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COMMODITY UPDATE

QUARTER 1 - 2026



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CATTLE

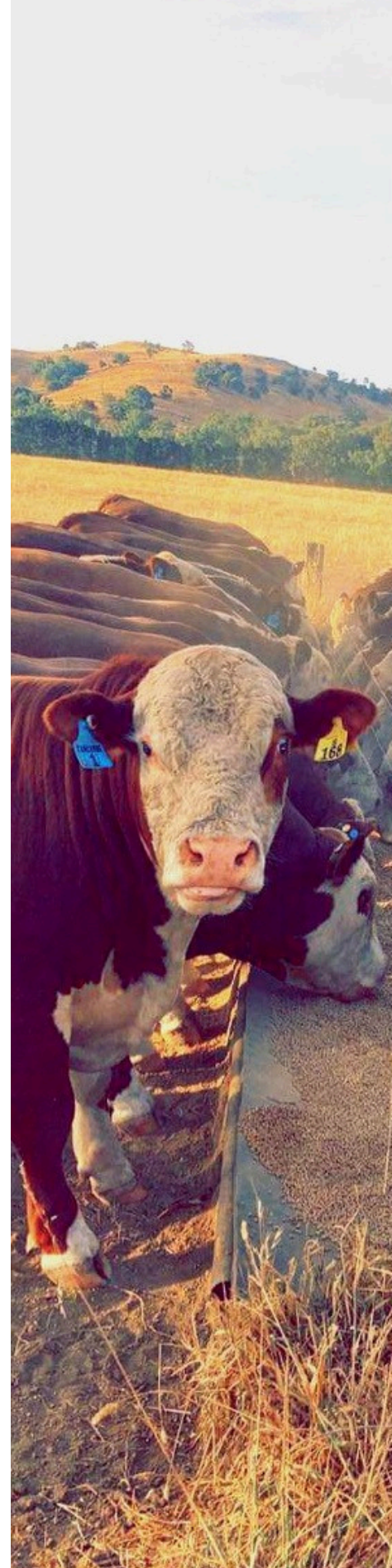
Australia's beef export sector delivered an exceptionally strong performance throughout the first quarter of 2026, underpinned by elevated cattle supply, robust global demand, and favourable international market conditions. Export volumes remained well above historical averages, reinforcing Australia's position as a critical supplier in global beef trade.

The year commenced with solid momentum in January, with total exports reaching 84,343 tonnes. While this represented a seasonal decline from December, shipments were still 4pc higher year-on-year and 40pc above the five-year average. The United States emerged as the leading destination, importing 23,747 tonnes, driven by tight domestic cattle supplies and strong reliance on imported lean beef. China followed with 16,636 tonnes, supported by firm demand and quota-driven purchasing, while Japan accounted for 14,563 tonnes, providing a stable and dependable outlet. South Korea also recorded a strong performance, taking 13,100 tonnes.

Momentum accelerated in February, with exports rising to 130,884 tonnes, marking an 11pc increase year-on-year and standing 60pc above the five-year average. The United States remained the dominant market, importing 39,949 tonnes, while China received 27,018 tonnes. Japan imported 20,026 tonnes, and South Korea recorded 18,510 tonnes, reinforcing the strength of demand across North Asia. By the end of February, approximately 41pc of China's annual beef safeguard quota had been utilised, highlighting the rapid pace of trade early in the year.

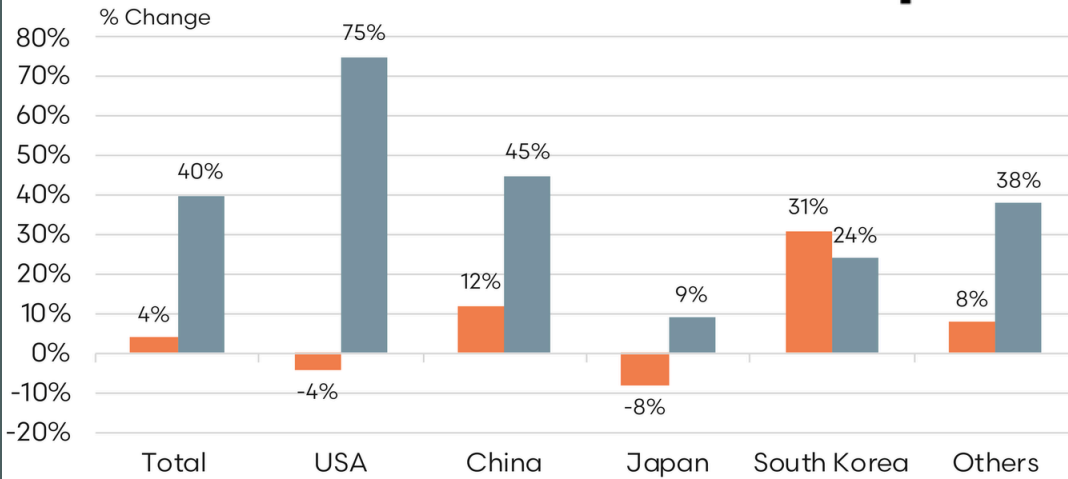
The strength of the export cycle peaked in March, when shipments reached 149,973 tonnes—the second-highest monthly volume on record. This represented a 33pc increase compared with March 2025 and sat 58pc above the five-year average. The United States again led demand with 42,043 tonnes, followed by China at 32,907 tonnes. Japan imported 23,861 tonnes, while South Korea recorded 25,543 tonnes. By the end of March, approximately 51pc of China's safeguard quota had been utilised, reflecting strong forward purchasing by importers.

Across the quarter, several consistent themes emerged. The United States remained structurally reliant on Australian lean beef amid historically tight domestic cattle supplies. China's demand was buoyed by safeguard quota dynamics, encouraging early-season purchasing. Meanwhile, Japan and South Korea provided stability as premium, high-value markets. Australia's competitive pricing also supported trade, with domestic cattle values significantly discounted relative to those in the United States.



