



Food for thought

A regular look across food, beverage and agribusiness supply chains

Q3 2026

02 | Is fibre the new protein? How fibre moved from bran cereal to cola

08 | The productivity opportunity in food, beverage and agribusiness

14 | Food inflation explained: How pressures play out across FBA

20 | Trade without rules: How food trade is fragmenting

Is fibre the new protein? How fibre moved from bran cereal to cola, snack bars and the next wellness aisle



Overview

- Fibre is moving from the back of the cereal box to a mainstream product innovation opportunity.
- Many Australians consume less fibre than recommended, despite research linking higher fibre intake with a lower risk of diseases such as heart disease, type 2 diabetes and bowel cancer.
- Major food and beverage companies are responding. McDonald's CEO identified fibre as a food industry trend for 2026, while PepsiCo has incorporated prebiotic fibre into a new cola product.

Why protein became more than a nutrient

Once, protein was simply one part of a basic nutritional checklist. People talked about fruit and vegetables for vitamins, milk for calcium and meat for protein. It was linked mainly to muscle and general health, and was most commonly associated with red meat, pork, poultry, fish and eggs. In many

households, the advice was basic enough: eat your steak, have some eggs, drink your milk after sport. The shift that followed was driven less by biology than by behaviour. From the 1970s and 1980s onwards, more consumers became interested in fitness, organised sport and what food did in the body. At the same time, advances in processing made it easier to extract protein from milk, soy and peas and incorporate it into new products.

This changed how protein showed up in the supermarket. It started turning up in muffins, pancakes, cereals, iced coffees and snacks that once had little connection to gym bags or recovery sessions. A muffin became a protein snack, a chocolate milk became a recovery drink, and a snack bar moved closer to a meal replacement.

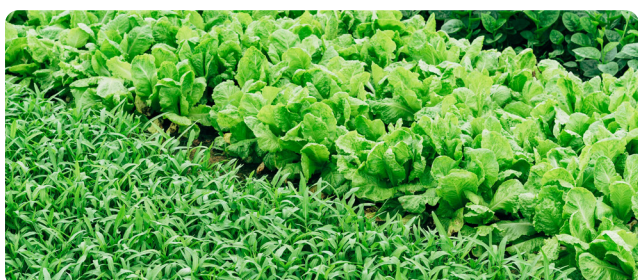
Protein became more than a nutrient because it met three conditions at once: people understood the benefit, companies could add it across a wide range of products, and the words “high protein” worked instantly on a packet.

Have we hit peak protein?

Protein will remain essential and highly visible, but it is getting harder to find major food and beverage categories without a protein-positioned variant. From yoghurt and milk through to bread, cereals, snack bars and ready-to-drink coffee, the “add protein” playbook has been used widely. In some markets, even instant coffee is being sold in high-protein variants. Even dessert has been recruited into the cause, which is why a brownie can now be rebranded as a healthy lifestyle choice.

This raises the question of whether another nutrient can rise in the same way. It needs credible evidence, simple language and enough technical flexibility to work across multiple formats. Fibre increasingly sits in the space between science, consumer anxiety and product development.

Fibre is not spread evenly across the foods people eat. Meat, fish, eggs and milk contain no fibre, while foods such as oats, wholemeal bread, beans, berries, chickpeas and lentils provide far more. This matters because modern diets often replace fibre-rich foods with more refined or convenient alternatives.



What fibre, gut health and prebiotics actually mean

Fibre is the part of plant-based foods that our bodies do not fully digest. It is found in wholegrains, legumes, fruit, vegetables, nuts and seeds, and helps give food structure as well as supporting digestion. In plain English, fibre is not just “roughage”; it is a family of plant components that may help food move through the gut, influence fullness and interact with bacteria living in the digestive system.

Gut health is the idea that the digestive system is not just a pipe for food, but a living ecosystem. The microbiome is the community of bacteria and other microorganisms in the gut. Prebiotics are forms of fibre or related compounds commonly described as food for beneficial gut bacteria. That is why fibre, gut health and prebiotics are now widely spoken of together in food marketing, whether it is a yoghurt marketed for gut health, a snack bar designed to keep you full between meals, or a soft drink that now includes prebiotic fibre.

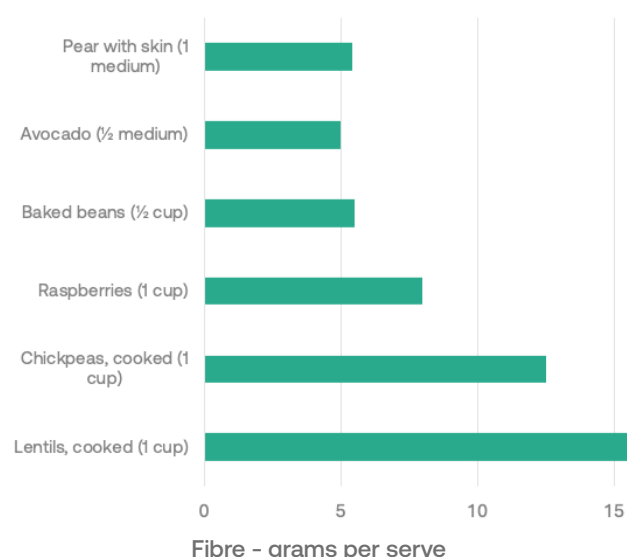
Why fibre fits the next wave of concern

For many years, fibre sat in a very different place to protein. It was understood to support digestion and bowel health, but rarely had broader commercial appeal. In practical terms, fibre meant bran cereals, wholemeal bread, porridge, fruit and vegetables, along with advice people knew they should follow – but often didn't. It was important, but it didn't feel like something a young consumer would put in a gym selfie – bran flakes just weren't cool.

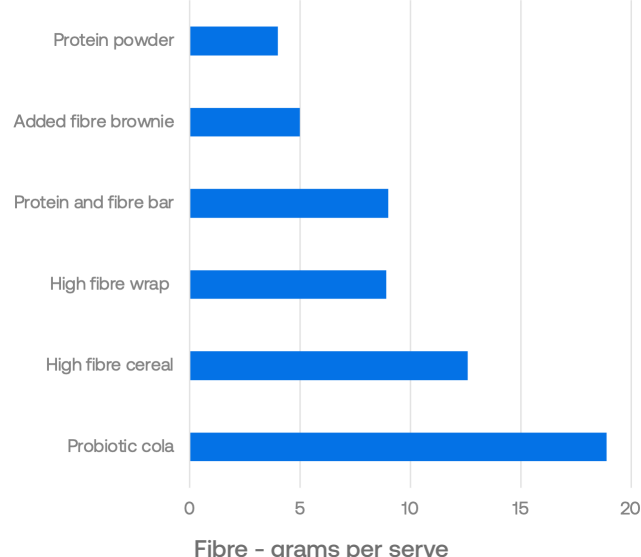
The environment around fibre has changed. Many refined and heavily processed foods contain less fibre than the whole-food ingredients from which they are derived. Refining grains removes the bran where much of the fibre sits, turning wholegrain bread into white bread and oats into more processed cereals. Turning fruit into juice removes much of its structure, while many packaged foods rely on refined carbohydrates rather than whole ingredients. Over time, dietary patterns have shifted towards foods that often contain less fibre than traditional whole-food alternatives.

Fibre content of selected foods (grams per serve)

Naturally occurring



Fibre-enhanced products



Source: USDA, PepsiCo Company Information, ANZ

Gradually, consumer attention has shifted towards what may be missing. Concerns about gut health, blood sugar, feeling fuller for longer and highly processed diets appear to have increased fibre's relevance. For younger consumers, especially those thinking about fitness, the appeal may not be old-fashioned "regularity" messaging, but feeling fuller for longer, supporting a healthier gut and choosing products that seem to do more than fill a gap between meals.

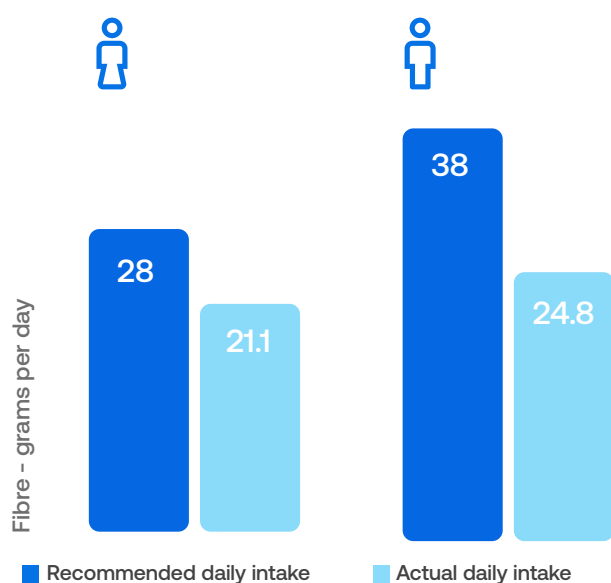
Some of the statistics around fibre consumption add weight to the argument. In Australia, the suggested dietary target is 38 grams a day for adult men and 28 grams for adult women. Research has linked higher fibre intake with a 15-30 per cent lower risk across several major mortality and chronic disease outcomes, with the strongest observed benefit at around 25-29 grams a day.

