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COMMODITY UPDATE

QUARTER 2 - 2026

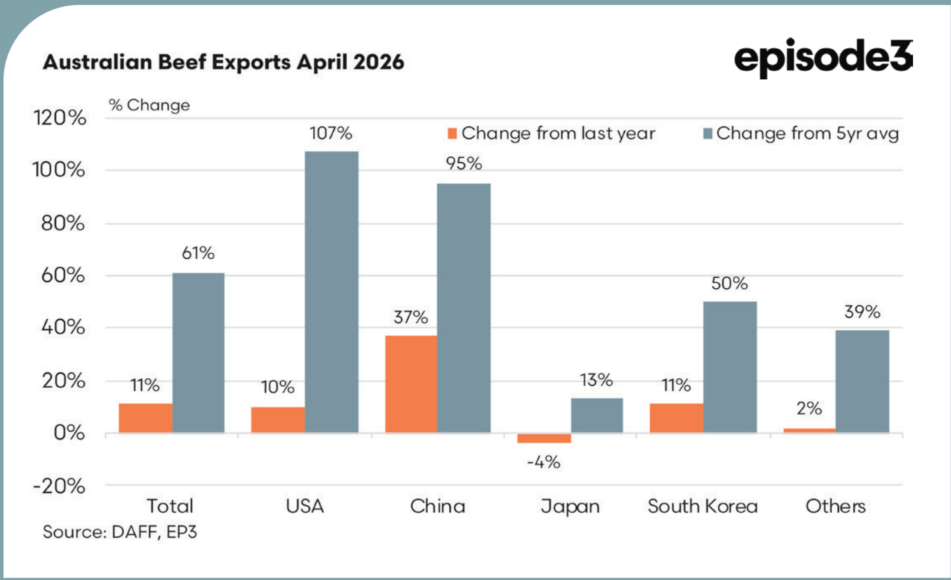
CATTLE

Australian beef exports held an exceptionally strong line through the June quarter, with April, May and June shipments combining for 440,200 tonnes shipped weight. The quarter started with April exports at 140,943 tonnes, still 11 per cent above last year and 61 per cent above the five-year average, before May set a new monthly record at 152,438 tonnes. June then eased to 146,798 tonnes, but that was still one of the strongest monthly results on record, 9 per cent above June 2025 and 50 per cent above the five-year average.

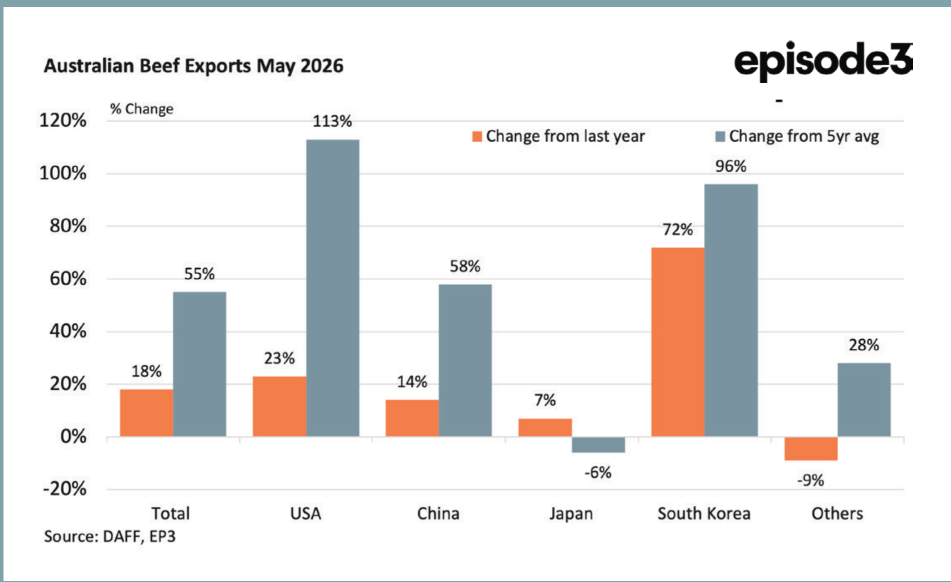
The United States was the anchor market across the quarter, taking about 137,100 tonnes across the three months. Monthly US volumes lifted from 40,999 tonnes in April to 46,947 tonnes in May and 49,182 tonnes in June, leaving the market responsible for a little over 31 per cent of the quarter's trade. The driver remains the same: tight US cattle supply and strong import demand. Australia is not just filling a short-term gap, it is supplying into a structural shortage that continues to support very large beef flows.

