# Quarterly Agriculture Report

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## Agricultural Outlook

The farm sector has held up better than expected given the rise in diesel, fertiliser and freight costs following the Middle East conflict. We have revised up our outlook and now expect farm GVA to grow 0.9% in 2026, from the 0.8% contraction forecast previously. The upgrade reflects stronger crop production than anticipated alongside more resilient livestock production. Growth is expected to slow from the exceptional pace experienced in 2025 and remain more subdued further out, as activity normalises and production returns closer to long-run levels.

## Commodity prices

The Westpac Agriculture Commodity Price Index rose 5.2% in Q2 and remained 8.2% higher than a year earlier. More recently, grains and livestock have led gains. Wheat prices rose through August as strikes on Ukrainian and Russian export facilities raised supply concerns, while beef prices pushed higher into late August. We have raised our forecasts for the remainder of 2026 for wheat, sugar and beef prices since our last report. We expect the Commodity Price Index to rise 6.3% in 2026 before declining -2.3% in 2027, though prices across several commodities are expected to remain above their longer-run averages.

## Trade and exports

Trade conditions have become more restrictive for livestock exporters. China's beef safeguard quota was reached in mid-June, lifting tariffs on further shipments to 55%, while South Korea's quota was exhausted in late July. The US has also launched an investigation into lamb imports that could see tariffs or quotas applied from early 2027. These developments are expected to weigh on export growth over the coming year.

## El Niño risk

A strong El Niño event has been declared and is expected to persist into mid-2027. While this increases the risk of a drier and warmer season, it does not guarantee a drought. Winter crops and livestock are most exposed. Our central case remains that the impact is manageable, though a more severe event would weigh on production and add to inflation pressures.

## How our key subsectors are looking

• Beef: Following a very strong 2025, export growth has slowed but remains elevated, supported by resilient US demand and historically high production. China's safeguard quota and South Korea's quota exhaustion point to a more uneven period ahead, though prices remain well supported. We expect the EYCI to end 2026 around A$9.49/kg cwt.

• Sheep: Tight supply continues to underpin lamb prices. ABARES expects the flock to rise 2% in 2026-27 as better pasture growth supports ewe retention, though supply is expected to remain constrained and the flock remains historically low. The US investigation into lamb imports remains a key risk, with findings due in November.

• Wheat: Global wheat balances have tightened as production falls across several major exporters and Black Sea supply risks remain elevated. ABARES expects Australian wheat production to fall 17% in 2026-27, though output would still remain above the ten-year average. We expect ASW prices to end 2026 around A$332/t before easing to around A$290/t by end-2027.

• Dairy: Global dairy prices have softened as supply improves, though skim milk powder has outperformed as demand shifts from fats towards proteins. Australian farmgate prices remain supported by domestic demand, while milk production has improved from its weak start to the season. El Niño remains an upside risk to prices and a downside risk to production.

• Canola: Biodiesel demand and tighter European feedstock markets continue to support canola prices. Australian production is expected to fall by around 5% in 2026-27 but remain around 37% above the ten-year average. China's extension of its canola crush trial has improved access for Australian exporters, although increased Canadian competition is expected to limit export growth.

• Sugar: Sugar prices have recovered from the lows seen earlier in 2026 as the global market moves from surplus to deficit. El Niño poses a threat to cane production in India, Thailand and Brazil, while higher oil prices continue to influence Brazilian sugar and ethanol production decisions. Australian production is expected to rise, although prices are expected to ease from recent highs before holding above the lows seen earlier in the year.

Head of Business and Industry Economics, Sian Fenner, will be leading a webinar on Friday, 11 September from 12:00–1:00pm AEST, providing you with the opportunity to engage directly with the insights from the report.

## Browse topics

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