Bowel cancer was estimated to be Australia's fourth most commonly diagnosed cancer in 2024, with 15,542 estimated cases and an estimated 1 in 21 risk of diagnosis by age 85. Yet around one-third of average energy intake comes from discretionary foods such as cakes, chips and sugary drinks, which tend to be low in fibre.¹

Many Australians are eating less fibre than recommended. Average intake is about 24.8 grams a day for males and 21.1 grams for females, compared with suggested dietary targets of 38 grams and 28 grams. This gap may help explain why fibre is attracting more attention from health experts, consumers and food companies.

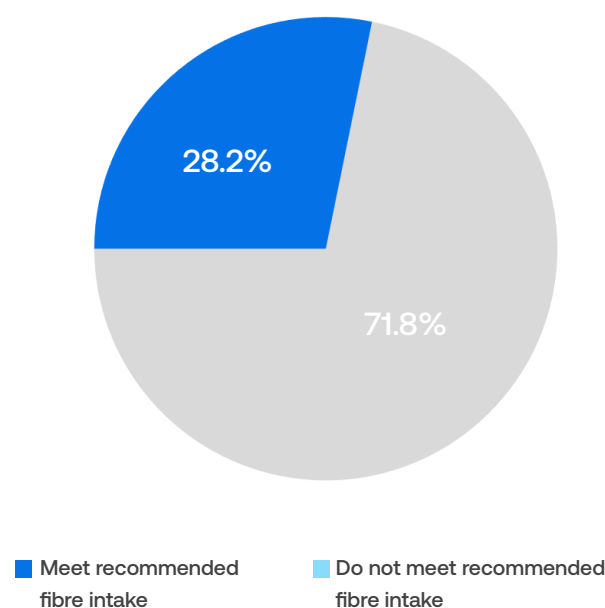
Are Australians eating enough fibre?

Australian average fibre consumption



Source: NHMRC, National Library of Medicine, ANZ

Only 28% of Australian adults consume the recommended amount of fibre



The processed food paradox

Modern food systems are very good at delivering convenience, consistency and longer shelf life. Breakfast can move from oats to refined cereal, lunch from grain salad to white bread sandwich, and fruit from something chewed to something sipped through a straw. Each step can make food easier, faster and tidier, while at the same time stripping out the fibre those foods once contained.

The new focus on fibre has created an interesting commercial about-face, as the same system that removes fibre now looks for ways to add it back. Reformulated breads with added fibre, fortified cereals, yoghurts containing prebiotic ingredients and snack bars marketed for digestive health all reflect this pattern. Consumers can move from a standard white loaf to a high-fibre version, or from a basic yoghurt to one positioned around gut health, without changing their eating habits.

One major difference between fibre and protein has been that fibre has been harder to add as an ingredient. Protein can often be added without significantly altering taste or texture, whereas fibre tended to affect structure. Bread can become denser, yoghurt can become thicker, and drinks can be harder to keep smooth and appealing. Newer fibre ingredients are making this easier, which may help explain why fibre is appearing first in categories where consumers already expect health positioning: bread, cereals, yoghurt, snack bars and health-focussed drinks.

This is where the opportunity becomes more interesting than a simple “eat more vegetables” message. A young consumer may not wake up craving a bowl of bran, but may buy a higher-fibre wrap, a gut-health yoghurt, a prebiotic soft drink or a snack bar marketed as helping keep them fuller for longer. The fibre story becomes stronger when it turns up in formats people already understand, rather than asking them to redesign breakfast around something from the supermarket health food section.

Google Trends search interest in dietary fibre

Interest in dietary fibre has increased substantially in recent years, with Google search activity reaching its highest levels during 2026. The rise in searches for dietary fibre suggests growing consumer interest in fibre and its role in a healthy diet.



Source: Google Trends , ANZ (Note: Google Trends data is indexed from 0 to 100, where 100 represents peak search interest during the period shown)

From trend to mainstream

One of the clearest signs of change is the attention fibre is receiving from major companies. McDonald's CEO Chris Kempczinski recently identified fibre as a food industry trend for 2026, predicting on social media that fibre is going to be big. When a fast-food giant starts talking about fibre, the conversation has clearly moved beyond the cereal aisle to the drive-through.

Major beverage companies are starting to move beyond discussion and into product development. In March 2025, PepsiCo acquired fast-growing prebiotic soda brand poppi for approximately US\$1.95 billion (reported equivalent approximately A\$3.02 billion at announcement), signalling its confidence in the gut-health category. Four months later, the company introduced Pepsi Prebiotic Cola in the United States,

containing 30 calories, 5 grams of sugar and 3 grams of prebiotic fibre per can. Fibre has now entered a place few would once have expected: the cola aisle.

The fibre story is no longer limited to bran cereal and wholemeal bread. A can of Pepsi Prebiotic Cola contains 3 grams of prebiotic fibre, compared with 1.5 grams in two slices of white bread and none in regular cola. That illustrates how fibre is moving into more unexpected food and beverage categories.



Other signals point the same way. A number of other major food and beverage companies are reported to be pursuing fibre options, including Coca-Cola, Nestlé and Olipop, which have been linked in public reporting to gut-health or probiotic innovations.

A US survey reported that 22 per cent of consumers ranked high fibre as one of their top three food-shopping factors, up from 17 per cent in 2021, while 54 per cent were interested in high-fibre foods and beverages.

Fibre is now appearing in popcorn, soft drinks and everyday snacks, which is usually when a niche idea starts becoming a market.

What it could mean across the FBA system

The commercial implications run across the food, beverage and agribusiness system. Primary producers supplying wholegrains and pulses may benefit from renewed focus on fibre density. Ingredient manufacturers developing prebiotic fibres and other ingredients marketed around health and wellbeing may see increased demand. Branded food companies that can reformulate without compromising taste or cost may be better positioned to pursue products with a stronger health premium.

Industry estimates suggest the global prebiotics market was worth around A\$17 billion in 2025 and could grow to more than A\$50 billion by the early 2030s, highlighting the increasing commercial importance of gut-health ingredients and foods marketed around health and wellbeing.² These figures are indicative rather than definitive, but they point to a significant commercial theme and a broader opportunity in ingredients, formats and claims that make fibre easier to consume.

Fibre is unlikely to follow the exact path of protein. Consumers can see and feel what protein does – muscle, recovery, fullness – while fibre’s role, from digestion to gut health, is less visible and less easily linked to a single moment or outcome. It also lacks the instant pull of a “high protein” label on a packet. Even so, protein defined an era focused on performance and optimisation; fibre may be emerging in response to a different need – restoring balance – to diets that have become more processed, more convenient and often less complete. Protein told consumers how to get more from their diet – fibre may be the nutrient that tells them how to put something back.

(This publication is not medical, nutritional or dietary advice and should not be relied on as such. Readers should seek professional advice about their individual circumstances.)

1. Source: NHMRC, The Lancet, Cancer Council Australia, ABS, ANZ
2. Source: Fortune Business Insights, Prebiotics Market; ANZ.

The productivity opportunity in food, beverage and agribusiness



Overview

- A one per cent productivity improvement may not sound dramatic but applied across Australia's farm production and food and grocery manufacturing activity in 2023-24, it would equate to around A\$2.6bn of additional value.
- Productivity gains can be found throughout the supply chain - from farms and feedlots to processing plants, cold stores, freight networks, export terminals and supermarket shelves.
- AI, automation and better data may become some of the most powerful productivity tools available to FBA businesses, helping reduce delays, improve utilisation and create more value from existing resources.

Why everyone is talking about productivity

Productivity has become one of the most discussed concepts in Australian economic debate. It appears regularly in government reports, business conferences, boardroom discussions and media commentary. Yet despite its prominence, it is not always well understood. Ask ten people to define productivity and many will describe hard work, economic growth or efficiency, even though productivity is related to all three without being quite the same thing.

Part of the reason the topic receives so much attention is that productivity has long been viewed as an important driver of rising incomes and living standards. Recent Treasury and Productivity Commission analysis has reinforced interest in the issue, highlighting the slower pace of productivity growth seen in recent decades.

