, with GM still carrying a broad discount to non-GM. WA was the firmest market: old-crop values held and new-crop bids firmed to a premium over old crop, even as local establishment improved. That points to nearby demand and selective grower selling, not old-crop scarcity or a local supply-risk premium. Eastern states were softer, with old and new-crop bids easing across both GM and non-GM markets. Globally, firm crush demand, EU import needs and China's early return remain supportive, but a large soybean complex and improving Australian production prospects cap the upside. Canada and China remain the main watchpoints rather than confirmed drivers.

Pulses

Supply

Pulse supply is being shaped more by planted area than by yield potential. Our area estimates are close to ABARES, which has chickpea area down about 34 per cent to roughly 732,000 hectares and production near 1.1 million tonnes. The cut is concentrated in the northern belt and is mainly a planting-timing story rather than a current crop-condition story. Field calls through northern New South Wales support that read: late rain helped conditions, but across the north-western NSW cropping belt it came too late to trigger a large planting response. With grain still on farm and balance sheets sound after several strong seasons,

growers were more willing to leave country out than chase a marginal chickpea window. Weak prices reinforced the pull-back.

Lentils are the steadier counterpoint. Our area estimates are also close to ABARES, which has lentil area broadly firm to slightly higher at about 1.225 million hectares and production around 2.2 million tonnes, with South Australia and Victoria carrying most of the crop. Faba beans remain broadly stable, while lupins are expanding from a Western Australian base, leaving demand rather than supply as the main question for the smaller pulse crops.

Demand

The pulse demand story is still India-led, and that matters most for chickpeas. India is the dominant chana market for Australia, but its own supply has improved, import needs have eased, and the desi chickpea duty is operating at 10 per cent. Yellow peas are also duty-free again, giving Indian buyers a lower-cost alternative and further limiting the demand response to Australia's smaller chickpea crop.

Lentils are less exposed to a single policy switch. India remains important, but Bangladesh, Sri Lanka, the UAE and other buyers give the market a broader demand base. The bigger cap is Canada, where a large stock overhang is keeping export competition heavy. Faba beans are tied more to Egypt and the Middle East, while lupins remain a Western Australian feed grain with a narrow export leg into the EU, Korea and Japan.

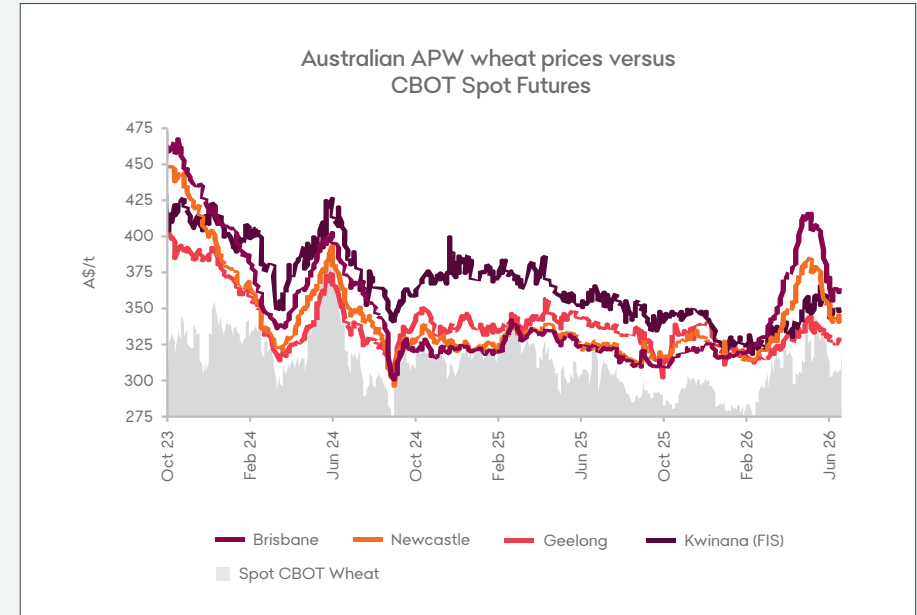


Cropping

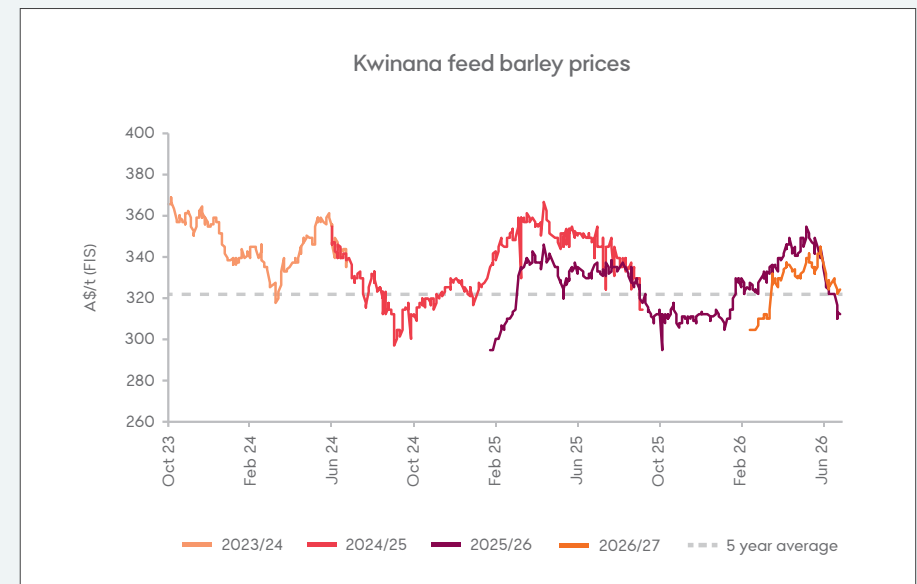
Price

The defining feature of the chickpea market is that production close to halving has still not restored the price strength of two years ago. Brisbane values have firmed into the mid-\$600s/t, but remain well below the 2024 highs above \$1,000/t. That is the clearest evidence that pulses are demand-led: when Australian tonnage falls sharply and prices respond only modestly, the price is still being set offshore by Indian supply, policy and substitutes, not by the local crop.

Lentil values are easing from a steadier base, with Canada's stock overhang keeping world prices under pressure. Faba bean and lupin values are also soft, with faba weighed down by Egyptian currency and carryover pressure, and lupins facing ample Western Australian supply against a narrow demand base. Across the pulse complex, supportive supply stories sit on a separate ledger from price, which is still being set by comfortable offshore supply and buyer alternatives.