Australian Beef Exports - January 2026

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Source: DAFF, EP3

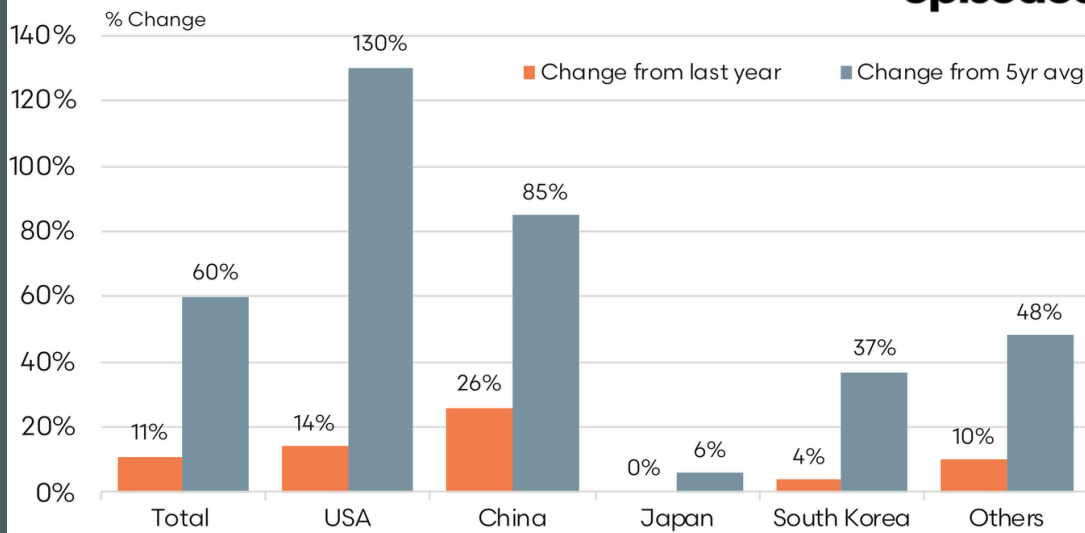
Change from last year

Change from 5yr avg

January beef exports began the season softer for USA and Japan, when compared to January 2025 levels. China and South Korea began the year very well.

Australian Beef Exports February 2026

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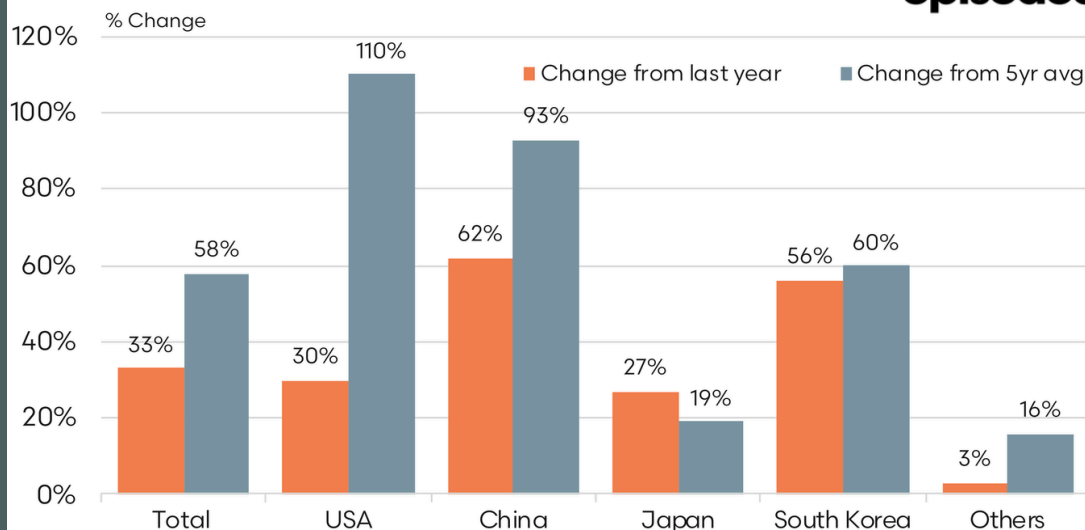


Source: DAFF, EP3

February beef export flows lifted for the USA and China. The Chinese demand increased in an attempt to get ahead of the safeguard tariff announced on Jan 1.

Australian Beef Exports March 2026

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Source: DAFF, EP3

March continued to see strong beef export flows, with volumes to China particularly firm. As at the end of March 2026 there was 51% of the safeguard tariff already exhausted.

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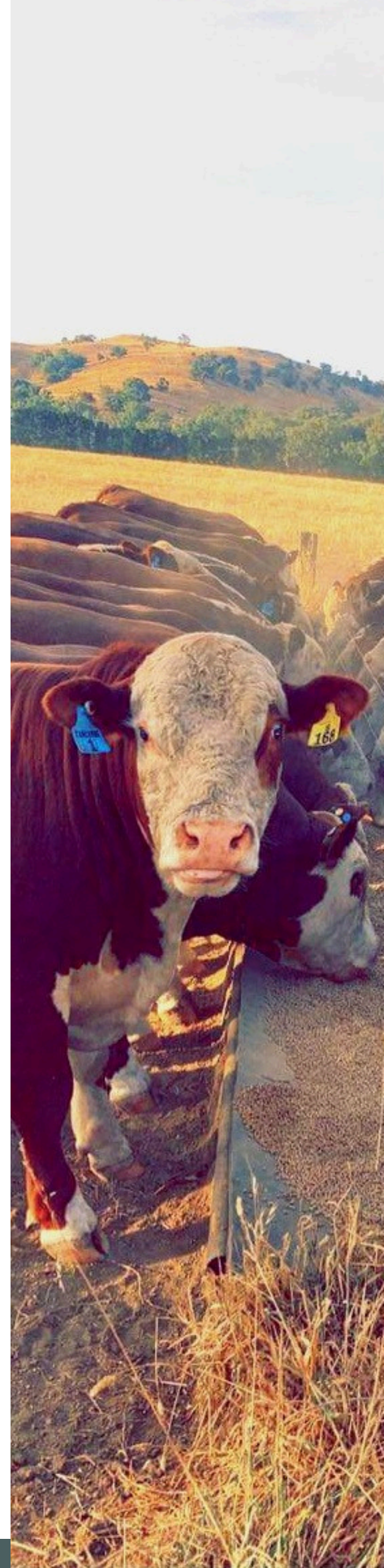
Beyond trade performance, broader industry dynamics during the first quarter of 2026 reinforced Australia's strong competitive position in global beef markets. A key driver of export success has been the relative affordability of Australian cattle. Domestic cattle prices have remained significantly discounted compared to those in the United States, improving Australia's competitiveness across major markets. This pricing advantage has enabled Australian exporters to secure greater market share in destinations such as the US, China, Japan and South Korea, underpinning the sustained strength in shipments throughout the quarter.

The global supply environment has also played a pivotal role. The United States continues to grapple with historically tight cattle numbers, with herd levels near multi-decade lows. This structural shortage has constrained domestic beef production and increased reliance on imported lean manufacturing beef. As a result, Australia has emerged as a critical supplier into the US market. This dynamic is not merely cyclical but reflects a structural imbalance in supply and demand, providing ongoing opportunities for Australian exporters.

The final 2025 update shows a modest recovery in Australian beef processor margins after a softer period in late spring. The Beef Processor Trading Conditions (BPTC) index lifted from 8pc in November to 16pc in December, signalling some improvement, although still below the stronger levels seen earlier in the year and well under 2024 highs. This lift was largely driven by easing livestock input costs. Prices for heavy steers, young cattle and cows all edged lower during December, and while the declines were relatively modest, they followed a sustained period of higher procurement costs, offering some relief to processors.