At its core, productivity is about generating more value from a given set of resources. More grain from the same land. More food from the same factory. More freight from the same fleet. More output, higher quality or greater value without a matching increase

in labour, capital, energy, land, inventory or time. Consider two orchards of the same size, with similar labour, water and capital available. One produces 20 tonnes of saleable fruit per hectare, while the other produces 25 tonnes. The difference might come from better irrigation management, improved varieties, more effective pest control, stronger labour planning or new technology.

The second orchard is generating more output from broadly the same resources.

That definition becomes particularly relevant in food, beverage and agribusiness, where productivity is becoming harder to achieve at the farm level and increasingly influenced by what happens across the broader supply chain.



Why productivity looks different in FBA

Defining productivity is one thing. Improving it is often much harder. In the food value chain, businesses operate within biological systems, large physical assets, perishable products and complex logistics networks, creating challenges that are very different to those faced in many other sectors. A software company can update a product overnight. A professional services firm can roll out a new process across hundreds of employees almost immediately. Food supply chains, however, must work within biological systems, large physical assets, perishable products and complex logistics networks.

A wheat crop still takes months to grow. A dairy cow cannot suddenly produce more milk because demand has increased. Equally, a processor cannot instantly add capacity when an export opportunity emerges, and a retailer cannot recover shelf life that has already been lost in the cold chain. Many parts of the FBA system are constrained by biology, capital

intensity, timing and geography, which can make productivity gains slower and harder won than in other industries.

That helps explain why productivity in food and agriculture has become a more complex challenge. Analysis by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) points to a long-term slowing in broadacre productivity growth, with average annual growth since 1999-2000 estimated at around 0.6 per cent, down from more than 2 per cent per year before 2000. As a result, the productivity conversation is gradually shifting from “How do we produce more?” to “How do we create more value from what we already produce?” That question extends well beyond the farm gate.

Australian broadacre agricultural productivity gains 1977/78 - 2024/25



Source: ABARES, ANZ

Australian broadacre farm productivity remains far higher than it was in the late 1970s, but the rate of improvement has slowed. ABARES estimates average annual broadacre productivity growth has slowed from more than 2 per cent before 2000 to around 0.6 per cent since 1999-2000. As a result, producing more from the same farm resources has become progressively more challenging.

Productivity along the FBA supply chain

Productivity in FBA is rarely determined by a single business. A grower, processor, exporter and retailer can each run well on their own, yet the system can underperform if timing, specifications, capacity and demand are not aligned. A bumper wheat crop, for example, delivers less value if storage, rail or port capacity cannot move grain to market efficiently, which is why the next gains are about coordination as much as individual performance.

The challenge often becomes most visible in processing, storage and logistics. A processing line may be available but not running near capacity because raw material arrives unevenly, labour is short, packaging is delayed, or the next changeover takes longer than planned. Trucks or export documentation can then determine how quickly product becomes cash. These problems do not

mean more food is needed; they mean the system must turn production into saleable value.

The pressure points differ by sector. In grains, productivity depends not only on tonnes harvested, but whether wheat is segregated into higher-value milling, malting or feed channels. In dairy, the same litre of milk can generate different returns depending on whether it becomes drinking milk, cheese, whey protein or nutritional ingredients. In red meat, plant utilisation can matter as much as livestock performance, while in horticulture, cold-chain control and freight timing can determine whether fruit is sold at full value or marked down.

For FBA businesses, the opportunity is practical rather than abstract: fewer idle assets, faster inventory turns, fewer downgrades, less rework and better matching of supply to demand. The prize is not simply more output, but more value captured from what is already being produced.

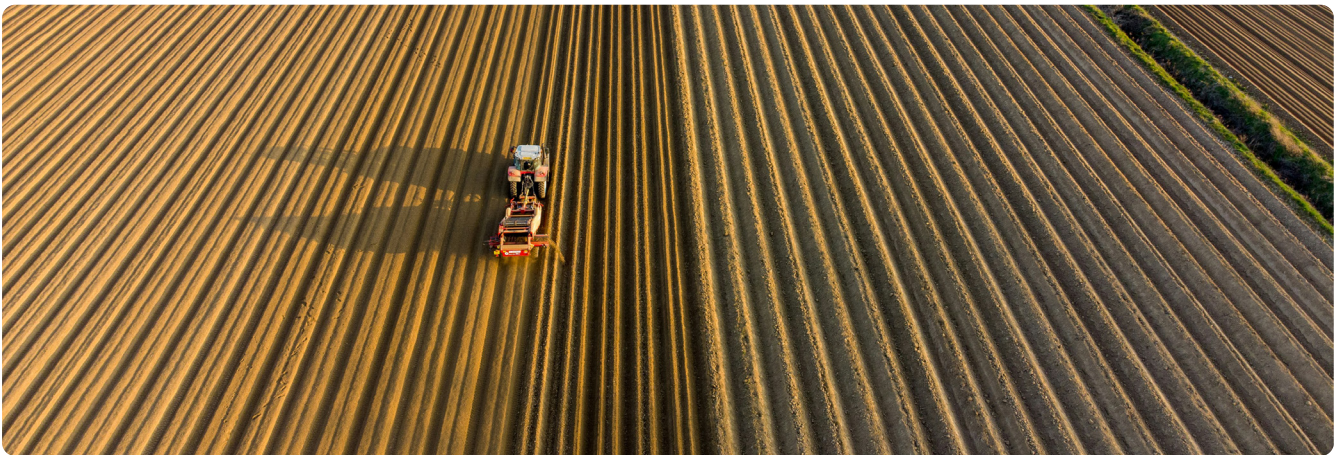
The AI and automation dividend

The emergence and rapid development of artificial intelligence (AI) could prove to be one of the most significant productivity opportunities available to food, beverage and agribusiness over the coming decade. At its core, AI can help businesses analyse data, identify patterns, predict outcomes and support faster decisions.

Many of the productivity opportunities in FBA sit inside thousands of decisions about quality, inventory, production schedules, maintenance, freight and customer demand. AI can help businesses make those decisions faster, more consistently and with greater accuracy. A grain handler can use AI to analyse quality data and optimise blending recommendations in real time. A meat processor can use AI-powered vision systems to assess carcasses in milliseconds and improve grading consistency.

A dairy plant can use AI to continuously adjust production schedules as milk intake, customer orders and inventory levels change. A supermarket can combine weather forecasts, sales patterns and local events to predict demand before a heatwave empties ice cream freezers across the city.

The technology is already moving from novelty to operating tool. AI can identify subtle signs of equipment failure before a processing line stops, match export orders with shipping availability, optimise cold-chain routing during extreme weather, or improve replenishment decisions in retail stores. In each case, the objective is the same: better use of labour, capital, inventory and infrastructure. Ultimately, AI matters because it can help businesses improve utilisation, reduce waste and make better decisions across increasingly complex supply chains.



Making capital work harder

Productivity is often discussed in terms of labour, technology or production, but capital is equally important. Food and grocery manufacturing has been reported as an A\$173 billion industry employing around 294,000 people, supported by large investments in processing plants, cold stores, warehouses, distribution networks and specialised equipment.¹ Making those assets work harder can be just as valuable as producing more output.

Consider an A\$200 million processing plant operating at 65 per cent utilisation. If improvements in scheduling, maintenance, workforce planning or supply coordination lifted utilisation to 80 or 85 per cent, the business could generate substantially more output without investing in another facility. The same principle applies to grain storage infrastructure, feedlots, packaging lines, refrigerated warehouses

and distribution centres. In many cases, the cheapest capacity expansion is better use of assets which already exist.

Working capital is the quieter version of the same challenge. A flour mill holding weeks of grain inventory, a dairy processor carrying stock through a price cycle, or a beverage manufacturer holding excess packaging all have capital tied up before a sale is made. Faster inventory turns can release cash for growth, debt reduction or future investment. For many FBA businesses, productivity is therefore not simply about producing more. It is about generating stronger returns from the infrastructure, inventory and capital already in place.