Source: Bendigo Bank Insights Agri Pro, CME Group



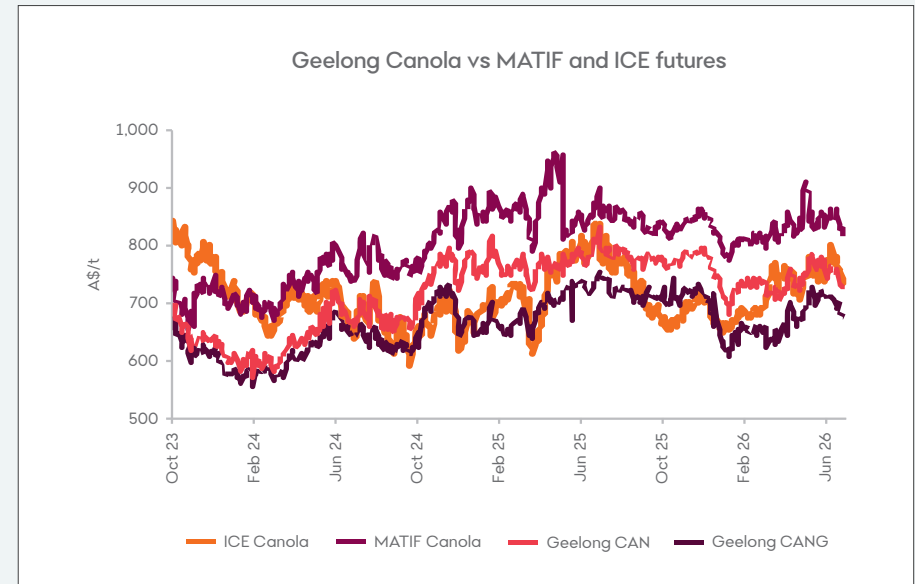
Source: Bendigo Bank Insights Agri Pro

Cropping

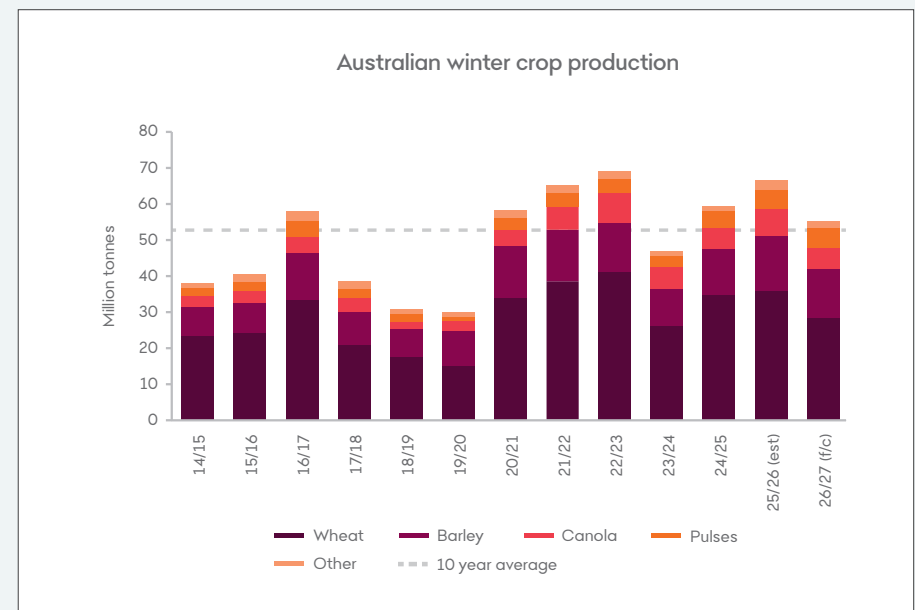
From the field...

“Across northwest Victoria, this is one of the strongest starts we have seen for some time. Around Swan Hill and through the Mallee grain belt, crops are up, established and looking healthy, and that has given customers more confidence after a later start last year. We are seeing more canola in the mix, and possibly more pulses in some areas, with input availability not appearing to have held planting back in any meaningful way. Old-crop stocks look fairly low across wheat, barley and canola, and new-season selling is not a major focus for many growers yet. The start is strong, but spring rainfall will still decide how much of that potential is realised.”

Wayne Saunders,
Regional Manager Agribusiness – Northwest Victoria



Source: Bendigo Bank Insights Agri Pro, ICE, Euronext



Source: Bendigo Bank Insights Agri Pro



Dairy

↓ Supply

Further improvement of milk flows will be constrained through the 2026/27 season, likely dropping 1.0 to 2.0 per cent. Global supply growth is also expected to moderate.

↔ Demand

Unprecedented demand for protein has supported both global and domestic markets, however, purchasing activity remains largely price-driven.

↓ Price

Steady farmgate milk prices will keep the pressure on margins and the weaker market fundamentals make mid-season step ups unlikely.

↓ Outlook

Farmers will continue to feel the margin squeeze, weighing on production, while the price competitiveness of Australian dairy products will be challenged.

Supply

After a slow first half of the season, timely rainfall, eased supplementary feed costs and on-farm investment drove a recovery of the national milk pool in the 2025/26 season. While volumes continued to fall across South Australia and Western Australia, milk flows grew across Queensland, New South Wales and Tasmania from improved conditions. In Victoria, production mostly stabilised across the dairying regions after the previous season's adverse weather conditions, resulting in a steady national milk pool by the end of the 2025/26 season.

In the near term, milk flows will benefit from the homegrown feed created last spring and a solid autumn break across several regions, in addition to the greater focus on investment and herd recovery. However, we expect this improvement to be constrained further into the 2026/27 season, as margins are tightened by higher input costs against stable incomes. Expansion plans may be delayed, especially with higher interest rates, and herd sizes may be tweaked in response to cost pressures, particularly considering higher cull cow prices. Somewhat supportive cattle values may also see an uptick in diversification towards beef, and a steady rate of farm exits will occur, particularly by smaller operators. All in all, we expect national milk production to slow as businesses adapt to market conditions throughout the season, decreasing 1.0 to 2.0 per cent by the end of the 2026/27

season. Volumes may ease towards the lower end of this range if dry conditions place further pressure on margins, with the potential to contract further in the event of a widespread H5N1 avian influenza outbreak through dairy herds.

Across the other three exporting regions, milk flows surged 4.0 per cent on a season to date basis (July to April), but growth rates are also expected to moderate against the higher comparable figures. Favourable conditions and improved profitability have supported year-on-year growth rates in New Zealand, Europe and the US, especially in the latter two regions after they recovered from animal disease outbreaks. However, farmgate milk prices paid to farmers in all three regions are easing, placing pressure on farm margins.

Demand

Globally, demand for dairy has been robust but considered, helping support the market at a time of ample global supply. Importers have been responding to consumer trends focused on higher protein, pushing whey protein concentrates to historically high prices. However, purchasing activity has become increasingly risk adverse; many buyers secured significant cover at the beginning of the Middle Eastern conflict to limit their market exposure and now operate with relatively full warehouses.



Since then, hand-to-mouth purchasing has defined importing activity, and products are primarily being sold on a price-driven basis. The market has become increasingly competitive, with cheaper northern hemisphere dairy products gaining market share in some key markets, such as Japan where imports of Australian dairy have been steadily decreasing.

Australian exports to other key markets remain strong, however. Southeast Asian buyers continue to gravitate to Australian and New Zealand products, and China's importing has picked up as their milk production declines. The latter country's raw milk prices have stabilised after years of steep decline, with only small signs of recovery as domestic consumption and retail prices slowly improve. Herd rebuild will be delayed until these components improve, especially considering the latest Foot and Mouth Disease outbreak, which will likely keep demand from the world's largest importer robust in the meantime.

In the Australian market, dairy products remain a staple in many households, with their performance shaped by cost-conscious but health focused shopping behaviour. The high cost-of-living environment continues to drive consumers towards private label products and larger pack sizes but closing price gaps in categories such as cheese have supported the sales of branded products.

The focus of Australian consumers on healthier wholefoods, especially higher protein items, have

also boosted the performance of dairy in retail. This has been supported by the increased uptake of GLP-1, particularly as these users aim to cook more at home. According to NIQ research published by Dairy Australia, the volume sold of butter and cooking cheese has risen and the yoghurt category continues its multi-year run of growth, partly driven by younger consumers' health-focused shopping behaviour and recent social media trends.

Price

Ample milk volumes internationally are creating an increasingly competitive global market that may keep a lid on export prices in 2026/27. While demand for protein will remain strong, the focus of manufacturers on these streams will eventually become a counterweight. At the same time, the broader market will be tempered by price-driven purchasing activity. As such, Australian dairy products will be under pressure, especially considering the higher AUD, which may also extend to the domestic market. The volume of overseas dairy imported may rise on the back of comparatively lower farmgate milk prices in other key exporting regions, particularly from New Zealand. Fonterra's new season milk price range was recently announced as NZD\$8-11/kg MS; when adjusting to true protein and converting to AUD, this roughly equates to \$6.70-\$9.20/kg MS, sitting below Australia's broadly steady milk prices.