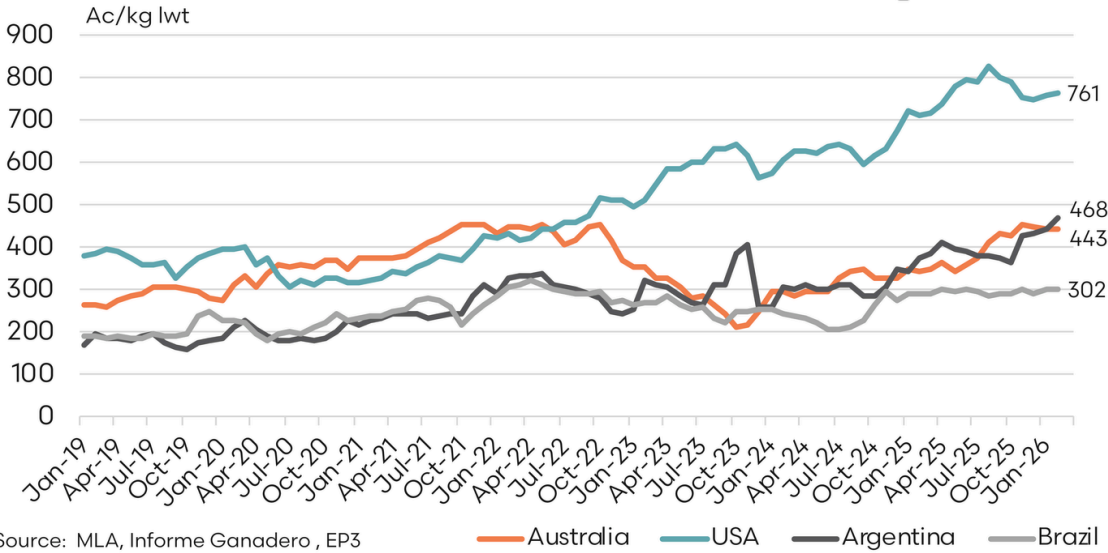
At the same time, export markets provided support on the revenue side. Values lifted across all major destinations, including the US, Japan, South Korea and China, marking a more consistent improvement compared to earlier months where performance had been mixed.

Domestic retail pricing offered little support, edging slightly lower, meaning the improvement in margins was largely driven by the combination of lower cattle prices and stronger export returns. Co-product values were not updated, so their contribution remains unclear. Despite the late-year lift, the broader trend shows tighter conditions. The 2025 average BPTC sat at 51pc, a notable step down from the 85pc recorded in 2024, reflecting the impact of higher livestock prices compressing processor margins through the year.



Global Cattle Prices

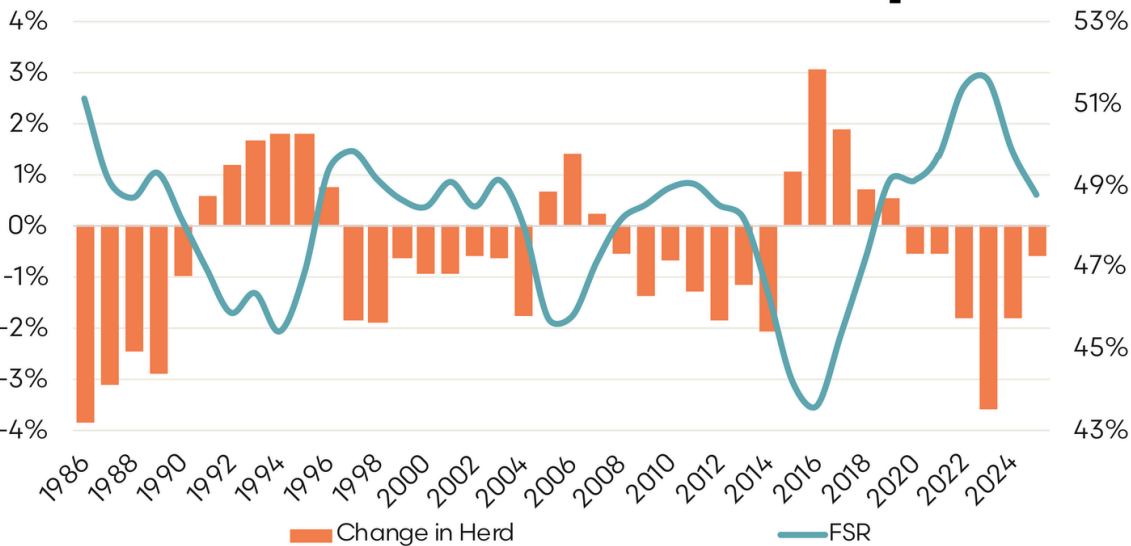
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Australian cattle prices remain discounted to the USA by around 46%, helping to cement the competitive export position seen so far in 2026.

Female Slaughter Ratio versus Change in Herd - USA

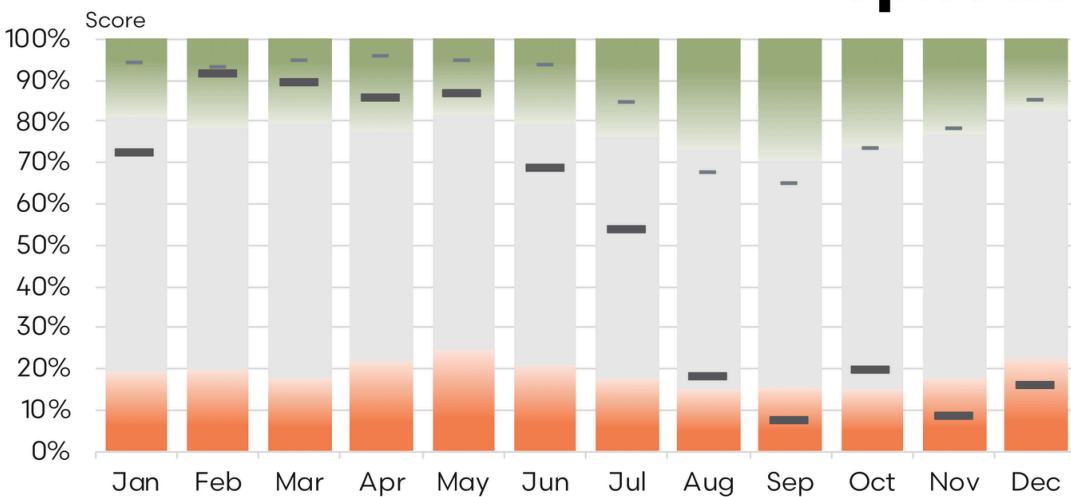
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The USA are very close to moving into a herd rebuild phase with the FSR just sitting above the 48% threshold as at the end of 2025.

Beef Processor Trading Conditions Scorecard

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The final half of 2025 saw the Beef Processor Trading Conditions model deteriorate, signalling that the market pendulum has swung in favour of producers as we move into 2026.