What one per cent is worth

The scale of FBA means even small productivity gains quickly become large numbers. In 2023-24, Australian farm production was valued at A\$83.3 billion, while the Australian Food and Grocery Council reported food and grocery manufacturing turnover of A\$172.7 billion. Combined, those figures provide a same-year indicative activity base of about A\$256 billion across Australian food, beverage and agribusiness, although some value is counted more than once as products move from farms into processing.²

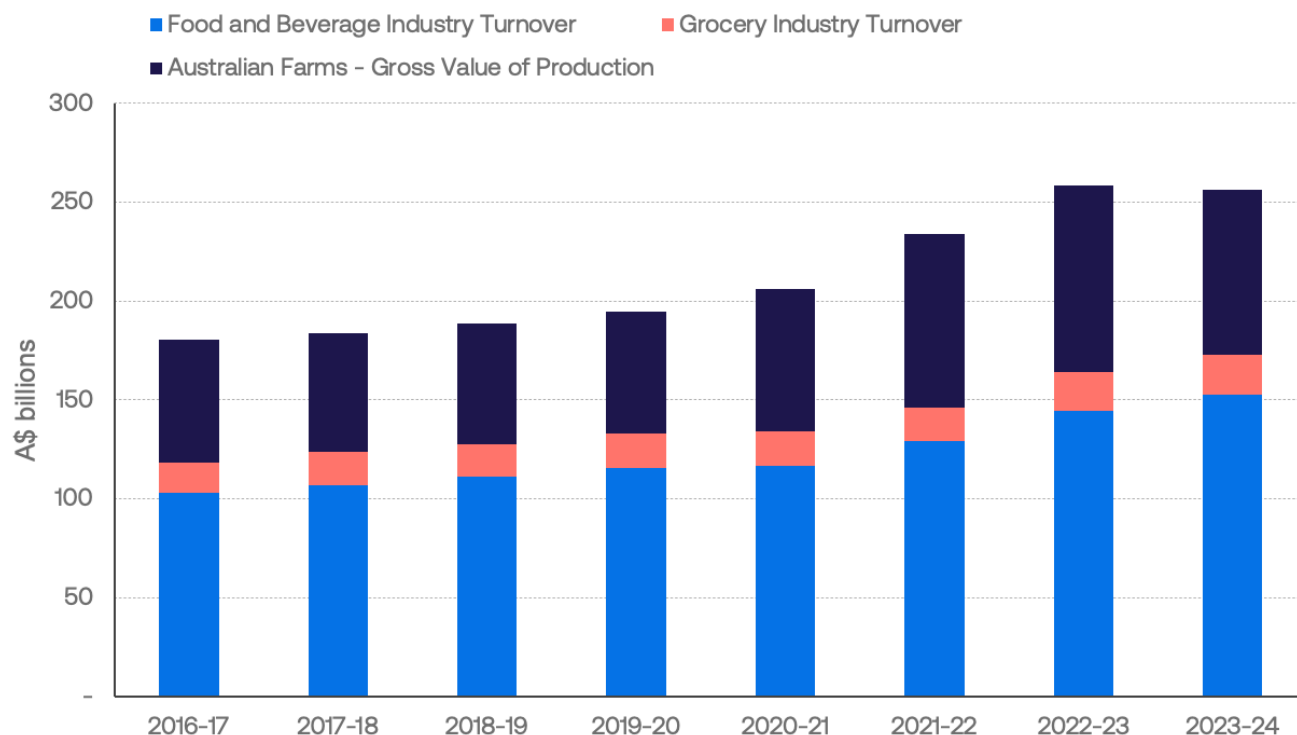
On that same-year activity base, a one per cent productivity improvement would equate to around A\$2.6 billion in a single year. However, these figures are illustrative and should not be interpreted as GDP, value added or a forecast. They also include some double counting as agricultural production is subsequently processed into food and grocery products. Their purpose is simply to demonstrate

the scale of activity flowing through Australian food, beverage and agribusiness and why productivity remains such an important commercial issue.

Viewed through that lens, productivity stops looking like a marginal improvement and starts looking like a significant commercial opportunity. A one per cent gain may sound modest, but across a sector of this size it translates into billions of dollars of additional value generated from the assets, infrastructure and production already in place.

Australian farm production, plus food and grocery manufacturing turnover, represented an indicative activity base of around A\$256 billion in 2023-24. A one per cent productivity improvement applied across activity of that scale would equate to about A\$2.6 billion in a single year.

Combined Australian farm production value, plus food and grocery manufacturing turnover 2016/17 - 2023/24



Source: ABARES, AFGC, ANZ

Where the next gains will be found

The next wave of productivity gains in FBA is unlikely to come from a single breakthrough technology, management idea or investment cycle. Instead, it will likely emerge through hundreds of small improvements across supply chains that collectively improve utilisation, reduce delays and increase value capture.

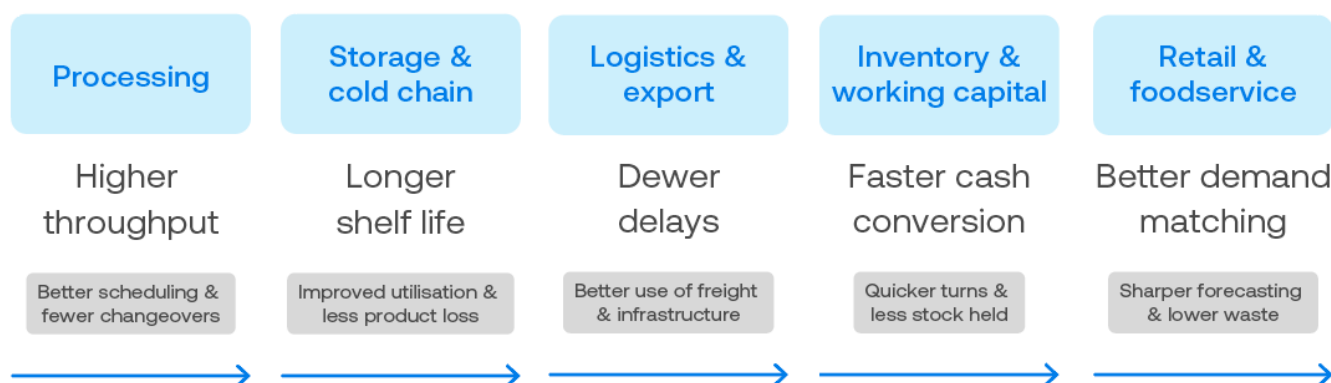
Some opportunities sit inside processing plants through better scheduling, predictive maintenance and reduced changeover times. Others involve improving the flow of products through storage, logistics and export channels so that assets, inventory and working capital are used more efficiently. Advances in AI, automation, data analytics and digital

supply-chain management are increasingly helping businesses identify and act on these opportunities.

The gains will look different across sectors. In grains, they may come from better segregation and logistics. In dairy, they may come from higher-value product mix and stronger plant utilisation. In red meat, throughput and labour efficiency may matter most. In horticulture, improvements in shelf life, cold-chain performance and freight coordination can have an outsized impact on returns. The common theme is that future productivity gains are likely to come less from producing more, and more from ensuring a greater share of what is produced reaches customers in the right form, at the right time and at the highest possible value.

Where future productivity gains may come from

Using existing assets, inventory and information more effectively across the food and beverage supply chain



Source: ANZ analysis

Australian farm production, plus food and grocery manufacturing turnover, represented an indicative activity base of around A\$256 billion in 2023-24. A one per cent productivity improvement applied across activity of that scale would equate to about A\$2.6 billion in a single year.

Many of the next productivity gains are likely to come after products leave the farm. Improvements in processing, storage, logistics, inventory management and retail forecasting can reduce delays, lower waste and help businesses capture more value from what is already being produced.

Conclusion

Productivity has become one of Australia's most discussed economic challenges, yet for food, beverage and agribusiness it is increasingly less about producing larger volumes and more about creating greater value from what is already produced.

The farm will always remain the foundation of the sector, but many of the next gains are likely to come from processing plants, logistics networks, inventory management, capital utilisation and smarter decision-making across supply chains. In an industry measured in hundreds of billions of dollars, even small improvements can create significant value. Productivity is no longer just an economic concept – it is a commercial opportunity.

1. Australian Food and Grocery Council; ANZ.

2. Source: The calculation uses 2023-24 farm production and 2023-24 food and grocery manufacturing turnover to maintain a same-year comparison. More recent ABARES estimates and forecasts are available for farm production, including a forecast gross value of farm production of A\$103.8 billion in 2025-26, however equivalent later-year food and grocery manufacturing turnover data was not available at the time of writing.

Food inflation explained: How pressures play out across FBA



Overview

- A grocery basket that cost A\$100 in 2017 would cost about A\$142 today, rising faster than overall inflation and placing growing pressure on household budgets.
- Food inflation is not one number - vegetables, beef, dairy and other categories have followed very different paths as weather, global markets, labour costs and supply chains shaped prices.
- For FBA businesses, success depends not only on managing rising costs but also on understanding how consumers respond through changing volumes, product choices, brand preferences and purchasing habits.

Whether you are tapping your card for a morning coffee, scanning groceries at the checkout or deciding whether the \$18 burger is worth it, few indicators bring economic pressure into sharper focus than food inflation. A household may notice that the weekly shop is creeping higher even as fewer items make it into the trolley, while a café customer may pause at a higher coffee price or switch to a cheaper option.