The bigger shift was in North Asia. China began the quarter strongly as Chinese importers raced to get ahead of the safeguard tariff, with April exports of 29,583 tonnes then followed by 27,187 tonnes in May. By the end of May, around 90 per cent of the annual safeguard allocation had already been used, and once the higher tariff was triggered June shipments fell sharply to just 7,814 tonnes. For the full quarter, China still took around 64,600 tonnes, but the direction of travel changed quickly.

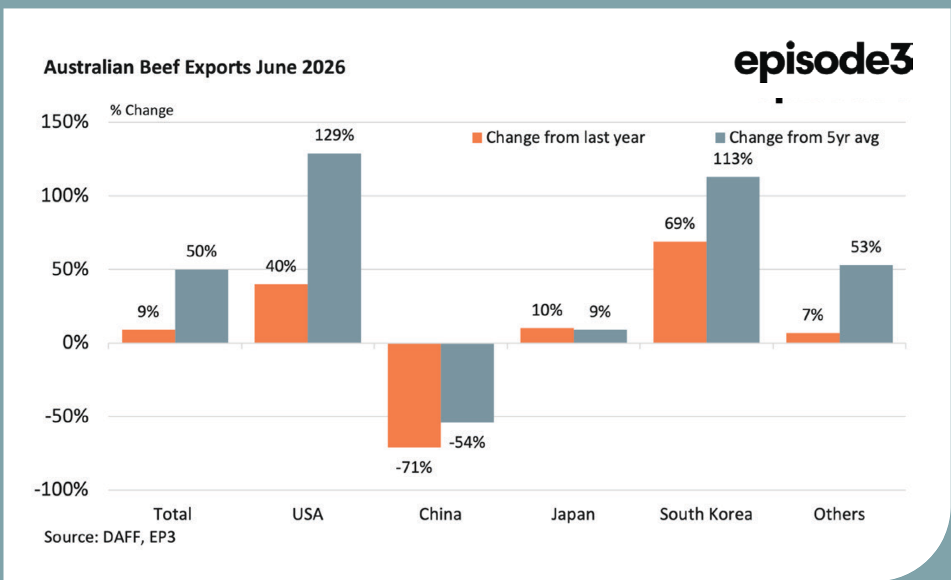
South Korea was the main beneficiary of that rebalancing. Exports lifted from 22,365 tonnes in April to 29,886 tonnes in May and 32,599 tonnes in June, giving Korea about 84,900 tonnes for the quarter and moving it ahead of China as the second-largest destination in 2026. Japan remained steady rather than spectacular, taking around 65,700 tonnes across the quarter. The key message is that Australian beef demand is broad enough to absorb a major China disruption. The second-half risk is whether Korea, Japan, the US and other markets can keep taking product at this pace while China is subject to elevated tariffs.



Australian beef exports in April remained strong across all key destinations with the top four all showing trade flows above the 5-year average for April.



South Korean demand was a standout performer during May for beef export flows with trade levels sitting 72% above the previous year's tally.



The trigger of the Chinese safeguard tariff in June saw trade volumes crash as the 55% tariff being applied to Aussie beef exports into China began to bite.

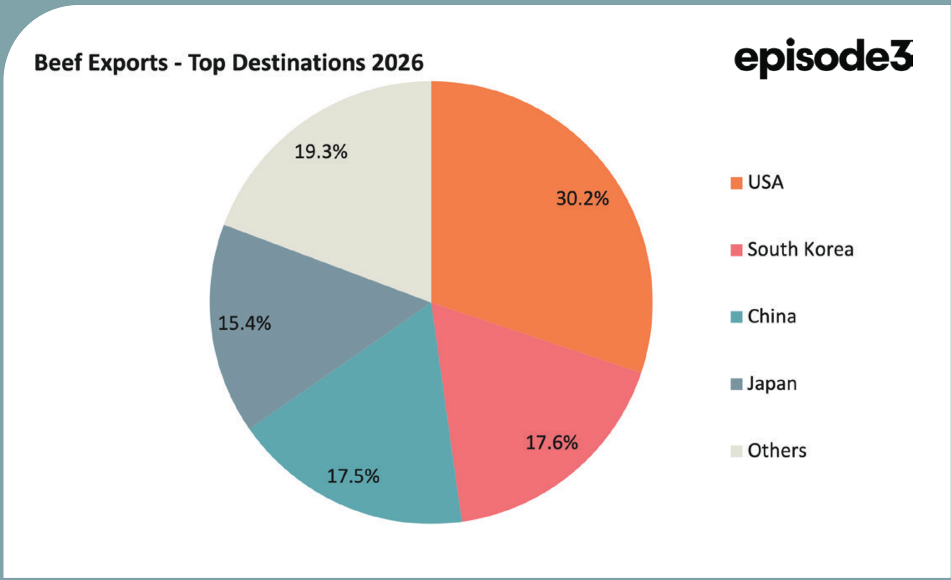
CATTLE

The Australian cattle market moved through the June quarter with plenty of volume pressure on one side and improving processor margins on the other. April framed the opening position clearly with Australia sitting in a strong supply cycle, with increased domestic cattle availability allowing the industry to maintain a high-throughput program. That matters because the export story was not just about demand. Processors had the cattle in front of them, and that supply base helped keep throughput elevated even as the market had to deal with rising livestock prices and a changing China position.