From the opening farmgate milk price announcements made on June 1st, the average southern price is set to remain around \$9.40/kg MS over the 2026/27 season, tracking around \$10/kg MS nationally. The only step ups thus far have been in the form of support payments from some of the larger processors sitting at the lower end of the range, and the weakened market fundamentals make mid-season step ups unlikely.

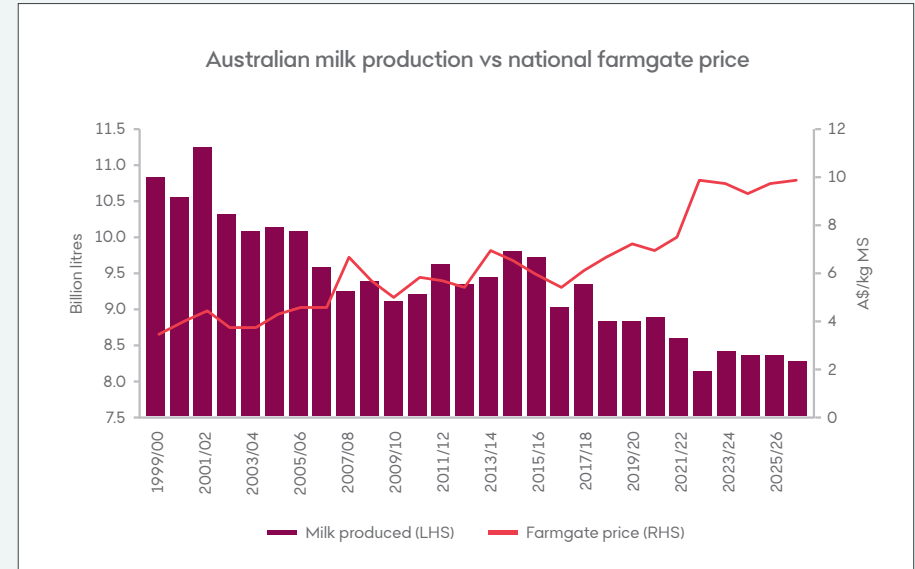
Depending on the mechanisms detailed in individual processor's contracts with the retailers, those paying farmgate milk prices similar to last season may struggle to justify passing manufacturing cost increases onto consumers. While some sticker prices have risen in the dairy case, particularly for private label products, widespread increases may be dragged out through the season.



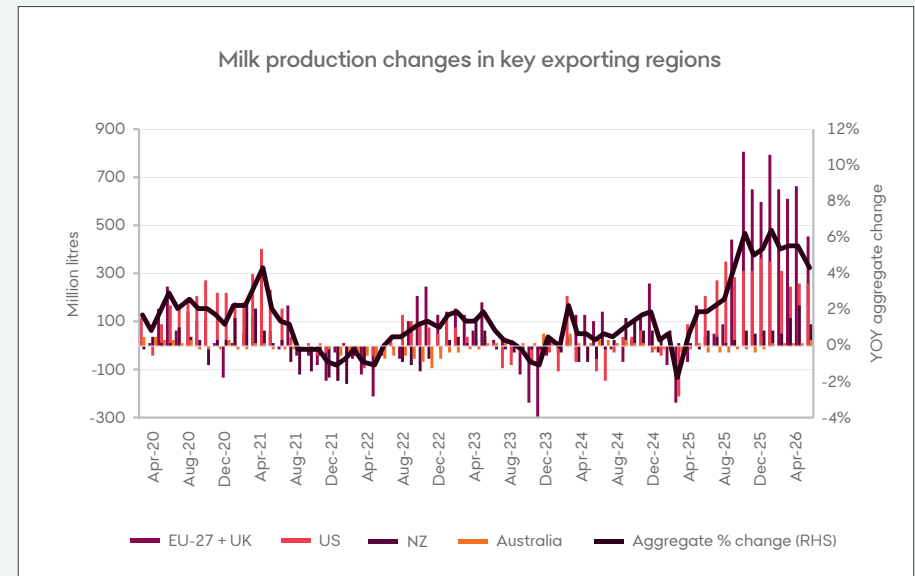
From the field...

“Given where world prices are, Australian farmgate milk prices have shown significant resilience. But with ongoing cost pressures, farm margins will continue to be squeezed, and investment intentions will be pretty subdued in FY27. Seasonal conditions are currently not too bad in most parts so this should help farmers deal with tightening margins in the meantime.”

Tony Anderson,
Regional Manager Agribusiness –
Southern Victoria & Tasmania



Source: Dairy Australia and Bendigo Bank Agribusiness



Source: Dairy Australia, DCANZ, Eurostat, USDA, AHDB



Horticulture

↑ Supply

Strong fruit and nut yields drive robust supply expectations, despite a marginal decrease in vegetable output.

↓ Demand

Domestic demand for staples is steady, while premium categories face cost pressure. Exports are facing headwinds.

↔ Price

Fruit prices are set to decline, while vegetable prices will move higher, and nut returns remain mixed depending upon quality.

↓ Outlook

Robust fruit and nut yields are tempered by mixed demand and cost pressures, placing a premium on top quality produce.

Fruit Supply

Fruit sector yields are projected to remain above average, ensuring well stocked shelves through the second half of 2026. Materially improved early-winter soil moisture supports this outlook, while a forecast dry spring is also reinforcing expectations for high volumes of quality fruit. This robust supply is being driven primarily by elevated volumes of citrus, apples, and stone fruit, while avocado and banana yields are expected to track closer to historical averages. The citrus season has now hit the halfway mark. Southern growing regions report favourable quality with high sugar levels and strong colouration. However, lower-than-average rainfall in the Riverland and Sunraysia regions has reduced water availability through key development period, resulting in smaller fruit sizes. This smaller sizing may negatively impact pack-out rates and weigh on overall returns. Stone fruit producers will be hoping for a cold winter to ensure complete dormancy, followed by even flowering in spring. A wet winter combined with the forecast of a drier spring will be particularly beneficial to stone fruit, both in terms of higher yields and superior quality. Provided growers have access to adequate and quality irrigation to supplement the dry spring, and also receive the requisite chill hours, this weather outlook should maximise yield potential across stone fruit

categories. Domestic avocado supply is expected to tighten across the back half of the year. Yields are down significantly in Central Queensland, with Hass production falling by nearly one million trays year-on-year, a reduction that has driven a more balanced supply picture following several seasons of oversupply. Additionally, Western Australia is entering a biennial down-year following last season's record-breaking output, which may restrict further supply growth from October.

Demand

Domestic demand is expected to remain steady for high-volume staple fruits like bananas, citrus, and apples. However, premium segments including cherries, berries, and dried fruits may see softer local demand as cost-of-living pressures limit household spending. For exporters, the demand outlook remains complex, constrained by a strong AUD and elevated global production, though a mixed quality outlook for seasonal competitors provides both challenges and opportunities. Australian citrus exporters face intensifying competition into key Asian markets. Recent seasons have seen noted improvements to the quality of South African produce, which has begun to attract the eye of global citrus buyers. On the other side of



Horticulture

the equation, global demand for Australian stone fruit is positioned to benefit from more adverse weather outlooks in competing regions. Key exporters in Chile and Peru often experience wetter conditions during El Niño phases, which threatens their stone fruit yield and quality. This disruption is expected to drive Asian buyers toward Australian stone fruit as a reliable source of premium product. Avocados were a major growth story in the export space over the last 12 months. Western Australian producers successfully leveraged expanded market access to export record volumes in the first half of 2026, however, the export outlook for the second half of the year is less optimistic. Rising freight and production costs, coupled with robust global volumes and a more average harvest, are expected to temper export growth prospects for avocado producers in the latter half of the year.

Price

Australian fruit prices are projected to trend lower from a domestic perspective through the coming six months. This downward pressure is driven by a combination of strong domestic production and expanding global supply, which will keep markets well-stocked. While persistent cost-of-living pressures will continue to limit local consumer spending within the premium fruit categories, pricing across staple fruits will remain attractive for consumers. Meanwhile, for export orientated segments, price outlooks are varied. Citrus producers are anticipating more restrictive pricing with a recent grower meeting highlighting that

a worst-case scenario could see Australian producers receiving between \$50 to \$100 per tonne less in 2026 compared to 2025. Stone fruit producers on the other hand are expected to see a lift in export pricing amidst reduced quality expectations from seasonal export competitors.