Those small decisions sit at the front of a much larger system in which costs, supply and demand are constantly shifting, often in different directions at the same time. Understanding food inflation therefore means looking beyond the price tag, because the number on the shelf reflects not only what has changed, but how those changes have moved through the supply chain and how businesses and consumers have responded.

What food inflation actually measures

You have almost certainly heard the term food inflation, but unless you are an economist, you may not know exactly what it is or how it is measured.

At its simplest, food inflation shows how much the cost of feeding a household has changed. It is less about whether milk went up last week and more about how the overall cost of the weekly shop is moving over time.

In Australia, that information is gathered by the Australian Bureau of Statistics through the Consumer Price Index, or CPI, which is released monthly. The CPI tracks price changes across a broad mix of household spending, using what is often described as a “basket” of goods and services. Despite the name, there is no literal shopping basket. The ABS tracks thousands of items grouped into categories, from fresh produce to takeaway coffee,

with sub-categories such as meat and seafood, dairy, bread and cereals, fruit and vegetables and meals out.

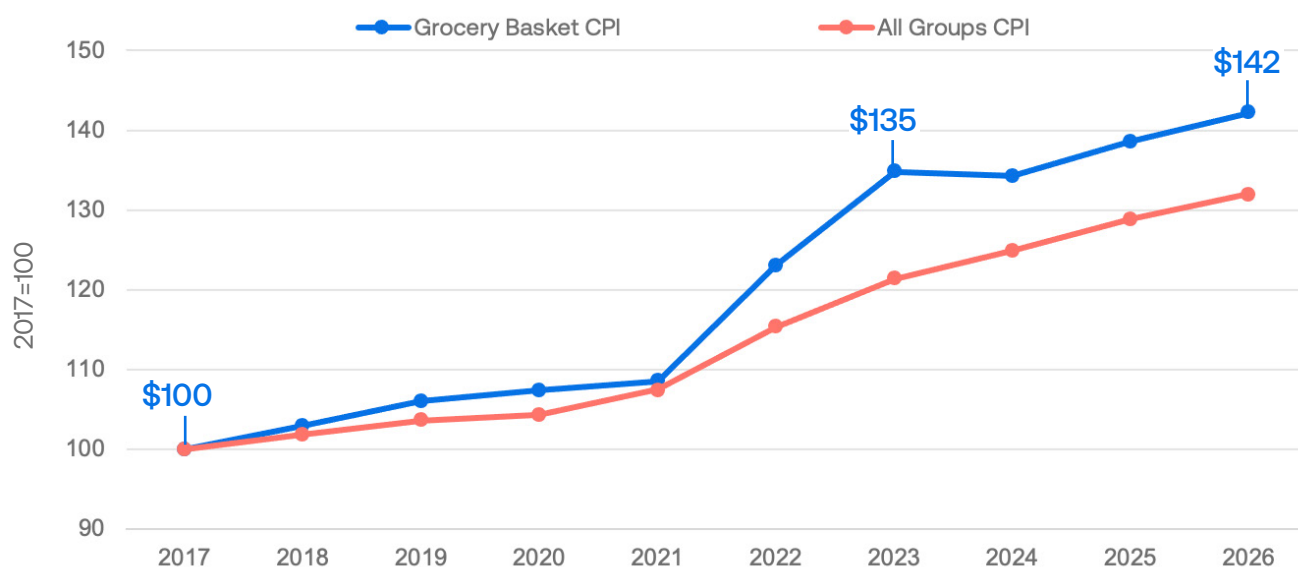
Each item is weighted based on how Australians actually spend. If households buy more mince than wagyu steaks, those items have a bigger influence on the final number, because the CPI reflects real spending patterns rather than ideal shopping lists.

The CPI shows how prices paid by consumers are changing, but it does not show what happens behind the scenes. It can tell us that food prices were 3.3 per cent higher over the year to May 2026, but it cannot show who absorbed those costs, when they were passed on, or how much margin was squeezed before the price changed.

While the food inflation figure is the one most directly felt by consumers, it is followed closely across the supply chain. Producers, processors, manufacturers and retailers track these movements because they shape pricing decisions, contracts and expectations, even though the number itself is measured at the shelf.

A\$100 grocery basket in September 2017 would cost around A\$142 by May 2026, while broader consumer prices increased to around A\$132 over the same period. Food prices have therefore risen faster than overall inflation, which may help explain why many households feel greater cost pressure at the checkout than headline inflation figures alone might suggest.

Australian grocery basket CPI vs all groups CPI - 2017 - 2026



Source: ABS, ANZ

Why different products inflate differently

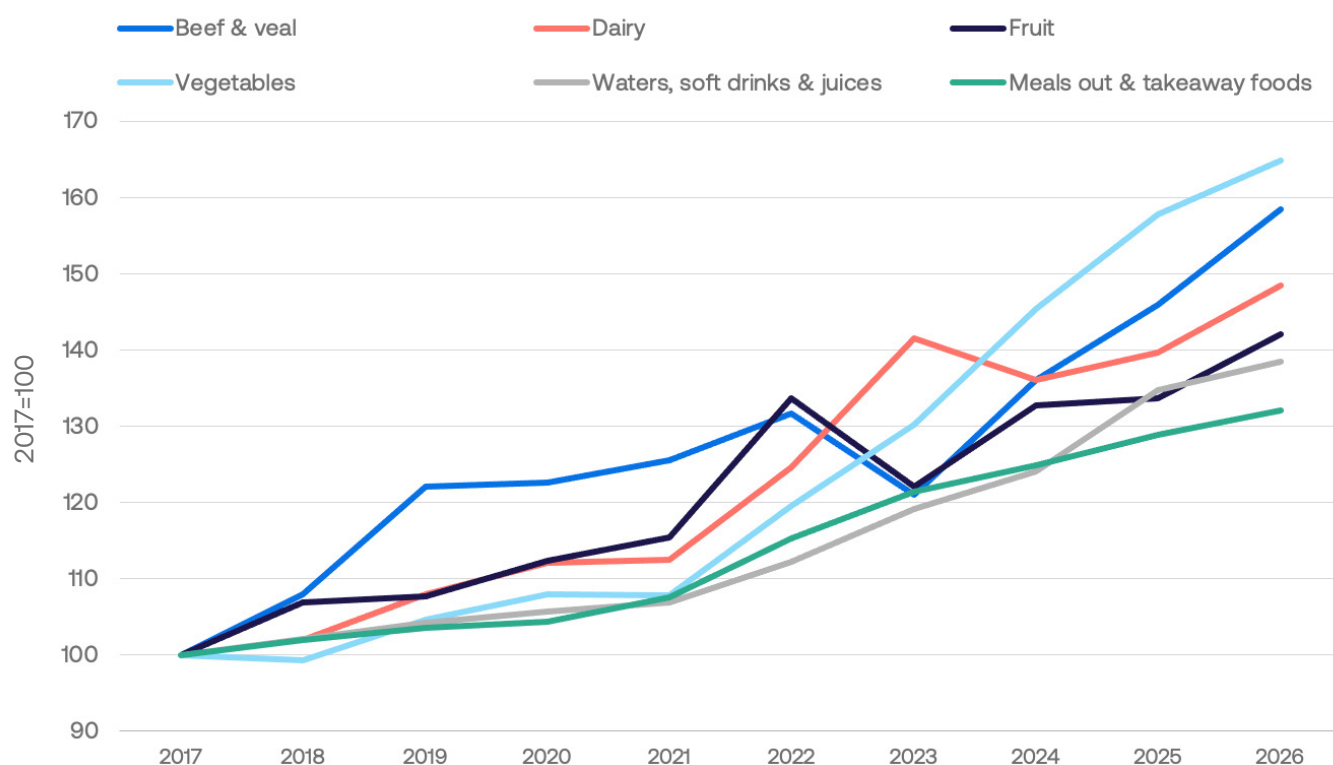
While the overall food inflation figure may rise or fall, the mix of factors behind it is constantly changing, with the prices of different foods driven by different forces at different times. Consumers might notice this when bananas suddenly feel expensive whereas the price of bread is unchanged or even cheaper. This can reflect poor growing conditions in Queensland at the same time as global wheat supply improves and reduces pressure on flour prices.

Each category has its own drivers. Fresh produce tends to respond quickly to weather, labour and transport conditions, while meat prices reflect herd cycles, feed costs and export demand, and other products respond to global conditions in entirely different ways.

Timing also differs, because the path from production to shelf is not the same for everything in the supermarket. Fresh food moves through shorter supply chains, whereas packaged goods such as cereal, pasta or biscuits involve multiple stages including ingredients, processing, packaging and retail pricing decisions, so cost changes can take longer to appear and often remain for longer.

The result is that food inflation reflects a combination of weather, global markets, local conditions and supply chain dynamics playing out at once. For businesses, understanding which part of the basket is driving the change can be just as important as knowing the headline number itself.