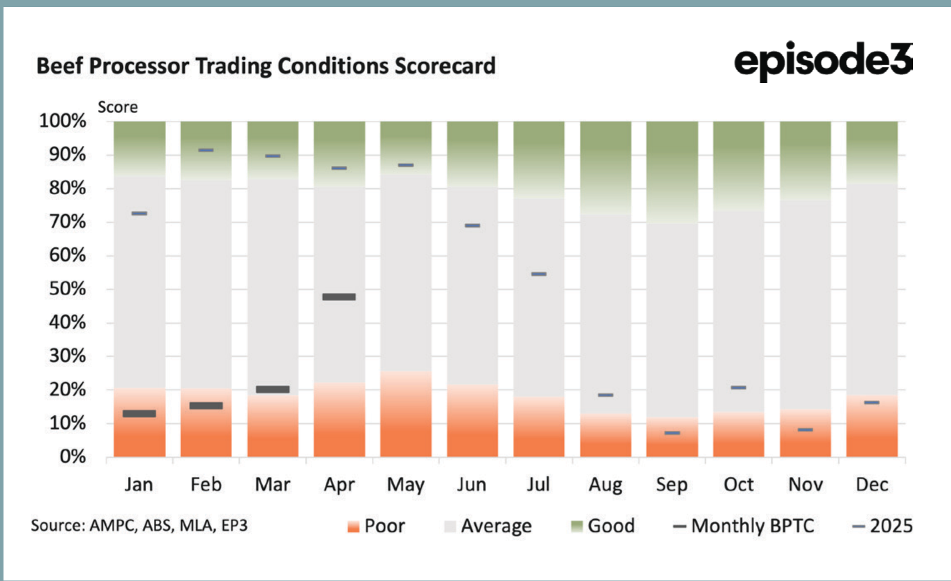
Processor conditions improved, but they were still nowhere near the exceptional levels seen a year earlier. By April, the Beef Processor Trading Conditions index had lifted from 20 per cent in March to 48 per cent, its strongest monthly result so far in 2026, taking the annual average to 24 per cent. That was a useful recovery, but the comparison is harsh given that at the same point last year, the annual average trading conditions index was 85 per cent. The BPTC analysis highlights that the April improvement was driven mainly by lower livestock procurement costs, not a sudden step-change in export returns.

Global cattle prices help explain why Australian beef remained competitive despite local prices firming. By June, Australian heavy steer values had lifted to 456Ac/kg lwt. That put Australia almost level with Argentina at 458Ac/kg lwt, well above Brazil at 345Ac/kg lwt, but still a long way under the United States at 794Ac/kg lwt. In other words, Australia was no longer cheap against South America, but it remained very competitive against the US, with the most recent global price data showing that Australian cattle were trading at a 43 per cent discount to US cattle.

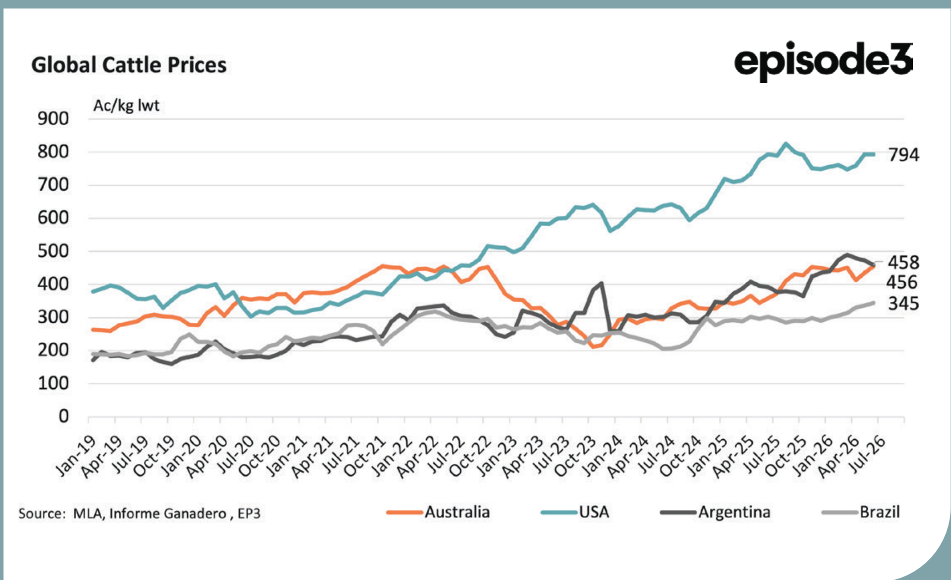
The quarter's main cattle market message is that processors were operating in a better environment than earlier in the year, but not an easy one. More cattle availability supported throughput, lower procurement costs gave processors some breathing room in April, and Australia's global price position remained workable. The risk is that rising cattle prices could quickly squeeze that margin recovery if export returns or co-product values do not keep pace.