Vegetables

Supply

Vegetable supply is expected to decrease marginally in the second half of 2026, reversing the elevated volumes seen throughout the first half of the year. While weather conditions remain broadly favourable, growers have actively reduced planted acreage for major varieties during the autumn months. The short-cycle nature of vegetable crops allows producers to rapidly adjust planting schedules, a strategy implemented in response to escalating input costs linked to ongoing Middle Eastern conflicts through the second quarter of 2026. Although immediate market supply remains sufficient, the reduced plantings of April and May vegetable crops will materialize later in the year. Consequently, a slight tightening in the availability of staple vegetables, particularly brassicas, leafy greens, and peas, is expected to become apparent from August onwards. Carrots are a key exception. The recent loss of access to key Middle Eastern export markets has seen larger volumes of carrots pivoting towards domestic channels, resulting in elevated supply and reduced returns for growers.

Demand

Domestic consumer demand for staple vegetables is projected to remain steady across the back half of 2026. As a relatively inexpensive grocery category, vegetables are resilient to ongoing cost-of-living pressures, insulating them from the demand softening seen in the more premium fruit and nut segments. However, inflationary pressures are still driving a shift in purchasing habits. Value-oriented products, such as odd bunch packs, are experiencing continued growth as consumers seek lower per-kilo prices. The industry continues to push campaigns demonstrating that minor cosmetic blemishes do not impact product quality. These initiatives are successfully helping retailers cater to cost-conscious shoppers while allowing producers to minimise food waste. Unfortunately, vegetable exporters are facing more significant headwinds. While exports represent a smaller portion of the overall value produced by the vegetable sector, the closure of the Strait of Hormuz has disrupted trade. The Middle East accounted for 33 per cent of all Australian vegetable exports in 2025, heavily weighted toward carrots. Since the conflict escalated, year-to-date exports to the region have fallen by nearly 18 per cent. The logistical recovery will be slow even as the Strait reopens, with total 2026 vegetable exports expected to finish up to 15 per cent below the ten-year average of 83,000 tonnes.



Horticulture

Price

Wholesale vegetable markets came under pressure from the strong supply generated in the first half of the year, which has severely limited producers' ability to raise prices and protect their margins amidst recent cost pressure. However, as the aforementioned reduction in autumn planting schedules is expected to begin to impact market volumes, vegetable prices are poised to move higher across several categories from late winter into early spring. Shorter-cycle crops such as brassicas, leafy greens, and peas are expected to experience the most direct and upward price pressure as supply tightens.

Nuts

Supply

Output across the nut sector remains broadly favourable due to strong yields. However, significant quality and sizing concerns have begun to emerge, complicating the supply picture for both the almond and macadamia categories. Inclement weather late in the season has impacted the availability of export-quality in-shell almonds. While yields and quality in the NSW Riverina were broadly positive, heavy harvest rainfall across the Sunraysia and Riverland regions caused widespread shell staining. As a result, the volume of high-quality in-shell product, the preference for Indian and Chinese buyers, is constrained compared to prior seasons. Processors have undertaken drying programs to maximise in-shell

quality, but many are being forced to crack out kernels where presentation remains sub-optimal. Looking ahead, the El Niño climate phase is expected to bring warmer, drier weather to Australia's almond regions. This forecast promises decent pollination conditions and should provide relief given the ongoing pollination challenges posed by the spread of varroa mite. While chill hour impacts are expected to be negligible, growers will still need to actively manage water and frost risks across the season to maximise yield. Further north, with harvest ongoing, the macadamia sector is poised to deliver its largest crop on record as new plantings reach maturity. The industry forecasts total output at nearly 60,000 tonnes (at 3.5 per cent moisture) for 2026, representing a 30 per cent increase over last season's weather-impacted crop. Unfortunately, sizing is emerging as a critical issue. Smaller nuts are prevalent this season, with reports indicating that 30 per cent to 40 per cent of the crop out of the Bundaberg region is falling below the 22mm threshold.

Demand

Domestic demand for nuts is expected to soften as consumers tighten spending amidst cost challenges. The export picture remains more supportive, particularly for almonds which are heavily supported by tariff-free access to the Chinese market. This presents a large competitive advantage over the US as they continue to face a prohibitive 45 per cent

import tariff. Chinese purchasing is expected to remain robust, with trade volumes limited more by the lack of quality in-shell product rather than a shortfall in actual demand. While a stronger AUD would typically shift Chinese demand back toward US suppliers, the current tariff disparity effectively offsets currency headwinds, ensuring stronger returns for local processors and exporters. A critical watchpoint for the industry moving into late 2026 and beyond is any potential change to this tariff disparity, which would quickly alter the export landscape. Despite a supportive demand environment, total export volumes will track lower year-on-year due to the combination of reduced in-shell quality and already depleted inventory levels following consecutive seasons of substantial export volumes. Demand for Australian macadamias is more fragmented and heavily dependent upon nut size and quality. Overall sentiment is currently subdued by high international stock levels, booming global production, and intensifying competition from South Africa, which may see improved demand from China following the removal of a 12 per cent import tariff. Chinese buyers maintain robust demand for premium in-shell nuts larger than 22mm, creating a favourable market for growers who can achieve this size profile. However, the larger proportion of smaller macadamias this season from both local and South African producers has triggered reduced processor demand for anything under 22mm.

Price

The pricing outlook for almonds is split based on quality. The combination of strong global demand and limited availability of undamaged in-shell almonds will drive excellent returns for producers who avoided the harvest rainfall events. For these growers, pricing is expected to remain well above \$10/kg across the remainder of the marketing year. Unfortunately, growers with stained almonds will face discounted prices, with higher drying costs to also hit margins.

The price outlook for macadamia producers in 2026 is more subdued, driven by a convergence of elevated domestic production, high international stock levels, and expanding global output. Compounding the issue is intensifying competition from South Africa. The influx of these smaller nuts onto the global market, combined with Australia's own high proportion of undersized nuts, has made buyers and processors increasingly stringent. Processors are now penalising nuts under 22mm in-shell, applying discounts of up to 20 per cent which threatens to drive farmgate prices below the cost of production. Premium macadamias over 22mm remain more sought after in China, ensuring favourable price outlooks for growers who managed to achieve larger sizing. Currently, processor offers are hovering between \$3.80 and \$4.00 per kilo (33 per cent kernel and 10 per cent moisture). However, given the record crop, there is significant downside price risk heading into spring, causing anxiety for producers locked into notional price contracts. Looking long-term, global consumption trends are increasingly favouring whole kernel recovery. The dominant Australian varieties tend towards higher volume, though produce smaller nuts and reduced whole kernel recovery. Future plantings are likely to pivot toward larger varieties optimised for high kernel recovery over pure volume as a result.