Australian food inflation by select categories 2017 - 2026



Source: ABS, ANZ

Food inflation is not driven by a single product or supply chain. Since 2017, vegetables, beef and dairy have experienced much larger price increases than some other food and beverage categories. The differing movements across categories reflect a range of factors, including weather conditions, livestock cycles, global markets, labour costs and manufacturing expenses

How pressure moves through the supply chain

Long before they appear in consumer prices, food inflation drivers are already moving through the supply chain. A shock may start with weather, global markets, energy, labour or freight, but it only becomes visible once it has moved through production, processing, manufacturing, distribution and retail decisions.

These pressures can take many forms. Drought or flooding can reduce supply and disrupt transport, which can push up prices in categories such as fruit, vegetables or livestock, as seen when heavy rains suddenly make a lettuce feel like a luxury item rather than a side salad.

Other pressures are less visible but just as important. Geopolitical events can raise the cost of energy, fertiliser or freight, biosecurity outbreaks can restrict supply, labour shortages can lift operating costs and currency movements can increase the cost of imported ingredients or packaging.

A processor may be paying more for livestock or milk well before retail prices change, while a manufacturer may wait for a pricing cycle before passing on higher packaging or ingredient costs, meaning a chocolate bar or loaf of bread can hold its price for months and then jump all at once.

Retailers then decide how those changes appear, often delaying, staggering or partially absorbing increases. This is why food inflation can look steady to consumers even when underlying costs have already shifted sharply.



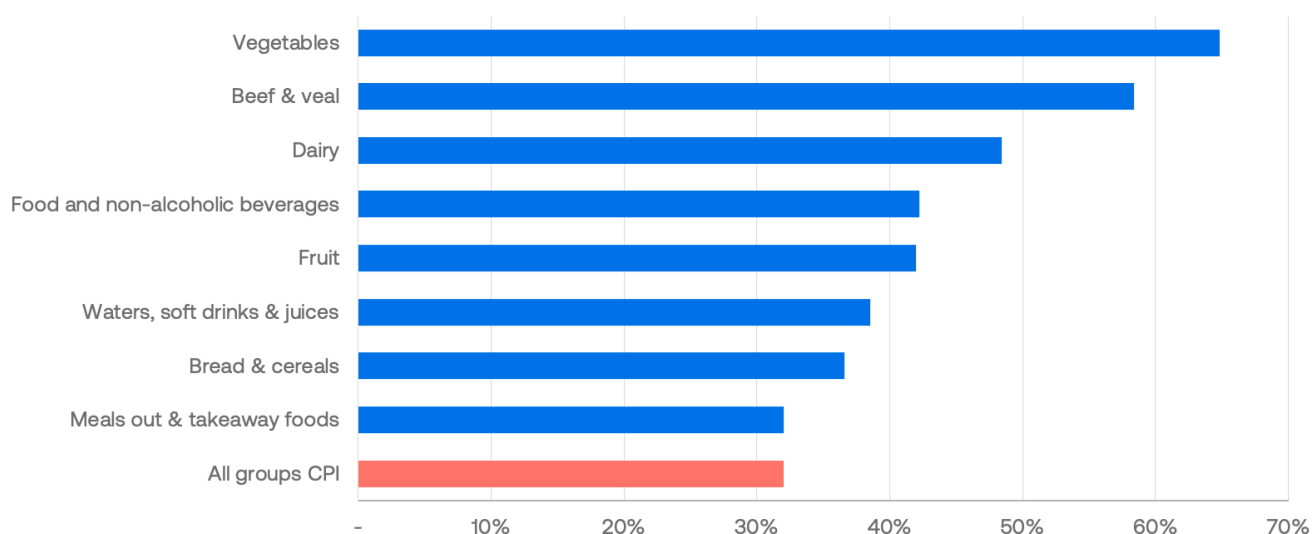
How consumers respond to food inflation

Consumers respond to food inflation in practical ways that reshape both what they buy and how much they buy. Some switch across categories, choosing chicken instead of beef or frozen vegetables instead of fresh, while others trade down within categories, moving from branded yoghurt to home brand or waiting for promotions before buying.

At the same time, many households adjust habits, stretching leftovers, reducing discretionary purchases and shifting takeaway meals into home cooking. These choices are not driven by food prices alone, as households are also managing mortgage repayments, rent, insurance and energy bills.

As a result, spending becomes more selective, with demand for staples such as bread, milk and pasta remaining relatively resilient, while premium and discretionary items are more likely to be reduced, replaced or delayed as households reassess spending decisions.

Increase in select food and beverage prices since September 2017



Source: ABS, ANZ

Food inflation may be reported as a single figure, but households do not shop in averages. Since September 2017, ABS data and ANZ analysis indicate that vegetable prices have risen by almost 65 per cent and beef and veal by almost 60 per cent, compared with around 32 per cent for overall inflation. The result is that two families can experience very different cost pressures depending on what ends up in their trolley

Do food prices go down again?

Food inflation can slow, and some prices do fall, particularly in fresh categories where improved weather lifts supply. Meat prices can also ease when herd numbers rebuild or export demand softens, but many other prices behave differently because underlying costs do not unwind at the same speed.

Even when input costs fall, companies do not automatically lower prices. A café that lifted coffee prices may not reverse them if customers continue to buy, while a snack that moved from \$2.50 to \$3.00 may remain at that higher price if volumes hold and margins were previously tight.

Not all food inflation is driven by rising costs. In some categories, stronger consumer demand can also support higher prices. Consumers may continue buying products such as protein powders, collagen supplements or health-focussed beverages despite price increases because they value the perceived health benefit. Strong consumer demand can therefore give companies more flexibility to pass through higher prices than might be possible in other

categories.

Prices are also often set through contracts, pricing cycles and promotions rather than adjusted continuously, which means increases tend to flow through faster than reductions. As a result, food prices can remain elevated long after inflation has begun to ease. For consumers, lower inflation often means prices are rising more slowly, not that they are returning to where they were before.



What it means for FBA businesses

Food inflation is experienced at the shelf and menu, which means businesses closest to the consumer feel it most directly. Retailers, supermarkets and quick-service restaurants decide how rising costs translate into what customers see, whether by lifting a \$2.50 product to \$3.00, shrinking pack sizes or adjusting meal structures to protect margins.

Manufacturers feel the pressure just behind that front line, managing rising costs across ingredients, packaging, energy and freight before those increases are reflected in prices. A cereal manufacturer may face higher grain and packaging costs while still supplying at agreed prices, turning inflation into a margin and negotiation challenge.

Further upstream, processors and primary producers are less directly exposed to retail inflation, although they are affected through demand and input costs, which means higher shelf prices do not always translate into stronger profitability. Preparing for inflation therefore requires flexibility, with businesses focusing on cost visibility, contract timing, product design and pricing strategy.

Conclusion

Food inflation is often treated as a single number, but it is better understood as the result of many moving parts shifting at different speeds, shaped by weather, global markets, supply chain decisions and consumer behaviour. While consumers experience it at the shelf, the real story sits behind the price, in how those pressures are absorbed and passed through the system. For businesses, the challenge is not simply predicting inflation, but understanding where it is coming from, how it will flow and how customers will respond, as those factors ultimately shape both performance and opportunity.



Trade without rules: How food trade is fragmenting tariffs, bans, standards and biosecurity – and what this means for market access



Overview

- Around one-fifth of the world's food calories are expected to be traded internationally over the next decade, although some products rely far more heavily on export markets than others. Products such as coffee, sugar, wheat, barley and beef are much more dependent on international trade than products such as pork or rice.
- Food trade requirements are becoming more numerous. The number of World Trade Organization (WTO) notifications covering issues such as food safety, animal diseases, plant pests and biosecurity increased from 198 in 1995 to 2,496 in 2025, illustrating how quickly requirements for exporters may change.
- Australian wine exports to mainland China show how quickly a major market can change. A market worth more than A\$1bn in the year ending March 2020 fell sharply within a few years, reinforcing why market access should be actively monitored and defended.

The world behind the shelf

When a shopper looks across supermarket shelves, in Australia or most other countries, they may see Australian beef, Thai rice, Brazilian coffee and a chocolate bar made from ingredients sourced across several continents. If they think about it at all, they may assume those products have simply arrived through a well-functioning global system. The label may say “Made in Australia” or “Product of Vietnam”, but it rarely captures the web of trade rules, certifications, inspections and approvals that allowed that product to reach the shelf.