The USA remains Australia's top beef export destination, and South Korea replaced China in second place during June.



Lower procurement costs during April saw the trading conditions for beef processors improve toward the 50th percentile.



The price of Australian cattle remains very competitive versus US counterparts, a key factor in supporting strong export demand throughout Q2, 2026.

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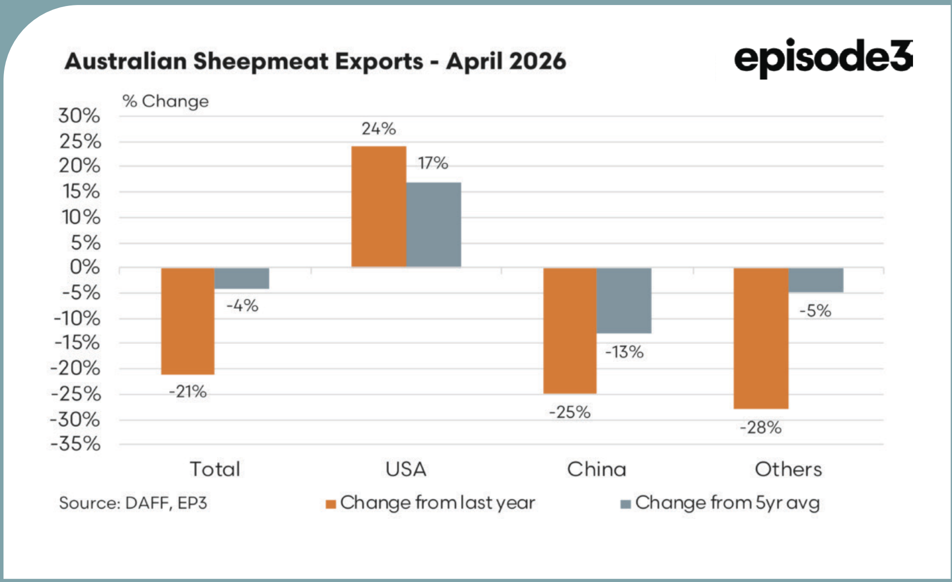
SHEEP

Australian sheep meat exports were far more subdued through the June quarter, with combined lamb and mutton shipments of roughly 116,100 tonnes across April, May and June. The pattern was strikingly flat. April exports reached 38,866 tonnes, May was almost unchanged at 38,767 tonnes, and June slipped only slightly to 38,495 tonnes. That stability masks a softer underlying picture. Volumes sat below year-earlier levels through the quarter and, unlike beef, sheep meat was not being pulled higher by broad-based growth across major destinations.

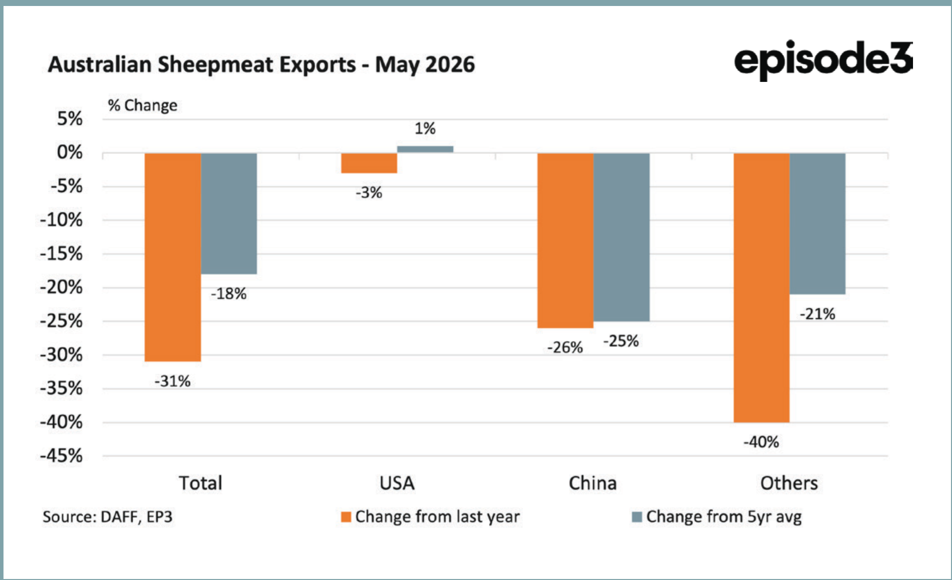
China remained the largest individual destination across the quarter, taking about 27,100 tonnes. Monthly flows moved from 8,810 tonnes in April to 8,585 tonnes in May, then improved to 9,682 tonnes in June. That late-quarter lift was useful, but it did not fully change the story. Chinese demand has stabilised, rather than accelerated, and the market is no longer providing the same volume growth that helped carry the trade in earlier years.