Source: AMPC, ABS, MLA, EP3

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SHEEP

Australian sheep meat exports recorded a mixed performance over the first quarter of 2026, characterised by solid underlying demand but increasing volatility across key markets. While exports remained historically robust, shifting regional dynamics—particularly in China and the Middle East—contributed to fluctuations in monthly trade flows.

The year began on a softer footing in January, with total lamb and mutton exports reaching 35,631 tonnes. This was 19pc lower year-on-year but remained 5pc above the five-year average, indicating broadly stable seasonal demand. Export markets were well diversified, with China, the United States and the Middle East and North Africa (MENA) region each accounting for roughly one-fifth of shipments. This balanced distribution provided resilience against volatility in individual markets and underscored the breadth of Australia's global export program.

In February, shipments increased to 46,890 tonnes, placing exports 10pc below the previous year but 12pc above the five-year average. China remained the largest destination, importing 9,325 tonnes, while the United States followed with 8,079 tonnes. Exports to other markets totalled 29,486 tonnes, highlighting the importance of diversified trade channels. Despite the year-on-year decline, the results indicated continued strength in global demand for Australian lamb and mutton.

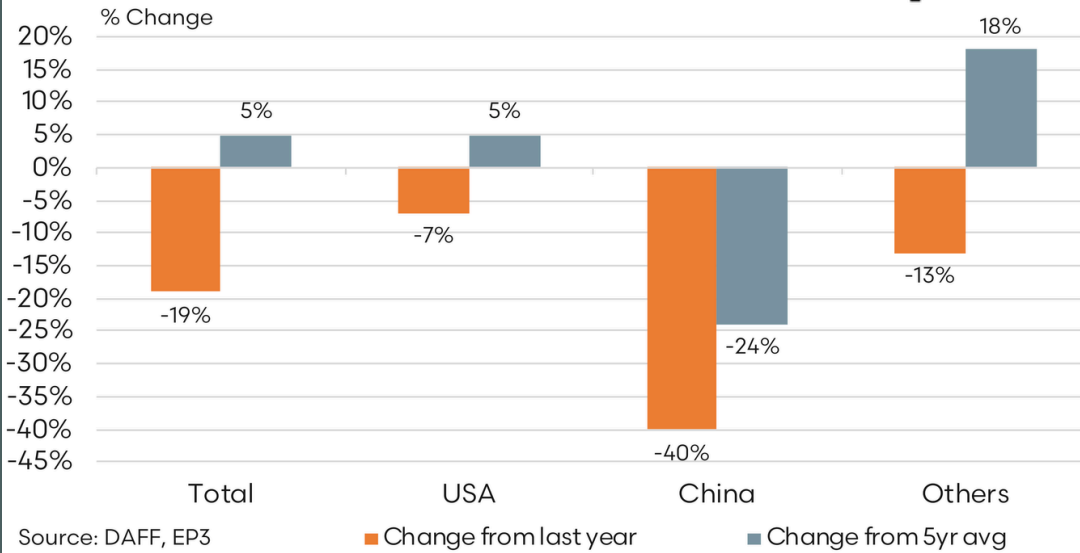
However, March saw a notable softening in export volumes. Total shipments declined to 42,656 tonnes, down 24pc year-on-year and 6pc below the five-year average. The United States emerged as a standout performer, importing 8,825 tonnes, while China received 9,513 tonnes. The most significant decline occurred across the “other markets” category, which fell to 24,317 tonnes due largely to reduced demand from the MENA region.

The contraction in Middle Eastern demand was particularly pronounced. Lamb exports to the United Arab Emirates and Qatar were significantly lower than historical levels, while shipments to Jordan also declined. Mutton exports to Saudi Arabia, Oman and Kuwait similarly recorded substantial reductions. These shifts underscored the sensitivity of sheep meat trade flows to regional economic conditions and purchasing patterns.



Australian Sheepmeat Exports - January 2026

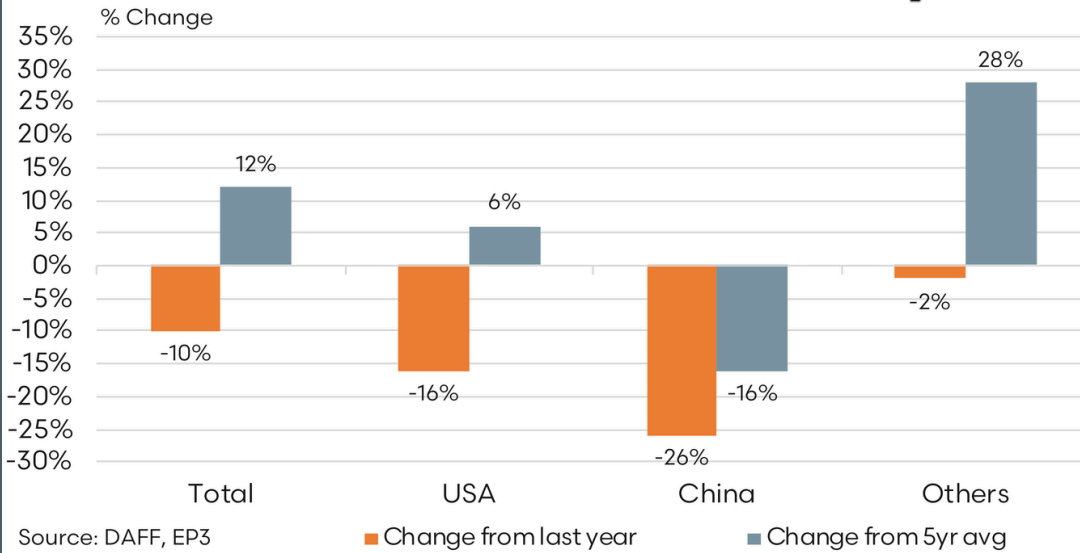
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Record sheep and lamb pricing in Australia has seen demand weaken in price sensitive markets like China during January.