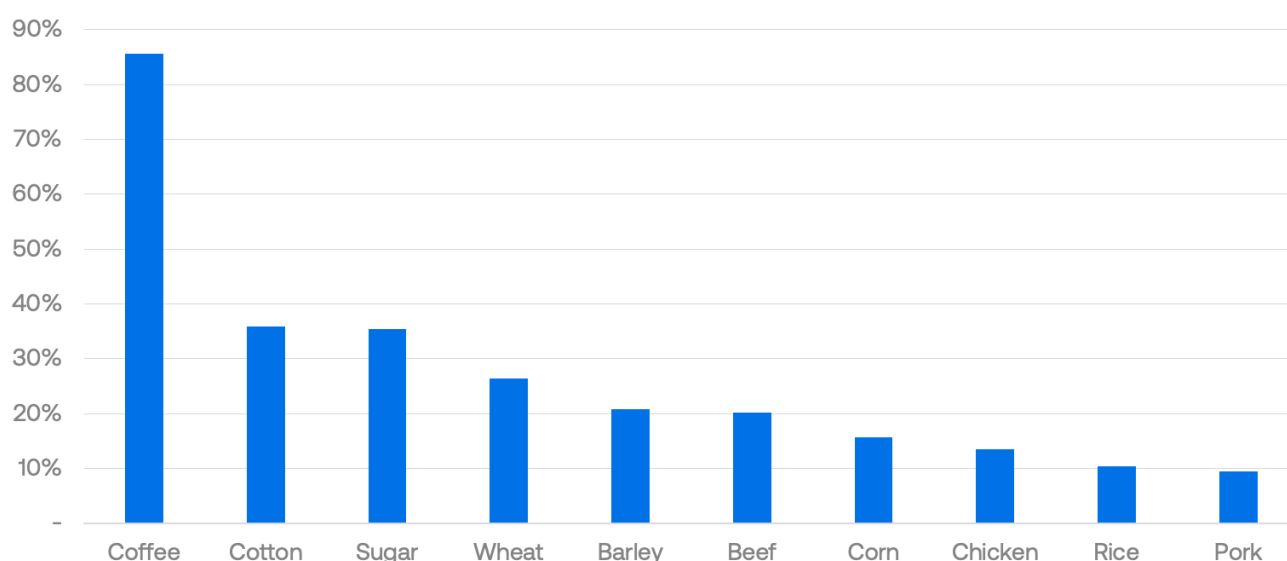
For much of the past, that assumption was broadly accurate. A product was grown or produced in one country, processed, packed and shipped to another, where it cleared customs, paid any required duty and was sold. Thai rice arrived in Sydney, Australian beef arrived in Japan and Brazilian coffee arrived in Europe, with relatively stable rules and few unexpected barriers. Companies focused on producing and shipping efficiently, and consumers often saw consistent availability and pricing.

That system still exists, but it has become more complex and less predictable. Today, that same rice may only be on the shelf because India allowed exports at that moment, after restricting shipments in 2023 to control domestic prices. A steak in China may depend on whether it arrived before Australia reached China’s annual safeguard quota, after which a tariff may make further access commercially unattractive. A chocolate bar in Melbourne may require proof that its cocoa is not linked to deforestation, with new rules affecting whether it can be sold in some markets.

These changes affect both companies and consumers. For businesses, success may depend on meeting shifting rules, not just producing and shipping. For consumers, the impact can appear through higher prices, changing origins or sudden shortages, even when global supply remains strong. The shelf may still look full, but the pathway behind it is often more complex than it appears.

Some foods rely much more heavily on trade than others. Coffee, sugar, wheat, barley and beef all have different levels of exposure to export markets, which means a new rule, tariff or quota will not affect every sector in the same way. The more exposed the commodity, the more market access may matter.

Exports % of global consumption



Source: USDA, ANZ

Trade rules: what they are, and why they exist

Trade rules are nothing new – they have existed for centuries and were created to make large-scale food trade workable between countries with different climates, production systems and economic priorities. Without them, markets could swing sharply, cheap imports could overwhelm local producers and food or plant diseases could spread rapidly across borders. In practice, these rules allow countries to trade while still protecting the stability of their own food supply.

Historically, these rules were often blunt, but they served clear and immediate purposes. As far back as Ancient Rome, rulers managed grain imports from regions such as Egypt, North Africa and Sicily to help support food availability, including through subsidised grain distributions during periods of shortage. Much later, Britain's Corn Laws, introduced in 1815, imposed tariffs on grain imports from Europe and North America to protect domestic farmers after the Napoleonic Wars. During poor harvests in the 1840s, those protections contributed to higher bread prices, leading to social pressure and repeal in 1846, highlighting the constant balancing act between protecting producers and supporting consumers.

Australia provides a more familiar example. The Quarantine Act 1908 (Cth) introduced strict controls over imported food, plants and animals, because of the risk that pests or diseases could devastate domestic agriculture. That principle remains visible today at airport arrivals, where food declarations are required. While this can seem excessive, the reason is clear: an outbreak of foot-and-mouth disease could have a very significant economic impact and shut many of Australia's livestock and meat export markets for an extended period.



In the modern system, the same logic still applies. Tariffs help manage domestic prices and competitiveness, quotas limit how much supply enters the market at once, biosecurity rules help prevent disease and contamination, and standards help ensure that food is safe and accurately represented to consumers.

These rules continue to support both producers and consumers, but what has changed is how actively and strategically they are now used to shape trade outcomes.

Governments are using rules as levers

Trade rules were originally designed to manage trade, yet they are now being used more actively to influence broader economic and political outcomes. In the past, tariffs, quotas and standards tended to sit in the background as relatively stable settings. Today, governments may adjust them more frequently and with more immediate effect.

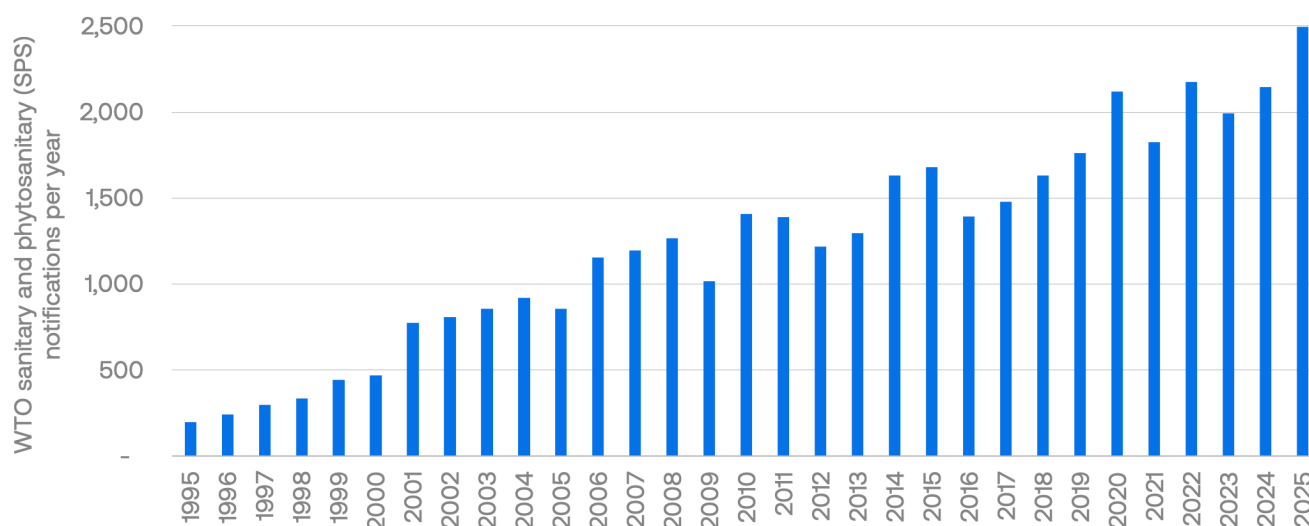
Tariffs show how quickly policy can reshape trade. During the US – China trade tensions from 2018, China imposed tariffs of up to 25 per cent on US soybeans in response to US measures. This made American supply less competitive, prompting Chinese buyers to shift to Brazil. Before this, the United States and Brazil had been more evenly matched suppliers into China. Within a few seasons, Brazil had established a stronger position, illustrating how a short-term policy decision can lead to long-lasting changes in trade relationships.

Import quotas operate even more directly because they determine access. China's beef safeguard illustrates this clearly. Australia exported 272,709 tonnes of beef to China in 2025¹, yet in 2026 China limited imports to 205,000 tonnes, with volumes above that level facing tariffs of around 55 per cent. The stated aim was to protect domestic producers, but the practical effect was that exporters had to secure access early, after which the market may become commercially unviable if the higher tariff applies, even where demand remains.