The United States was the steadier performer. Exports totalled about 24,100 tonnes for the quarter, with monthly flows of 8,035 tonnes in April, 7,944 tonnes in May and 8,077 tonnes in June. That consistency matters because the US continues to provide a premium outlet for Australian lamb at a time when several other regions are less reliable. It is not delivering the explosive growth seen in beef, but it is giving the sheep meat trade a dependable second pillar.

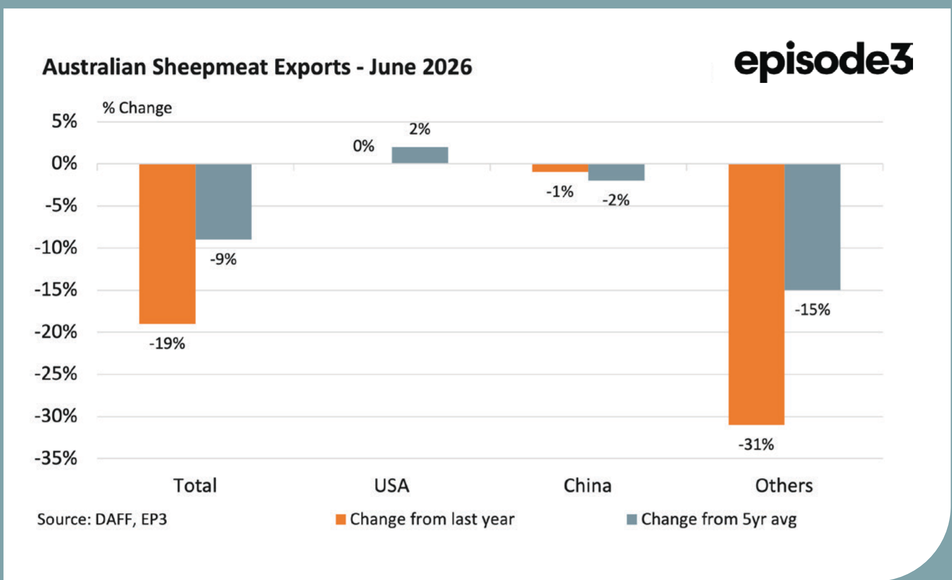
The weakness sat mainly in the broader “other markets” category, which still accounted for about 65,000 tonnes across the quarter but was held back by difficult conditions in the Middle East and North Africa. April showed weak lamb flows into Qatar, the UAE and Jordan, while May remained well below normal across several Gulf lamb markets. June brought some signs of stabilisation, including a rebound into Bahrain, but the recovery was uneven. The quarter’s trade trends highlight that sheep meat export demand is still diversified, but the trade is being constrained by tighter supply, high livestock prices and patchy demand across traditional Middle Eastern markets.



The USA remained a standout sheep meat export performer during April with flows sitting well above last season and the five-year average levels.



Ongoing access issues to the MENA region dragged down sheep meat export flows from Australia to key Middle Eastern destinations, weighing on the "other" markets category.



After several months of soft Chinese sheep meat demand the June flows returned to more normal levels, sitting marginally under the five-year average for June.

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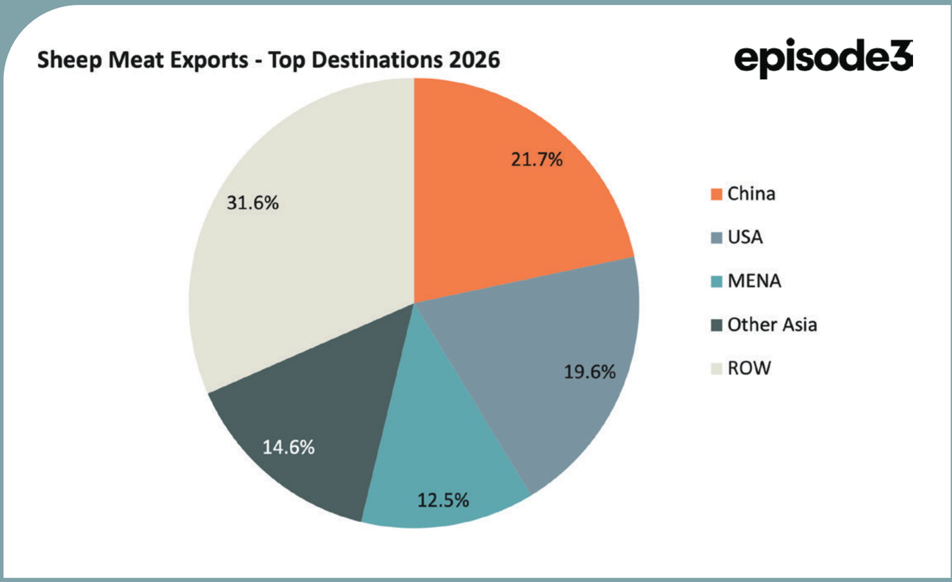
SHEEP