Australian Sheepmeat Exports - February 2026

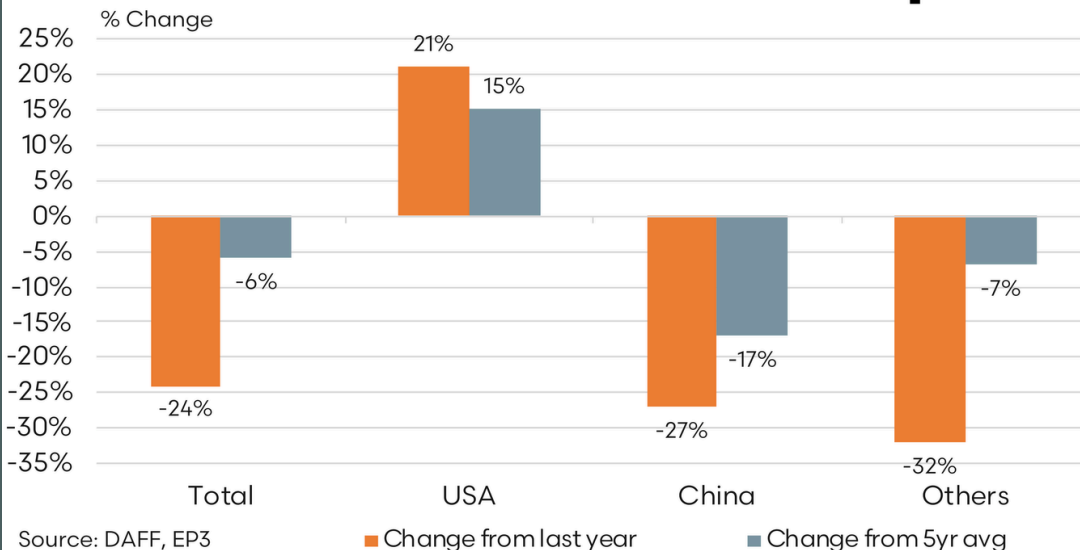
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February saw US demand for Aussie sheep meat ease as the impact of a 15% tariff and strong priced environment saw US consumers seek alternatives.

Australian Sheepmeat Exports - March 2026

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The conflict in Iran during March limited access to the MENA region for sheep meat exports, impacting export flows to the "other" regions category.

SHEEP

Across Q1, several key themes emerged. The United States continued to grow as a high-value and increasingly reliable destination for Australian lamb. China remained a critical but volatile volume market, particularly for mutton. Meanwhile, fluctuating demand across the MENA region highlighted the importance of diversification in sustaining export performance.

Overall, Australian sheep meat exports in Q1 2026 reflected a market in transition. Despite month-to-month variability, global demand remained fundamentally sound. The sector's diversified export base and strong presence in premium markets position it well for the remainder of 2026, even as regional dynamics continue to evolve.

Global lamb pricing trends during the first quarter of 2026 provided important context for Australia's sheepmeat sector. Australian lamb remained competitively priced relative to other major exporting nations, supporting strong international demand. This pricing advantage enhanced Australia's appeal across key markets and reinforced its position as one of the world's leading and most reliable suppliers of sheepmeat.

New Zealand, Australia's primary competitor, continued to play a pivotal role in global supply. Seasonal fluctuations in New Zealand production influenced international price dynamics, with any tightening in supply providing support to Australian export values. The complementary nature of Australian and New Zealand production cycles remains a defining feature of global lamb trade, shaping availability and pricing throughout the year.

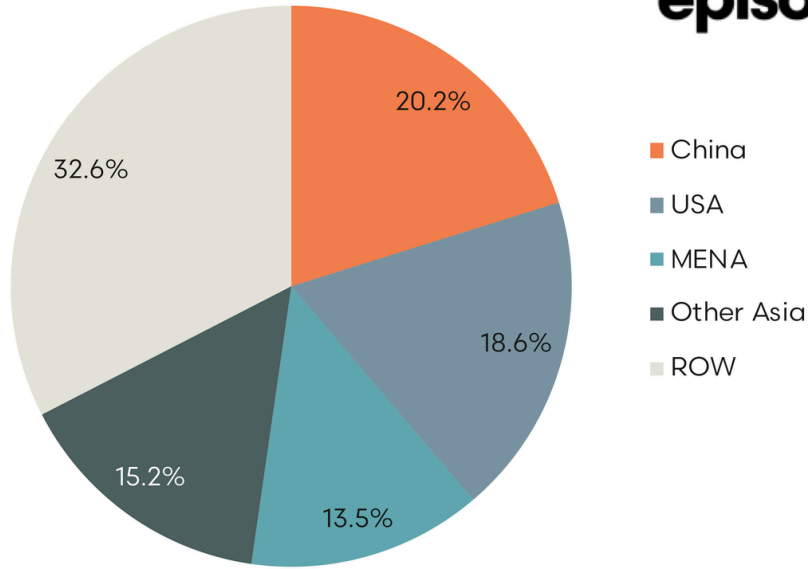
In contrast, lamb prices in the United States and the United Kingdom remained structurally higher, reflecting tighter domestic supply, higher production costs, and strong consumer demand. These elevated price environments position imported product as an essential component of supply in both markets. For Australian exporters, this creates opportunities to capture premium returns, particularly in high-value segments such as chilled lamb.

Overall, the global pricing landscape in Q1 2026 highlighted Australia's competitive advantage. With lamb values generally positioned between lower-cost Southern Hemisphere supply and higher-priced Northern Hemisphere markets, Australia is uniquely placed to balance volume and value across a diverse export portfolio. This dynamic continues to underpin the resilience and profitability of the sector.



Sheep Meat Exports - Top Destinations 2026

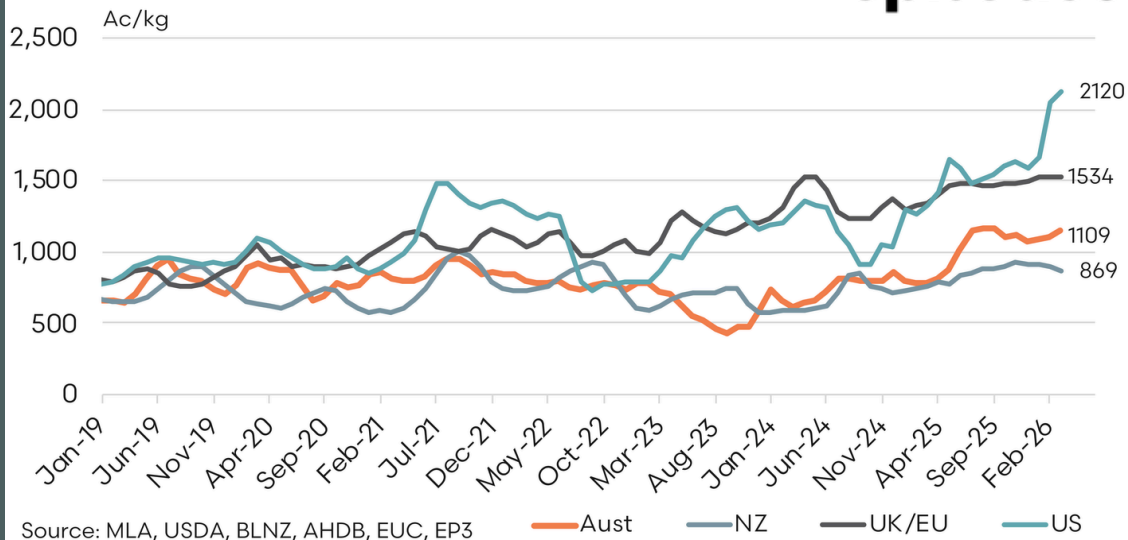
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From February to March the proportion of sheep meat exports to the MENA region dropped from 17% to 13.5% as access was limited due to the Iranian conflict.