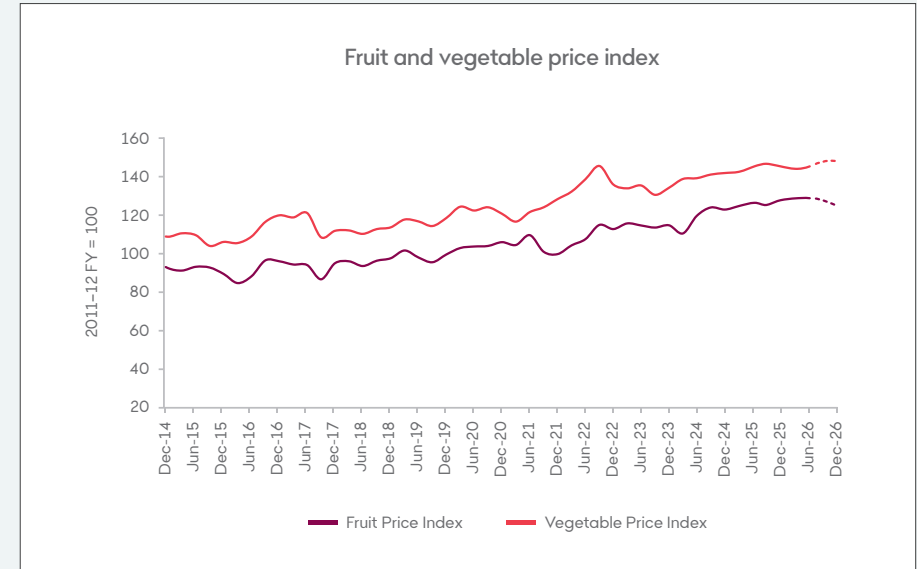


Horticulture

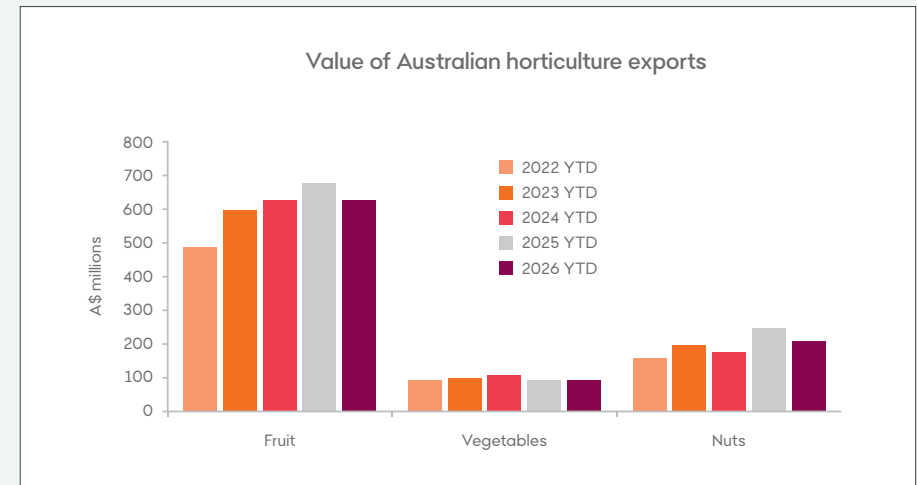
From the field...

“Favourable seasonal conditions are supporting strong yields in northern Queensland, though ongoing cost uncertainty continues to weigh on sentiment across the sector. Elevated freight costs are a particular focus for local producers due to their distance from major distribution centres. This freight exposure is expected to drive greater price fluctuations for fruit and vegetables due to the east coasts heavier reliance upon Queensland produce through winter.”

David Pollock,
Senior Agribusiness Broker Manager –
North Queensland



Source: Australian Bureau of Statistics (ABS), Bendigo Bank Agribusiness



Source: Global Trade Atlas



Sheep

↓ Supply

Australian lamb and mutton supply will remain constrained in the second half of 2026.

↔ Demand

Demand to remain elevated, but processors will look to slow throughput to avoid additional upwards pressure on prices.

↔ Price

Australian lamb prices to remain relatively steady near record levels through the second half of 2026.

↔ Outlook

Ongoing strong lamb and mutton pricing will continue to benefit producers, although production is likely to remain subdued in the second half of 2026.

Supply

After three consecutive years of destocking, lamb and mutton supply has tightened significantly since the middle of 2025. Meat and Livestock Australia (MLA) have estimated the national flock at 67 million head at the mid-point of 2026, down 9.5 per cent from the recent peak in 2023 and relatively in line with the size of the flock at the start of the rebuild in 2020. The decline in supply is already evident at the saleyard level, with average weekly lamb yardings down 15.1 per cent so far in 2026, while the fall in sheep yardings has been more pronounced, with the year-to-date average down 30.7 per cent. Supply is likely to remain tight over the second half of the year, as the reduction in breeding stock continues to limit the availability of both lamb and mutton.

The favourable start to the season across the southeastern growing regions has encouraged flock rebuilding following the dry conditions over the previous three years. Rebuilding is likely to continue moving into the second half of half of the year through both the retention of stock and uplift in back-to-paddock buying. However, the drier weather outlook is cause for concern, with some growers indicating that they will look to slow rebuilding efforts and operate at below maximum stocking rates to assist in absorbing any decline in feed availability. Despite the likelihood of drier conditions,

the comparatively smaller flock paired with the favourable price spread for lamb and mutton in relation to feed markets is expected to limit turn-off and result in a further tightening in supply.

Demand

Demand for Australian lamb and mutton is expected to remain elevated in the second half of 2026; however, we may still see a pullback in processor throughput. Lamb and mutton slaughter rates have both declined considerably from the peaks in 2024 and the first half of 2025, driven by a combination of reduced supply and increasing margin pressure on processors. Lamb slaughter has averaged 402 thousand head per week so far in 2026, down 13.7 per cent year-on-year, while average weekly mutton throughput is down 37.0 per cent over the same period. Following the sharp rise in prices in the middle of 2025, processor margins have come under significant pressure, which has forced them to cut kill shifts rather than drive the market even higher in pursuit of stock. The expectation of continued tight supply in the second half of 2026, paired with an uptick in restocking activity following the widespread rainfall in June, is forecast to amplify margin pressure and see a further reduction in throughput.



Sheep

Domestic consumption has continued to face pressure in 2026, as the sharp uplift in saleyard prices alongside rising transport costs continue to flow through the supply chain. MLA has forecast lamb consumption to decline to 5.9 kg per person in 2026, down from the recent peak of 7.5 kg per person in 2023. The fall in consumption has been driven by cost-of-living pressures and the jump in the lamb Consumer Price Index (CPI) from the ABS. Lamb CPI has surged from a low of 70.9 in December 2023 to a recent peak of 103.7 in March 2026, pushing consumers towards cheaper protein alternatives such as chicken and pork. Consumer prices for lamb are likely to continue higher in the second half of the year as inflationary pressures are felt throughout the supply chain, further contracting domestic consumption.

The Australian sheepmeat industry is predominantly export focused, with approximately 70 per cent of Australian lamb and almost all of Australia's mutton consumed offshore. Export volumes have fallen to start 2026, however, this has been primarily driven by reduced product availability rather than a decline in demand. Lamb export volumes are down 11.4 per cent year-to-date, but despite the overall decline, volumes to Australia's two largest markets have increased. Lamb exports to the US are up 2.0 per cent year-to-date, while exports to China are up 3.9 per cent – resulting in the two largest markets now accounting for 45.5 per cent of total lamb exports. However, it is worth noting that this has also been driven in part by a decline in volumes destined for the Middle East due to

the conflict. Despite the surge in saleyard lamb prices, this has not been reflected to the same extent in export markets. When comparing the year-to-date price data between 2025 and 2026 (January–April), average export unit price has lifted by 12.6 per cent, while the National Trade Lamb Indicator (NTLI) has climbed 43.2 per cent. This divergence further highlights the resistance from consumers to higher prices, while offshore product affordability is also being pressured by the firmer AUD. Export volumes are expected to remain constrained in the coming months; however, this will be driven primarily by tighter supply rather easing demand.

Price

Lamb and mutton prices have remained incredibly high through the first half of 2026, with both the National Trade Lamb and National Mutton Indicators hitting record levels in June. Prices are expected to remain relatively rangebound through the second half of the year, supported by ongoing tight supply driven by restocking activity and the deterioration of the national flock, while processor margin pressure and consumer resistance to higher prices will limit significant sustained upside.