The domestic sheep and lamb market shifted from export-led weakness to a much more supply-driven price story through the quarter. The April demonstrated a softer trade backdrop, with sheep meat flows below year-earlier levels and Middle East and North Africa demand disrupted. Yet by June, the domestic market had tightened sharply. As at the end of Q2, 2026 fewer sheep and lambs were being offered through saleyards, with the short lift in May supply fading quickly.

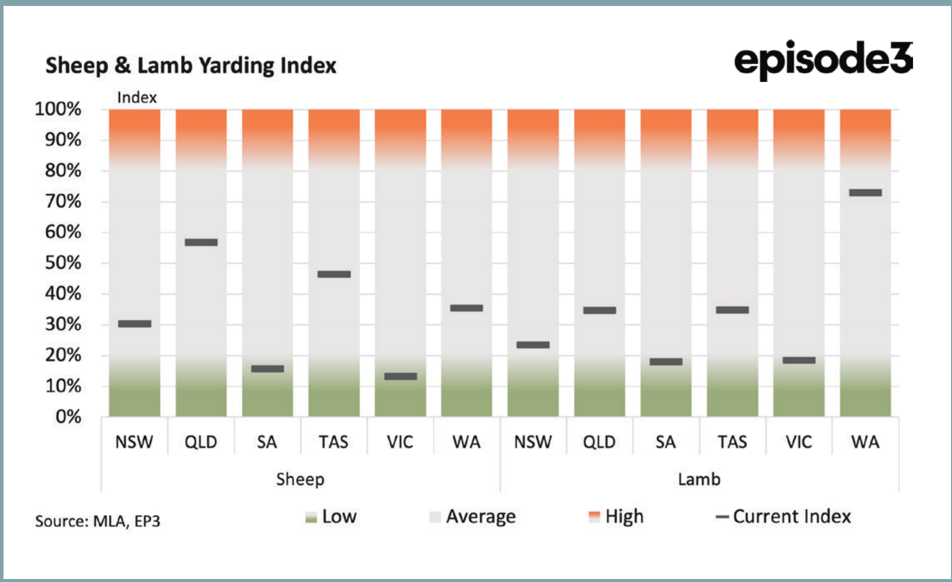
That tightening was broad rather than isolated. Sheep yardings fell across most major producing states, including New South Wales, Queensland, South Australia, Tasmania and Western Australia. Lamb yardings also declined in every major state, with Western Australia still offering more lambs than other regions but also pulling back. The result was straightforward: buyers had to compete harder for fewer animals. Mutton was the strongest mover, rising around 80 cents during June to sit above 900c/kg cwt, while restocker, trade and heavy lamb indicators also improved.

The key point is that the price lift was not being driven by booming export demand. The data indicates that strength was mainly about supply, with processors still needing stock to keep plants operating even though sheep meat exports in May were below year-earlier levels and several Middle Eastern markets remained below normal. That is an important distinction. The market was not roaring because demand had suddenly taken off; it was lifting because available livestock numbers tightened.