Export controls work from the supply side. India's rice restrictions in 2023 were introduced to stabilise domestic prices, yet India's rice exports fell by around 4.2 million tonnes in 2023/24, while the benchmark Thai white rice price rose by more than 20 per cent between the July 2023 export ban and early August 2023, affecting consumers far beyond India². Technical rules are also being used more actively. The World Trade Organization recorded 2,496 sanitary and phytosanitary notifications in 2025, covering issues such as food safety, animal health, plant health and biosecurity³.

At the same time, the European Union's deforestation regulation requires due diligence for products such as beef, soy and coffee, meaning suppliers may need to provide evidence that relevant products are deforestation-free and compliant with local laws to access that market.

WTO sanitary and phytosanitary (SPS) notifications 1995 - 2025



Source: WTO, ANZ

Note: SPS notifications are notices lodged with the World Trade Organization when countries introduce or change rules relating to food safety, animal health or plant health. They can include new import testing requirements, pest and disease controls, quarantine measures or food certification requirements.

Countries are introducing more rules covering food safety, biosecurity, pests and diseases than before. The number of SPS notifications lodged with the WTO increased from 198 in 1995 to 2,496 in 2025. While many are designed to protect consumers and agriculture, they also increase the number of requirements exporters must meet to maintain market access.



Why this is happening more often now

Governments are using these levers more often than in the past because the environment around food trade has changed. Trade rules used to sit largely in the background, adjusting slowly over time. Now they are being used more frequently and more deliberately, often in response to events or pressures that unfold quickly.

One reason is the rise in geopolitical tension, where trade has become a direct tool of economic and strategic pressure. Food is particularly exposed because it affects both producers and consumers.

- **Domestic pressure** is also a strong driver. Food prices affect households directly, and governments are under pressure to keep them stable. India's rice export restrictions in 2023 were aimed at keeping staple prices affordable, while China's beef safeguard limited the volume of imports to reduce pressure on local producers.
- Recent **global disruptions** have reinforced the need for governments to act quickly. The COVID pandemic, shipping bottlenecks and the war in Ukraine showed how exposed many countries are to global supply chains. Before the war, Russia and Ukraine accounted for a significant share of global wheat exports, so disruption had immediate and visible effects on global food prices.
- **Consumer expectations** around food have also broadened. Buyers now expect assurance on safety, origin and sustainability, and governments are responding with stricter rules. A retailer in Europe may now require proof that beef or coffee is not linked to deforestation before it can be sold, which means access depends not just on supply, but on what can be verified.

Market access is no longer guaranteed

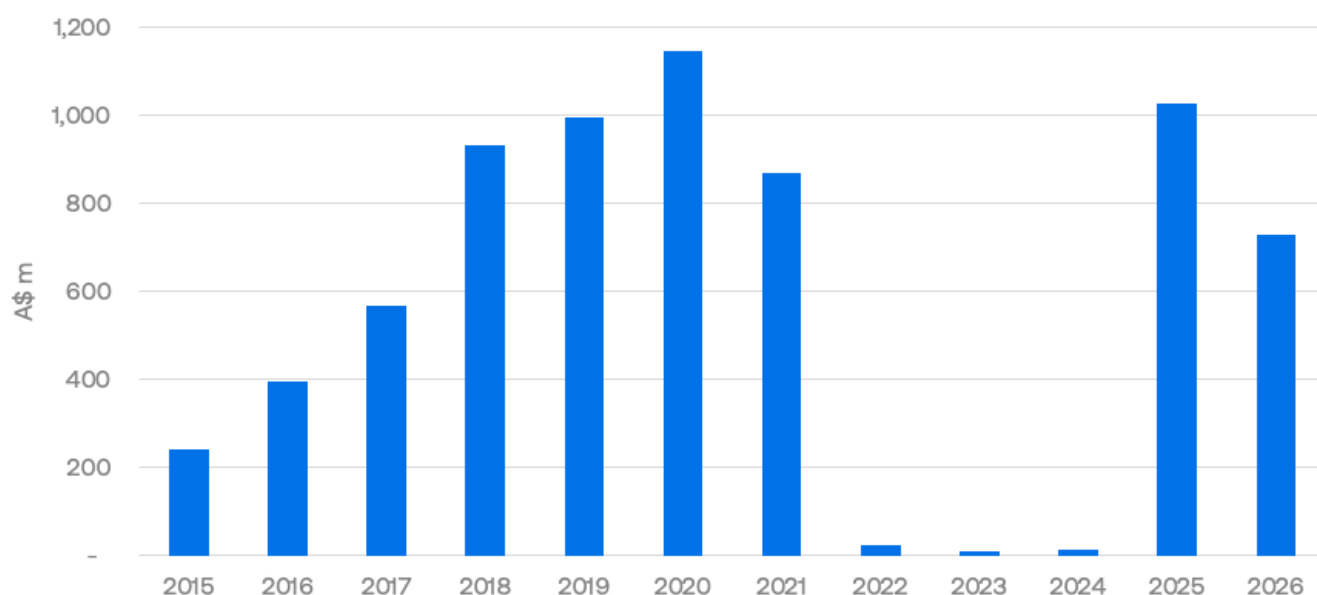
This shift is forcing companies to rethink how they approach trade, because access to markets can no longer be assumed to continue once it has been established. Identifying demand is no longer sufficient if access can be withdrawn, limited or reshaped quickly, often for reasons unrelated to the product itself. Exporters now need to understand



which markets are stable, which are governed by quotas or approvals and where greater diversification may be needed to reduce exposure to sudden policy changes.

The experience of Australian wine in China illustrates this clearly. Before tariffs were introduced, mainland China was Australia's largest wine export market by value, worth about A\$1.15 billion in the year ending March 2020⁴. When tariffs were applied, access disappeared almost overnight, forcing exporters to redirect volumes into other markets such as the United Kingdom and the United States, often at lower margins. The lesson is not just that markets can close, but that heavy reliance on a single export market can become a vulnerability if access conditions change.

Australian wine exports to China by value 2015 - 2026 (full year ending March)



Source: Wine Australia, ANZ

Australian wine exports to mainland China show how quickly market access can change. The market was worth about A\$1.15bn in the year ending March 2020, then fell to around A\$11m by 2023 before rebounding after duties were removed. Production did not disappear, but access to the market was significantly constrained.

A similar pattern played out in barley. Duties imposed by China significantly restricted access to a market worth close to A\$1 billion, requiring exporters to redirect shipments into alternative destinations with different pricing structures and customer bases.

In both cases, production did not change in the short term, yet the conditions around access did, and that was sufficient to reshape trade flows. The message for exporters is that market access, not just production capacity, can determine where value is realised.

For companies, this creates both risk and opportunity. Access can change faster than production can respond, which affects revenue, pricing and long-term customer relationships. At the same time, businesses that invest in traceability, certification and diversified market exposure may be better placed to continue supplying when conditions tighten. In practical terms, success increasingly depends on the ability to demonstrate compliance and maintain access across multiple markets, rather than relying on cost, scale or a single dominant customer.

Australia sits directly within this shift. With more than 70 per cent of agricultural production exported⁵, changes in access settings in overseas markets flow quickly through to farm returns, prices and investment decisions. This exposure creates vulnerability when major markets tighten, but it also creates opportunity. Australia's biosecurity system, reputation for safe food and established trading relationships are assets in a system where



buyers place greater weight on origin, safety and compliance. Access now depends not only on what is produced, but on what can be consistently proven.

Conclusion

Food trade remains central to the global food system, with many products and ingredients moving across international borders before reaching consumers. What has changed is not necessarily the scale of trade, but how it operates.

Rules that once sat quietly in the background are now being used more actively to manage domestic pressures, influence relationships and

shape outcomes in real time. For companies, this means that success is no longer determined only by producing efficiently and meeting demand, but by maintaining reliable access in an environment where conditions can shift quickly. Products are still moving across borders, but participation increasingly depends on the ability to meet changing requirements, demonstrate compliance and respond to policy decisions as they emerge.



1. Source: DAFF, ANZ analysis.

2. Source: IFPRI Food Security Portal; ANZ.

3. Source: WTO

4. Source: Wine Australia, Export Report, mainland China export value, year ending March 2020; ANZ analysis.

5. Source: ABARES, Snapshot of Australian Agriculture 2025; ANZ.

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Contacts

Sara McCluskey

Head of Diversified Industries - Institutional

✉ sara.mccluskey@anz.com

Sherrie Banks

Head of Food, Beverage and Agribusiness

International - Institutional

✉ sherrie.banks@anz.com

Matthew Mann

Director - Research & Analysis Food, Beverage
and Agribusiness - Institutional

✉ matthew.mann@anz.com

Gerry Karam

Head of Food, Beverage and Agribusiness -
Institutional

✉ gerius.karam@anz.com

Michael Whitehead

Executive Director - Food, Beverage and
Agribusiness Insights - Institutional

✉ michael.whitehead@anz.com