The rainfall received across most sheep producing regions throughout June has provided a boost to markets. However, the dry outlook to start the second half of the year is cause for concern and rebuilding would likely be delayed should these drier conditions eventuate. The significant deterioration in the flock

mentioned in the supply section is also likely to limit downside risk for sheepmeat prices through the second half of 2026, as should conditions turn dry, turn-off rates are unlikely to increase substantially. Alternatively, should favourable conditions occur through spring, restocking activity could see the recent price records be short-lived.

Processor margin pressure is likely to limit price growth through the second half of 2026, as processors struggle to pass on higher prices to consumers. The past 12 months has already seen a significant reduction in processing rates, with further cuts to kill shifts expected should saleyard prices remain near the current record levels. The reduction in processing is likely to limit significant further upside in prices over the next six months.

The combination of the above factors is expected to keep lamb prices near the record levels we have become accustomed to over the past 12 months. We expect lamb prices to remain between \$10.50–13/kg, while mutton prices are forecast to stay around the \$8/kg mark. Consumer prices for lamb are also expected to continue to trend higher through the second half of the year, as high saleyard prices and additional cost pressures continue to be passed along the supply chain.

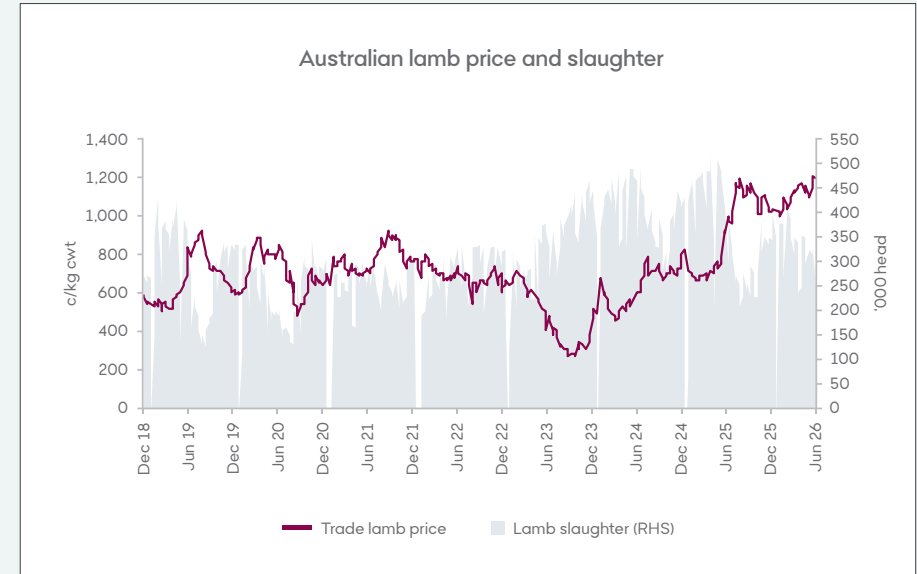


Sheep

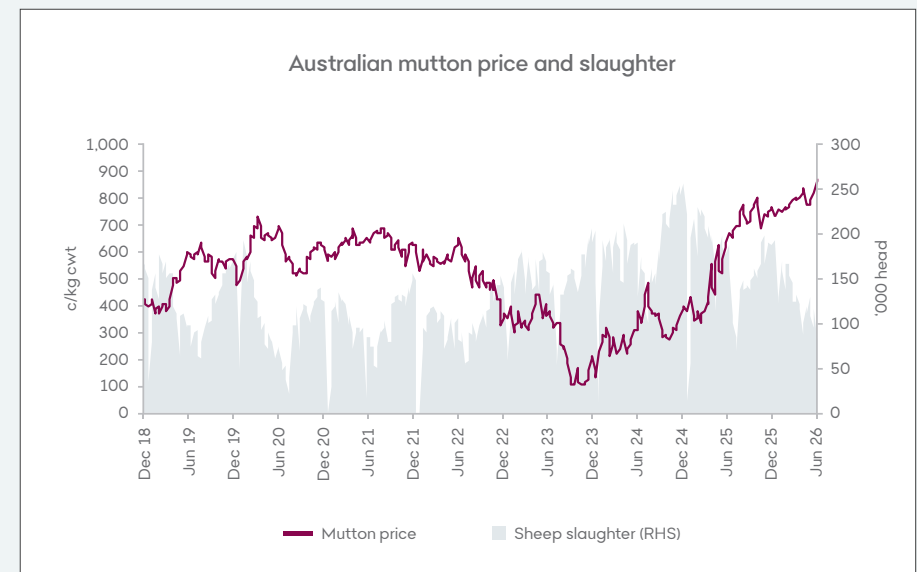
From the field...

“Lamb prices have remained extremely high through the first half of 2026, as the reality of the lack of stock continues to be felt by the industry. Processors have cut kill shifts due to margin pressures, while forward contracts for lambs are reaching record levels. The rainfall received in June has given growers confidence to start restocking, although after a couple of tough years, replenishing numbers will take time. With all these factors in mind, lamb prices are expected to stay relatively rangebound between \$10.50–\$13/kg in the second half of 2026.”

Matt Gill,
Agribusiness Relationship Director – Victoria



Source: MLA



Source: MLA

↓ Supply

Australian wool supply to ease further as stored bales are depleted. Forecast dry conditions and high costs may delay restocking efforts.

↔ Demand

Steady Chinese demand is supporting processing baselines, however, rising cost-of-living pressures will likely limit demand growth.

↑ Price

Prices will continue to lift amidst reduced supply, however, some volatility is expected due to buyer resistance.

↔ Outlook

The Australian wool industry will need to navigate price volatility as supply shortages compete with global macroeconomic demand pressures.

Supply

For the remainder of 2026 the Australian wool supply is set to ease even further from the already tightened conditions observed so far this season. While the market saw additional stored wool presented throughout the 2025/26 season to capitalise on higher prices and prop up auction offerings, this buffer has now been largely depleted. Consequently, total auction offerings and shorn sheep numbers are projected to remain in negative territory year-on-year. Recent projections from the Australian Wool Production Forecasting Committee (AWPFC) underscore this contraction. The AWPFC's first forecast for the 2026/27 season anticipates shorn wool production to fall to 243.9 million kilograms (Mkg) greasy, representing a 4.5 per cent decline from the fourth 2025/26 estimate of 255.4 Mkg. The national flock faces continued pressure, with the number of sheep expected to be shorn sitting at historically low levels of 59.3 million head, and the average cut per head dropping 3.1 per cent to 4.31 kg greasy. The first forecast for season 2026/27 sees a small lift of 0.9 per cent back up to 4.35 kg greasy on the back of improved seasonal conditions.

Regionally, the production landscape is fragmented. While early seasonal breaks provided a good start for some producers, long-term forecasts of dryness are impacting major wool-producing zones. Parts of New South Wales and southern Queensland continue to face challenging dry conditions, while producers in Victoria continue to grapple with tighter water availability. In Western Australia, structural shifts stemming from the live export ban and competing land uses continue to influence enterprise mixes, continuing to push producers toward broadacre cropping or meat production, further suppressing the western clip.

Australian Wool Testing Authority (AWTA) data confirms this tightening, with year-to-date core test volumes consistently trailing the previous season, down by over eight per cent through to May of the 2025/26 season. Even for those regions that have experienced some localised recovery, restocking efforts will be protracted. The high cost of replacement breeding ewes, coupled with supplementary feed and water infrastructure expenses, means any flock rebuilding will rely primarily on retaining stock on hand. Therefore, a genuine recovery in supply volumes is highly unlikely to materialise within the next 12 months.



Demand

On the demand front, China remains the cornerstone of the Australian wool trade, absorbing approximately 85 per cent of the national clip. Encouragingly, sustained demand has been evident as Chinese topmakers and processors work to keep their operations flowing and replenish their wool stores. Recent order activity has been supported by specific manufacturing segments, notably uniform programs and activewear, providing a reliable and steady baseline of demand. However, the broader macroeconomic environment presents competing headwinds. As a luxury product, wool demand remains inherently tied to global cost-of-living pressures. There are lingering concerns that sustained inflation and economic tightening in key retail markets may dampen consumer appetite for woollen apparel. Competing fibres also play a critical role; earlier in the year, elevated crude oil prices drove up the cost of synthetic alternatives, indirectly supporting wool's competitive positioning. However, as tentative peace talks advance and crude oil prices show signs of easing, the cost of synthetic fibres is expected to drop, potentially increasing substitute competition in the mid-market apparel sector.