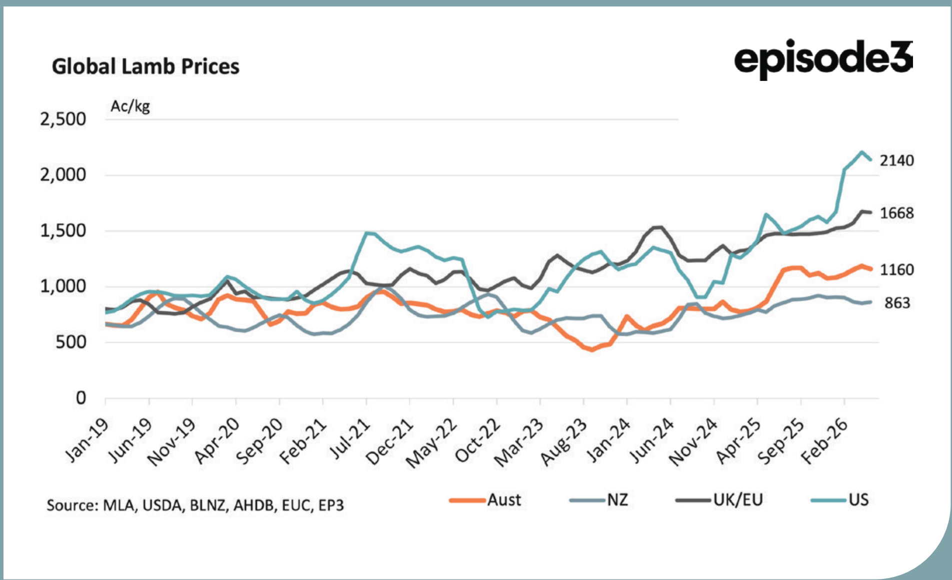
Global lamb pricing also shows why Australian lamb remained in a useful competitive position. Australian lamb prices had lifted around 47 per cent year on year, pushing trade lamb to 1,160c/kg cwt, but Australia still sat mid-pack globally. UK and EU lamb values were up about 14 per cent and were generally above 1,600c/kg cwt, while New Zealand stayed closer to 900c/kg cwt. The United States remained the outlier, with domestic lamb above 2,100c/kg cwt. That leaves Australian lamb expensive versus New Zealand, but still heavily discounted into premium markets like the US. The quarter's sheep market story is therefore tight local supply, stronger saleyard prices, and a global price structure that still leaves Australia competitive in high-value markets.



Ongoing access issues to the MENA region during the quarter saw its share of the trade flow volume of 12.5% significantly below the historic market share it usually holds nearer to 20%.



June has seen a drop in the number of lamb and sheep offered at the nation's saleyards. Key producing states like Victoria, NSW and South Australia are seeing low volumes presented.



Australian lamb prices remain discounted to US lamb by a factor of 46%, highlighting the competitiveness of the imported Aussie product in the USA.

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WOOL

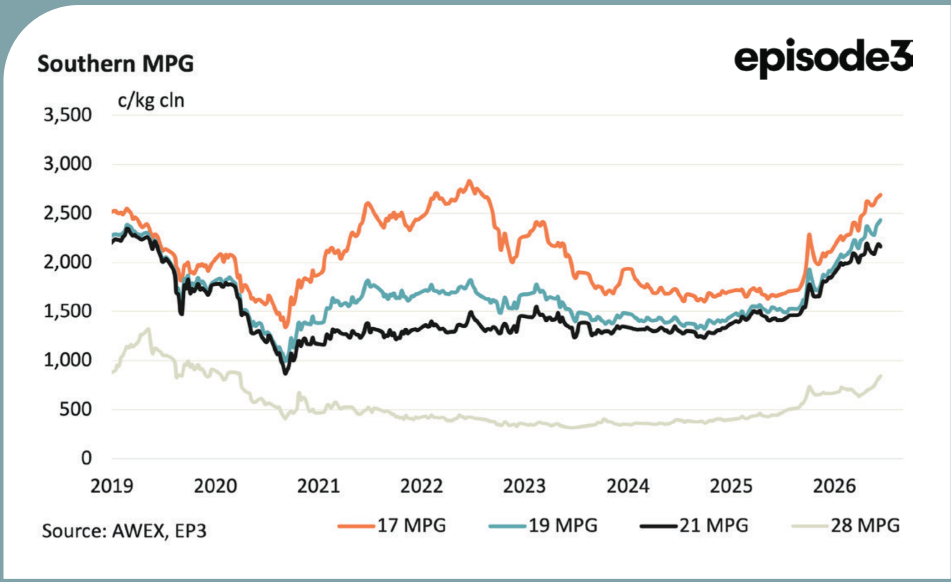
The wool market strengthened through the April to June quarter, but the story is less about booming downstream demand and more about supply finally becoming tight enough to force the market higher. Prices did improve materially. The Eastern Market Indicator pushed towards the high 1800s through April, closed May at 1934c/kg clean, then reached a mid-June high of 1989c/kg clean before easing back to finish the season at 1943c/kg clean. That was a very strong recovery from the 1207c/kg clean level seen at the start of the 2025-26 selling season.

The temptation is to call that a demand-led turnaround. That would be too generous. There was buyer competition, particularly for better prepared fine and medium Merino wool, and broader wool types also recovered from depressed levels. But buyers remained selective. Poorer style, lower specification or mixed quality lots were still discounted, and the late-season correction showed that exporters and processors were not prepared to chase the market at any price.