Global Lamb Prices

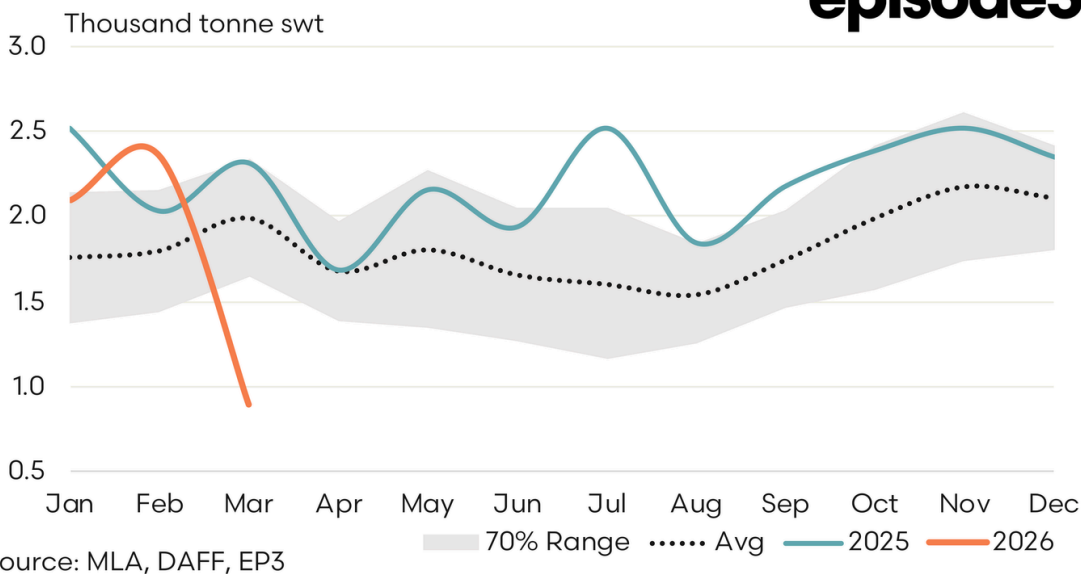
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Cheaper lamb from New Zealand during Q1, 2026 saw several key export markets soften for Australian export flows.

Lamb Exports - UAE

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Sheep meat exports to the UAE saw a sharp decline in March and this magnitude of decline was indicative across the region.

WOOL

The Australian wool market experienced a gradual but clear recovery during the first quarter of 2026, supported by tightening supply, renewed global demand, and strengthening buyer confidence. In January, the benchmark Eastern Market Indicator (EMI) remained elevated, underpinned by strong competition for well-prepared Merino fleece, particularly in the finer and medium microns. Demand was supported by limited inventories throughout the global supply chain and expanding downstream interest. While a stronger Australian dollar applied some short-term pressure on prices, the broader tone remained firm, reinforcing confidence that the recovery was supported by genuine demand rather than speculative sentiment.

Momentum continued through February as the market consolidated and strengthened further. Prices across most micron categories recorded gains, particularly within the Merino fleece sector, as tightening supply increasingly shaped auction outcomes. The national wool clip continued to contract, with fewer bales flowing through testing and auction channels. This reduction in availability intensified competition among buyers, especially for high-quality fine wool. At the same time, resilient demand for natural fibres and performance apparel provided underlying support, reinforcing wool's premium positioning within the global textile market. By March, the wool market had gained additional traction, with increased buyer activity—particularly from China—lifting prices from recent lows. Improved competition and renewed confidence contributed to a firmer tone, with the EMI rising into the mid-1,700 cents per kilogram clean range. Strength in Western Australian offerings also saw the Western Market Indicator briefly push above 2,000 cents per kilogram clean. This late-quarter improvement reflected stronger engagement from processors and traders, supported by a softer Australian dollar and expectations of tightening supply.

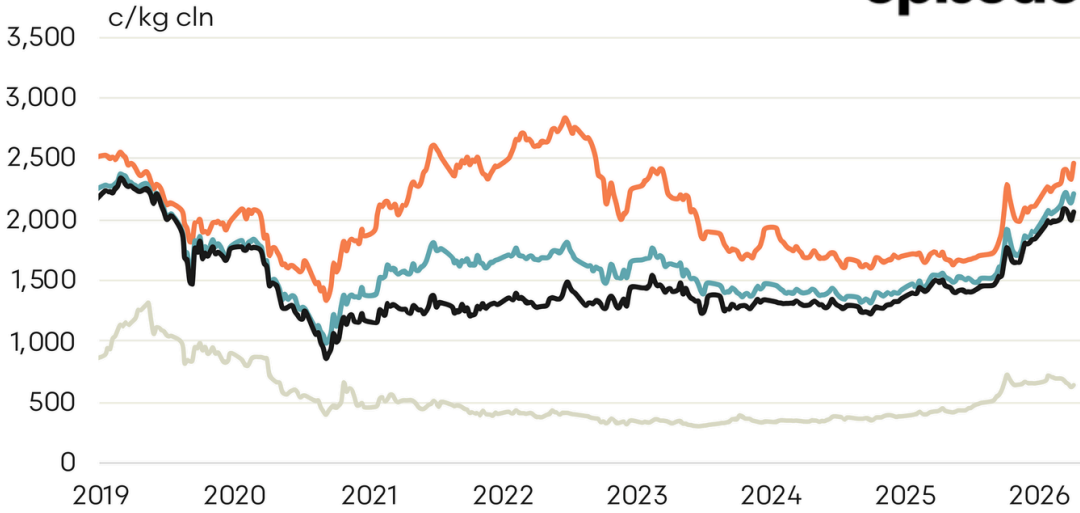
Supply-side constraints remained a defining feature throughout the quarter. National production is forecast to decline by around 10 percent year-on-year, reflecting lower sheep numbers and the lingering effects of challenging seasonal conditions. With minimal carryover wool available in storage or on farm, the pipeline is expected to tighten further as the year progresses. This constrained supply environment has played a critical role in underpinning prices and supporting market stability.

Auction activity mirrored these tightening conditions. Offering volumes remained moderate, while clearance rates improved as buyer competition strengthened. Although weekly sales fluctuated in line with seasonal patterns, throughput remained broadly aligned with historical norms.