Despite these global pressures, an area to watch is the growing demand for traceable and ethically certified wool. In particular, European buyers are increasingly mandating stringent provenance and welfare standards. Responsible Wool Standard

(RWS) accredited, non-mulesed fleeces are attracting premiums over standard clips. For producers who can provide detailed reporting and ethical certifications, this segment offers greater security. Currency dynamics will also require close monitoring. While a strengthening AUD traditionally applies downward pressure on export demand, the underlying market has shown remarkable resilience, with buyers willing to absorb currency headwinds to secure high-quality fleece.

Price

Australian wool prices have experienced a formidable rally this season driven by a combination of the aforementioned supply squeeze and a steady lift in demand. The Australian wool market was recently trading at near historical highs, with the AWEX Eastern Market Indicator (EMI) testing the upper bounds of the market, peaking at 1,989 c/kg in the penultimate week of the season before falling to finish the season at 1,943 c/kg clean. This represented the highest point the EMI has reached since mid-2019, reflecting a profoundly seller-friendly environment.

The pursuit of quality has driven some segmentations across the Micron Price Guides. Finer microns continue to perform well, with 17 and 18-micron categories recently breaking through the 2,600 c/kg threshold. The merino microns have also established a highly profitable trading floor, as buyers aggressively

compete for sound, well-specified fleece with high tensile strength and low vegetable matter. Merino cardings have also been trending upwards, hitting multi-year highs. Crossbred types have seen some positive movement on the coattails of the Merino rally; however, they generally remain a volume-driven play.

Looking ahead over the next 6–12 months, the market may break through the 2,000 c/kg EMI barrier. However, the trajectory of this growth will look very different from the rapid acceleration witnessed earlier this year. As prices approach this historical peak, buyer resistance will inevitably firm, particularly if downstream retail margins cannot absorb the escalating raw material costs.

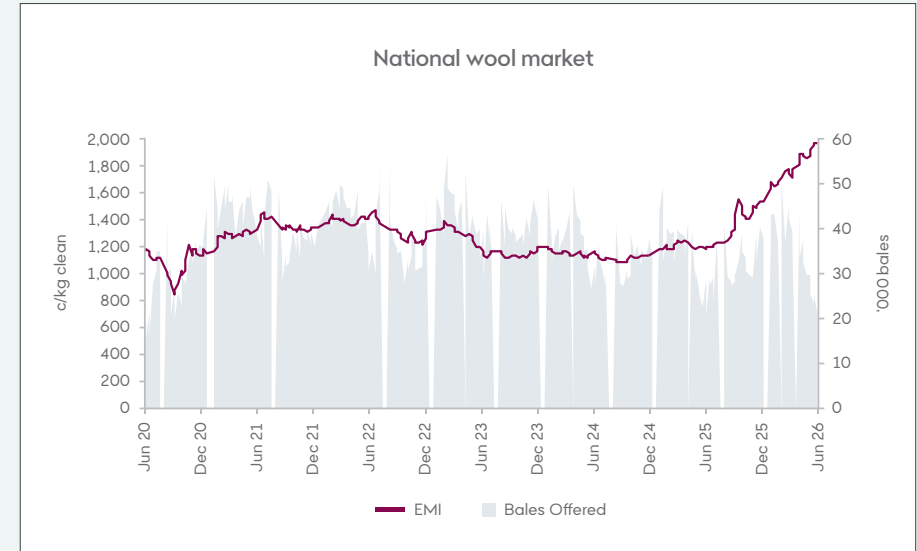
Consequently, the industry is heading for a period of extended consolidation. The coming months will likely be characterised by increased volatility, with weeks of lower auction volumes supporting spot premiums while others with a slight uptick in rostered bales may result in price corrections and elevated pass-in rates as sellers refuse to accept discounted bids. Overall, while the supply shortage fundamentally underpins a higher price floor, further exponential growth is unlikely, and producers should expect a choppy, consolidating trading environment as the year progresses.



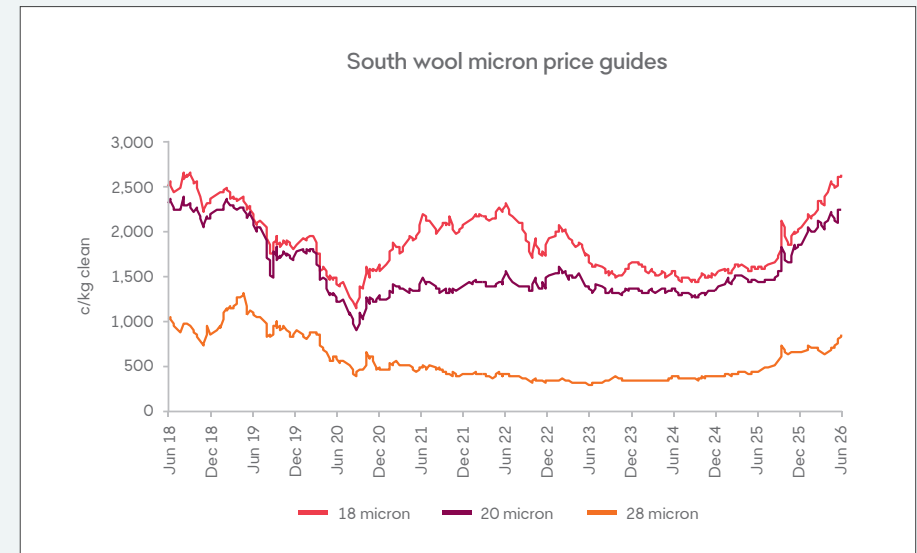
From the field...

“Businesses primarily focused on wool growing have endured years of sustained real price deterioration coupled with a myriad of challenges in the sheep market, climate and global economy. Prices in the Australian wool market have finally matched previous 2019 highs. This is driven by a collapse in wool supply which has fallen 20 per cent in the last decade alone. The escalation in price has led to large growers opportunistically depleting their wool stocks meaning low offerings are expected to be sustained in 2026/27. Growers of the fibre are now in a race to rebuild the nation’s flock and capture the record prices.”

Ryley Verley,
Agribusiness Relationship Manager – South Australia



Source: AWEX



Source: AWEX

State summaries



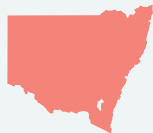
Queensland

The outlook for Queensland's agricultural industry is broadly positive moving into the second half of the year but may be tempered by the concerning weather forecast and heightened input costs. The forecast for drier conditions will weigh on producer confidence and influence operational decisions in the coming months despite the recent rainfall which has replenished soil moisture levels, while the rise in fuel and fertiliser costs continue to put pressure on margins.

A modest easing of cattle prices is forecast for Queensland through the remainder of 2026. While a recent improvement in seasonal conditions has tightened supply and provided a firm price floor, this support will be outweighed by national headwinds. A forecast dry spring and intensifying competition in key export markets are expected to cap further upside, pulling prices from their current peaks.

The winter crop prospects in Queensland have dramatically improved following widespread rainfall since the middle of May. Production is still expected to be slightly below average following the dry start, while favourable conditions in spring will be needed for crops to reach their potential.

The outlook for horticulture within the state is mixed. Avocado and banana yields are tracking closer to historical averages, and the macadamia sector is poised for a record crop as new plantings mature. However, this will be tempered by a high prevalence of smaller nuts, particularly from the Bundaberg region, which are facing processor discounts of up to 20 per cent due to fragmented global demand that favours premium, larger nuts.