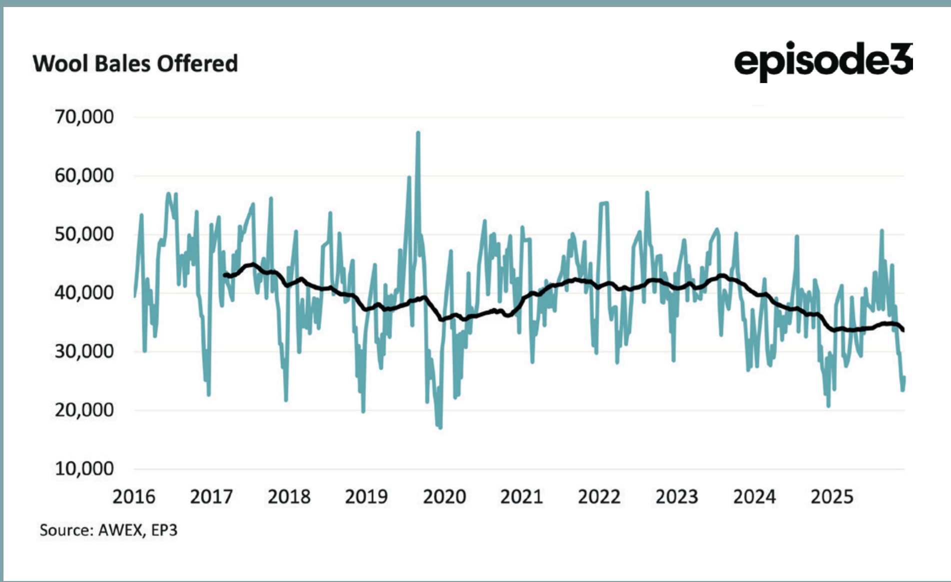
The bigger driver was supply. The bales offered chart shows a clear downtrend in wool availability over recent years, with the rolling trend sliding from the low 40,000 bale range earlier in the series towards the mid-30,000s by the 2025/26 season. Weekly offerings remain volatile, but the underlying direction is lower. That reflects reduced sheep numbers, enterprise shifts out of wool, and growers responding to several years of poor returns. In simple terms, there is less wool around.

The bales sold chart reinforces the same point. Weekly average sales in 2026 tracked close to normal early in the year, but fell sharply through May and June, dropping well below the long-term average and towards the bottom of the 70 per cent range. That is not the shape of a market being flooded with confident volume. It is a market where reduced supply is doing a lot of the heavy lifting.

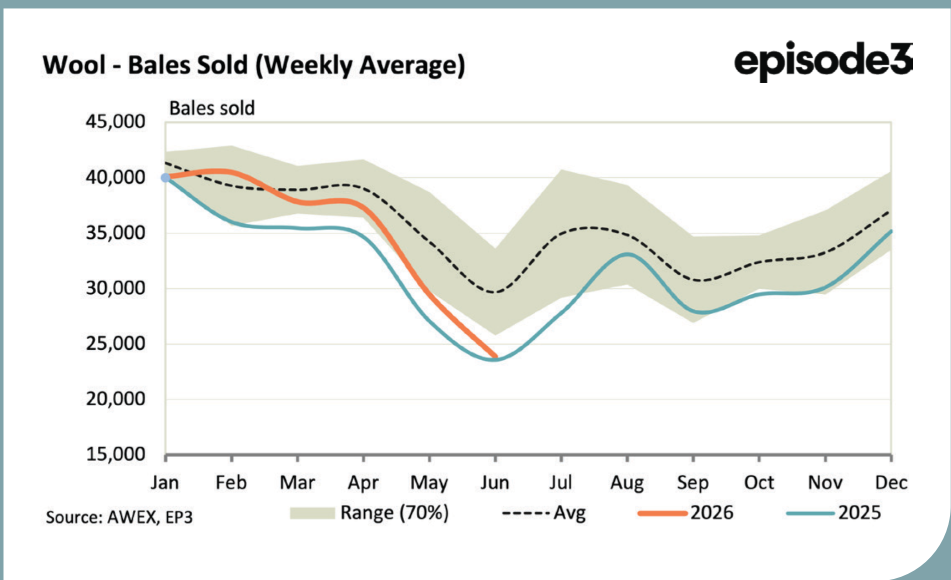
For growers, higher prices are clearly welcome and the recovery has put wool back into enterprise budgets after several difficult seasons. Fine, medium and broader categories all found support, with some of the biggest percentage gains in crossbred and broader micron types. But the quarter should be read with discipline. The price lift is real, yet it rests heavily on tight supply, not runaway export demand. That makes the market better, but still vulnerable if buyers push back or if quality slips.



Fine, medium and broader categories all found support over Q2,2206, with some of the biggest percentage gains in crossbred and broader micron types.



Wool bales offered shows a clear downtrend in current availability with the rolling trend sliding from the low 40,000 bale range during 2023/24 towards the mid-30,000s in recent times.



Weekly average sales in 2026 tracked close to normal early in the year, but fell sharply through May and June.

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