Southern MPG

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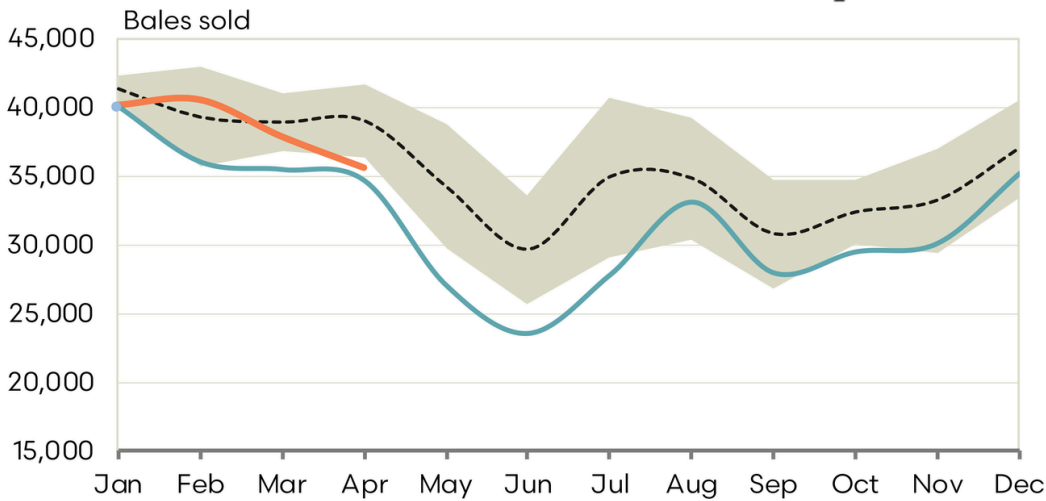
Source: AWEX, EP3

— 17 MPG — 19 MPG — 21 MPG — 28 MPG

The Australian wool market continued to climb during Q1, 2026 reaching peaks in the EMI not seen since July 2019.

Wool - Bales Sold (Weekly Average)

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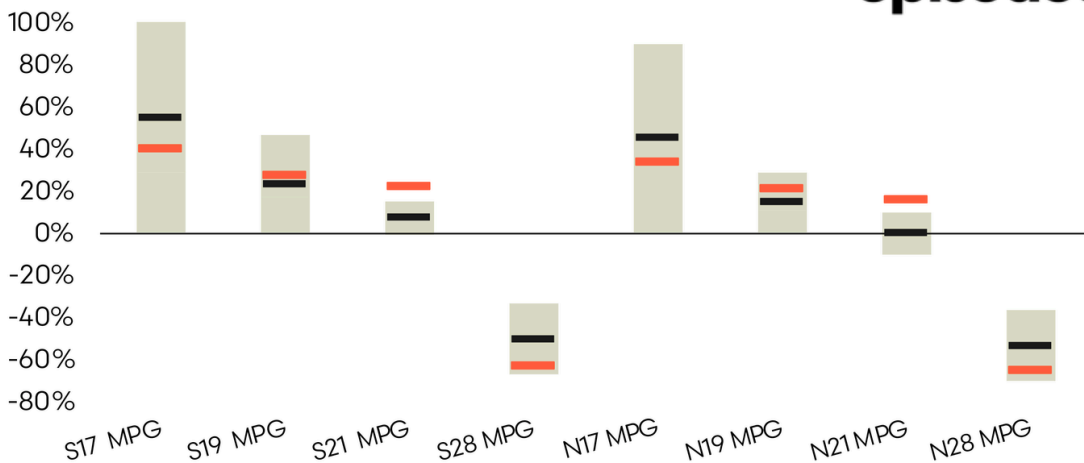
Source: AWEX, EP3

■ Range (70%) - - - - Avg — 2026 — 2025

Total bales sold during the first quarter of 2026 have been higher than levels seen in 2025, however supply is still expected to contract over 2026.

Micron Premium/Discount to Indicator

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Source: AWEX, EP3

■ 70% Range — End of Mar 2026 — 10 Yr Avg

Price premiums remain firm for 19-21 mpw wool, compared to historic norms for this time in the season, meanwhile demand for finer and more coarse wool remains somewhat weaker.

WHEAT

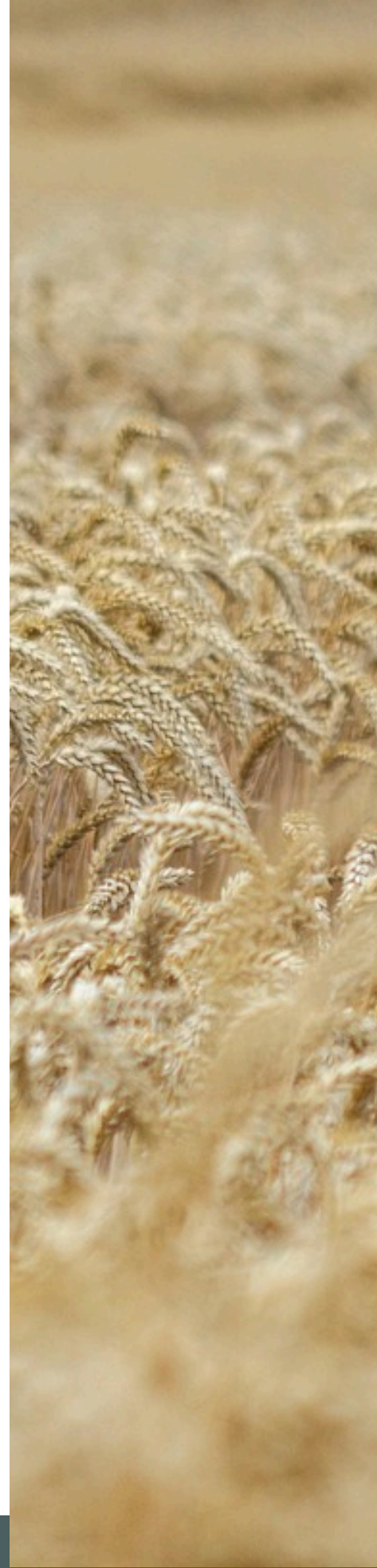
The grain market has not mirrored the sharp rise seen in energy markets, with wheat and canola futures remaining relatively stable compared to the same time last month. Despite escalating geopolitical tensions and volatility across broader commodity markets, grain prices have shown resilience rather than reaction. This stability reflects ample global supply, cautious buying activity, and a market that has yet to fully price in emerging risks associated with higher input costs and weather uncertainty.

While fertiliser prices have surged, the impact on grain markets has been muted in the near term. For the 2025–26 season, many growers secured inputs earlier or adjusted agronomic strategies to manage costs. However, concerns are beginning to surface for the 2026–27 season and beyond. As a result, forward grain markets have started to attract a premium, reflecting expectations of tighter margins, potential reductions in application rates, and the possibility of constrained global production if elevated input costs persist.

Weather conditions in the United States are adding another layer of uncertainty to global wheat markets. Large portions of the US winter wheat belt remain under drought conditions, with crop ratings deteriorating across key producing states. Kansas, the largest winter wheat producer in the US, has seen conditions fall to their lowest levels since 2022. Should these adverse conditions persist, they could reduce yield potential and provide support to global wheat prices later in the year.