New South Wales

The agricultural outlook for New South Wales heading into the second half of 2026 is defined by cautious optimism, balancing the recent seasonal recovery against the looming risk of a dry finish. Looking at cropping, the state has operated at two speeds. A historically dry north has recently benefited from rain, lifting the wheat outlook to approximately 7.5 million tonnes and unwinding the drought premium in the northern feed market. Meanwhile, the southern market maintains its strong protein and export edge, with canola pricing remaining firm on crush and forward-selling demand. However, a forecasted dry second half would heavily impact the late-recovering northern regions.

In the dairy sector, production continues to grow on the back of larger herds, robust investment, and favourable southern conditions. While higher interest rates and operating costs may temper further expansion, domestic-focused milk prices are helping farmers navigate input pressures, which will likely keep the sector on a steady, albeit slower, growth trajectory.

Other livestock producers enter the latter half of the year with improved confidence due to recent pasture growth, which has encouraged stock retention and reduced immediate selling pressure. Solid processor demand continues to support cattle markets, while lamb and mutton prices remain high due to tight supply following previous destocking. The wool industry is similarly supported by near-historic high prices driven by severe supply shortages. However, across all livestock categories, the forecasted dry winter and spring remains a critical watchpoint. Deteriorating conditions and constrained feed availability could trigger increased spring turn-off and severely limit rebuilding efforts in key producing zones.



Victoria

A strong early autumn break has set a positive tone for Victoria's agricultural industry, though the threat of a warm, dry spring under a developing El Niño prompts caution. In the cropping sector, early rainfall has expanded canola planting in the north-west, positioning the state for an above-average harvest if favourable spring conditions hold. However, this exceptional yield outlook faces a key test from the dry forecast, which is paired with already elevated input cost pressures. Similarly, the dairy sector has recovered from previous dry spells, supported by timely rain and supplementary feed reserves. However, flat farmgate prices, rising input costs, and higher interest rates are squeezing margins, likely resulting in delayed expansions and a slight decrease in milk volumes in the 2026/27 season.

In other livestock sectors, broadly favourable conditions since the end of February have improved the outlook. The state's cattle production is well supported by improved pasture and active processor demand, encouraging herd retention. Lamb and mutton prices remain near record highs, although the dry forecast has sheep producers taking a cautious approach to restocking. Wool producers are benefitting from strong prices driven by supply shortages, though local production increases are constrained by high input costs and water availability concerns.

Meanwhile, the horticultural sector is experiencing varied conditions. The almond harvest in northwestern Victoria was impacted by significant rainfall in early March, while warm, dry El Niño weather is expected to provide ideal pollination for growers through spring. Vegetable supplies are also projected to decline slightly following reduced autumn plantings.



Tasmania

The outlook for Tasmania's agricultural industry is navigating a mix of favourable market conditions and emerging weather risks heading into the second half of 2026. While timely rainfall in May and June significantly improved soil moisture levels, the dry three-month forecast poses considerable risk to producers. This impending dry period, coupled with increased fertiliser costs, is expected to constrain further uplift in Tasmanian dairy production during the 2026/27 season, following a period of strong growth driven by favourable spring conditions and renewed corporate investment.

In other livestock sectors, the state's cattle market is expected to remain stable, supported by ongoing processor demand and relatively firm prices. Although dry conditions raise concerns regarding spring pasture growth and water availability, tight supply is expected to limit significant downside and ensure favourable returns. Similarly, lamb and mutton prices are forecast to stay near record levels. However, the dry outlook could trigger increased turn-off into spring, while squeezed processor margins have led to reduced kill shifts. The wool industry enters the second half of 2026 with near-historic high prices due to severe supply shortages, though persistent dry conditions and high input costs continue to pressure flock numbers, accelerating an ongoing shift away from traditional Merino flocks toward meat or dual-purpose breeds.

In horticulture, international demand for Tasmanian stone fruit is expected to remain elevated. Adverse weather, particularly El Niño-driven conditions are threatening yields in competing nations like Chile and Peru, which is expected to increasingly drive Asian buyers toward Australian stone fruit as a reliable, premium alternative, despite similar weather pressures here.



South Australia

A dramatic seasonal turnaround has significantly boosted South Australia's agricultural outlook, with early rain lifting cropping zones from near-record dry to the top deciles and underpinning expectations of at least an average crop. Export demand has kept carryover low, keeping canola and cereal prices highly competitive. However, an emerging El Niño threatens a warm, dry spring, posing heat and frost risks during crop flowering. This climate phase also presents mixed conditions for horticulture. While drier weather offers ideal pollination conditions for almond growers, they must actively manage localised water and frost risks. Riverland citrus boasts high quality and strong coloration, but below-average rainfall has limited fruit sizes, impacting grower returns alongside rising export competition from South Africa. Additionally, vegetable supplies are forecast to decrease slightly due to reduced autumn plantings.

Grazing industries across the state are navigating a gradual recovery, with cattle producers remaining highly dependent on seasonal conditions as pastures heal slowly from prolonged dry conditions. Prices are well-supported, but further dry conditions could accelerate selling. Meanwhile, lamb and mutton markets are projected to hold near record highs. While initial rains encouraged restocking, a drier outlook is driving cautious flock management to avoid spring feed pressures, while tight processing margins are limiting processor demand. Wool prices remain historically strong, but South Australian production will stay suppressed due to high input costs and historically low cuts per head following previous difficult seasons.



Western Australia

Western Australia's broadacre zones have capitalised on a highly encouraging seasonal break, with widespread June rainfall setting up a promising cropping outlook across most of the grain belt. While pockets of the Great Southern remain dry, wheat and barley markets are showing a stark divergence. Record barley exports to China have kept old crop supplies tight and nearby values firm. Conversely, wheat faces growing carryout risks as competitive Black Sea grain challenges local competitiveness on the global stage.

For the state's graziers, market fortunes remain closely tied to international demand and evolving policy shifts. The cattle industry is poised to benefit from robust export activity, though a drier forecast in the southwest could trigger higher turn-off if seasonal conditions degrade. Meanwhile, lamb and mutton prices are expected to hold at elevated levels due to previous heavy destocking. However, a dry spring outlook could increase supply and temporarily pressure markets, while tightening processing margins may see a further decline in throughput. The wool sector continues to navigate a unique structural transition. While historically high prices and tight supplies provide a strong price floor, the impending phase-out of the live sheep export trade is accelerating a permanent shift among Western Australian producers towards broadacre cropping or meat-focused enterprises, further contracting the state's overall wool clip. Meanwhile, milk production continues to track below last year's levels and milk flows will likely remain constrained. Many businesses have destocked to find the most profitable position, while others have diversified into beef or exited the industry.

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About the research

Bendigo Bank's *Australian Agriculture Mid-Year Outlook 2026* report provides an in-depth perspective on supply, demand, and price expectations for six of Australia's major agricultural commodities. By analysing historical trends and considering future scenarios, the Outlook presents a detailed view on what lies ahead for Australian farmers to help them make informed business decisions. Significant effort has been taken to secure the most recent data available.

The forecasts presented in this report relate to the July 2026 – December 2026 period, unless otherwise specified. Future market conditions may cause actual prices to move across and outside of the forecast range.

All prices represent Australian Dollars unless otherwise noted.

Glossary

ABS	Australian Bureau of Statistics
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AWEX	Australian Wool Exchange
AWPFC	Australian Wool Production Forecasting Committee
AWTA	Australian Wool Testing Authority
AUD	Australian Dollar
CPI	Consumer Price Index
EMI	Eastern Market Indicator
EU	European Union
EYCI	Eastern Young Cattle Indicator
GDP	Gross Domestic Product
GDT	Global Dairy Trade
MLA	Meat and Livestock Australia
MS	Milk solids
NMI	National Mutton Indicator
NTLI	National Trade Lamb Indicator
RBA	Reserve Bank of Australia
US	United States
USDA	United States Department of Agriculture

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