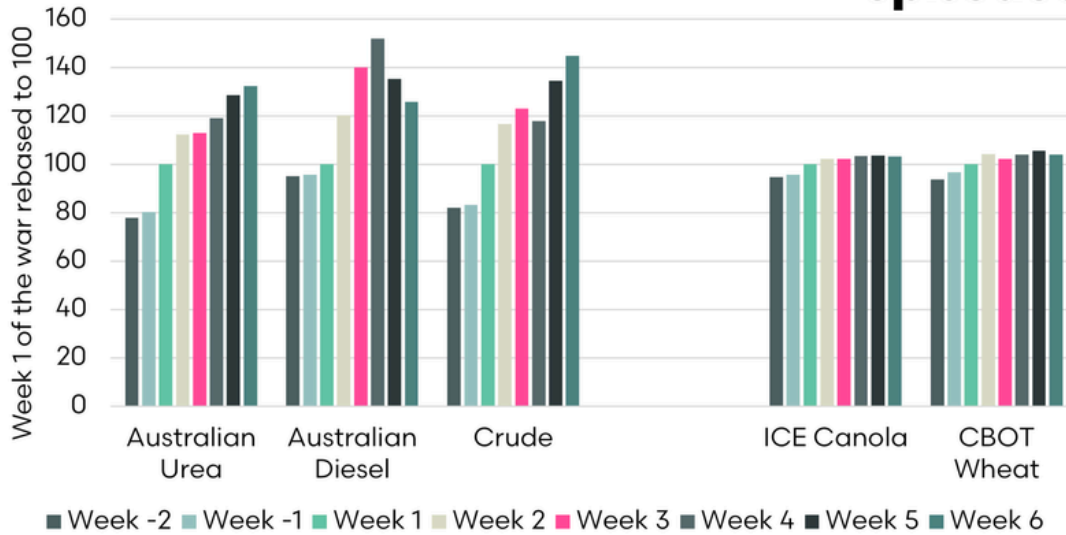
In Australia, growers are already responding to elevated fertiliser costs by adjusting planting intentions and input strategies. High nitrogen prices are encouraging producers to reconsider crop rotations, reduce application rates, and prioritise lower-input crops where feasible. These decisions are likely to influence both planted area and yield potential, particularly in marginal production zones, and may ultimately shape supply dynamics for the 2026 harvest.

The fertiliser market remains a critical pressure point. Recent data indicates that the cost of landing urea in Australia is between A\$1,500 and A\$1,550 per tonne—surpassing the highs recorded during the peak of the Russian invasion of Ukraine, when prices reached approximately A\$1,300 per tonne. These elevated costs are being driven by supply disruptions, increased energy prices, and strong global demand, all of which are tightening affordability for growers ahead of key planting windows. Supply constraints are further compounding market uncertainty. Estimates suggest that approximately 270,000 tonnes of urea are en route for April delivery, significantly below typical seasonal volumes.



Inputs are running away from grains

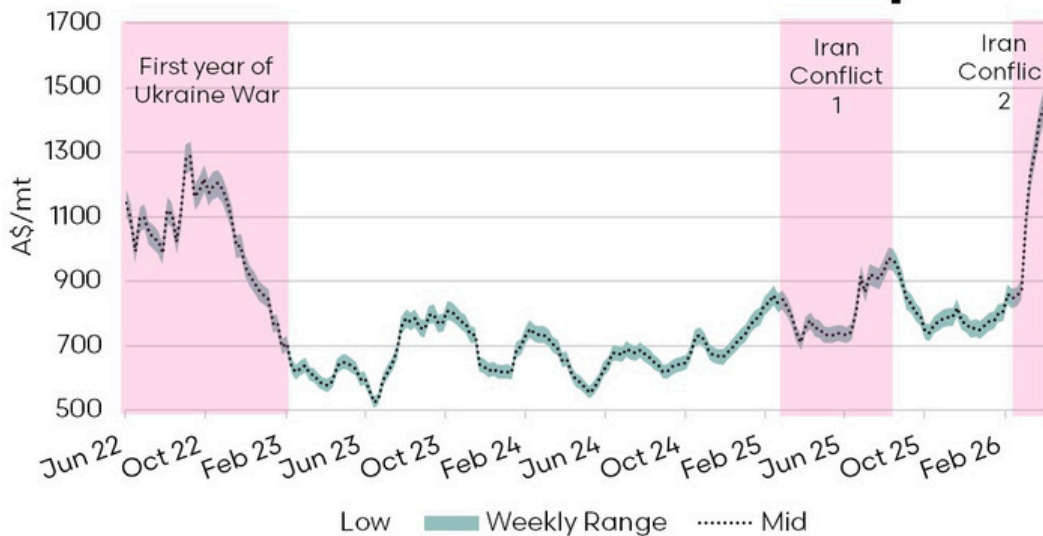
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The conflict in Iran and the closure of the Strait of Hormuz has seen input prices spike during March, but global wheat and oilseeds haven't risen sharply.

Urea Pricing (Australia)

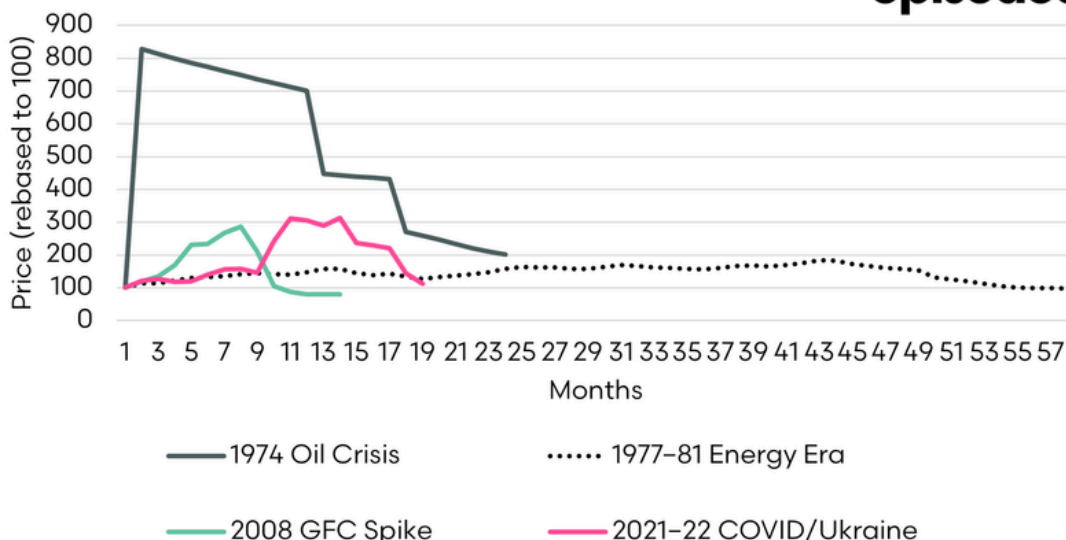
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Imported urea pricing has now peaked above the record highs seen during the early phase of the Ukrainian invasion.

How long could urea prices remain high?

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Analysis of previous price spikes in urea suggest that the high priced environment could persist for several months.

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