

# Dairy Market Insights

Q1 | January to March 2025

[milkvalue.com.au](http://milkvalue.com.au)

**freshagenda**



Australian Dairy  
Products Federation



# 1. Summary

## Increasing Uncertainty For Global Dairy Markets in 2025

- Major exporters face diverse market and production conditions with geopolitical and animal disease increasing the uncertainty of the outlook for trade.

### In the EU:

- Milk supplies face headwinds with falling cow numbers, and the winter dormant blue tongue virus expected to re-emerge in warm weather. Pasture conditions are varied, while a dry start to spring benefits some producers, high cow prices mean herd reductions may be tempting. An outbreak of foot and mouth disease in Hungary, near the border with Slovakia and Austria is of increasing concern as new cases are found resulting in trade restrictions and the countries removed from FMD free lists.
- Cheese demand is robust at elevated prices but may come under pressure (shifting milk to commodities) if consumer confidence weakens.

### In the US:

- Recent revisions in US herd numbers suggest “the cows are there” and hence stronger milk and cheese output through 2025 than previously expected. The gradual filling of new plant capacity will ensure ongoing cheese market volatility
- A recovery in US domestic demand seems unlikely with crashing consumer confidence, which won’t be helped if new tariffs lift inflation, making exports to contested markets crucial.

### In New Zealand:

- Late-season drought is slowing NZ output and may also limit milk supply at the start of next season. A shift of milk use to chase high-protein demand has limited exposure to the fragile SMP market, while abundant AMF may find sufficient traction at a heavy discount to butter in price-sensitive developing markets.

### In Importing Regions:

- Retaliation against wide-ranging US tariffs may impact dairy markets in coming months.
- The wider impact of major US unpredictable and changing policies including fiscal and monetary actions will add to the complexity of macro-economic conditions through 2025.

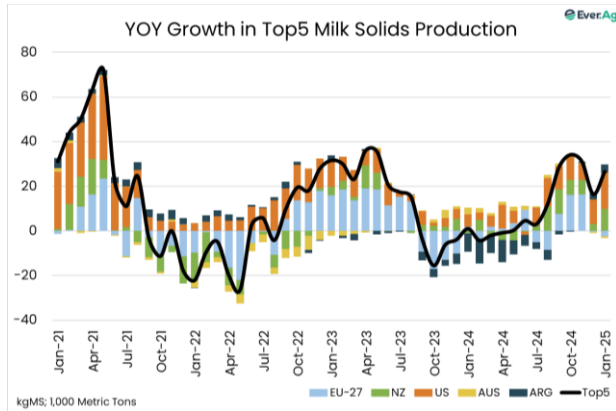
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## What it means for Australian dairy

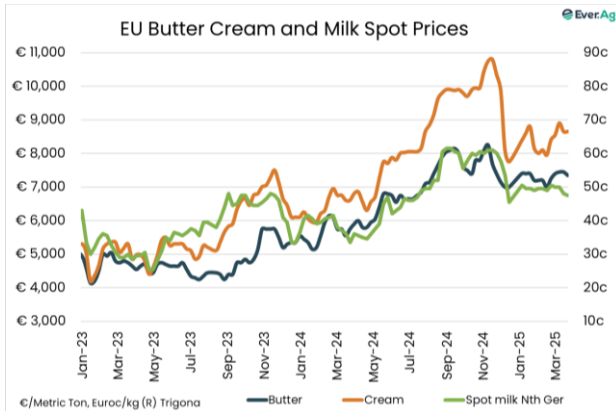
- The spot commodity milk value (CMV) continued to rise in the March quarter, ending the period at \$9.14kgMS. This compares with the Australian Commodity Milk Value (ACMV) of \$9.41kgMS at the end of March, reflecting higher local spot wholesale price quotes.
- The Australian dollar has been steady over the March quarter at around US\$0.62. The largest improvement in price has been for butter and WMP with cheese steady over the period. Australian exports have continued to be strong in the first two months of 2025 with increased cheese, SMP and butter shipments. Imports of butter and cheese have also risen in early 2025.
- Hot and dry conditions have spread in south-eastern Australia in early 2025, significantly reducing farmgate milk production. While competition for milk supply among processors receded during the 2024/25 season compared to previous years, that but could increase if farm and cow exits ramp up, further reducing milk production. Cull cow prices are continuing to increase, while fodder prices remained elevated as dry conditions increase demand.
- A prolonged trade war between the US and China will have serious impacts on global trade and economic growth which may in turn impact currencies and commodity returns through 2025.
- To learn more about current season regional farmgate pricing, and track CMV movements visit the Milk Value Portal at [milkvalue.com.au](https://milkvalue.com.au)**

# 2. Key global dairy market indicators

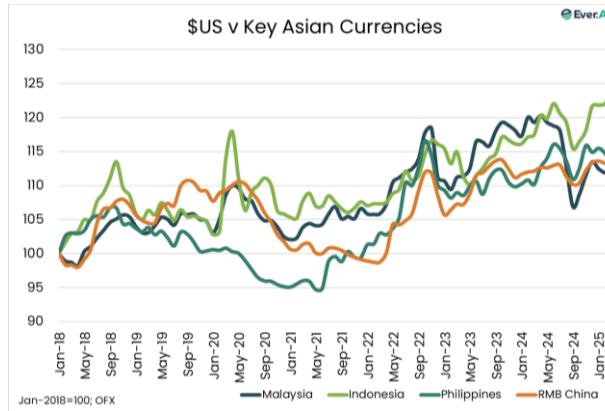
Milk solids output increased into early 2025 driven mostly by building US output to fill capacity and favourable NZ conditions



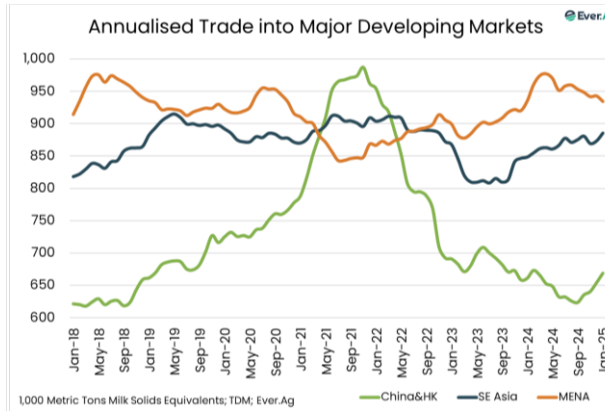
EU fat prices started to lift again in response to robust demand and tightening milk/cream supplies



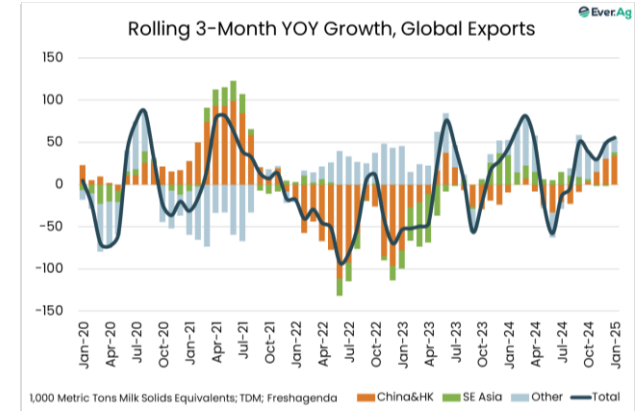
US dollar movements remain mixed against Asian countries but generally trended weaker, easing some importing costs



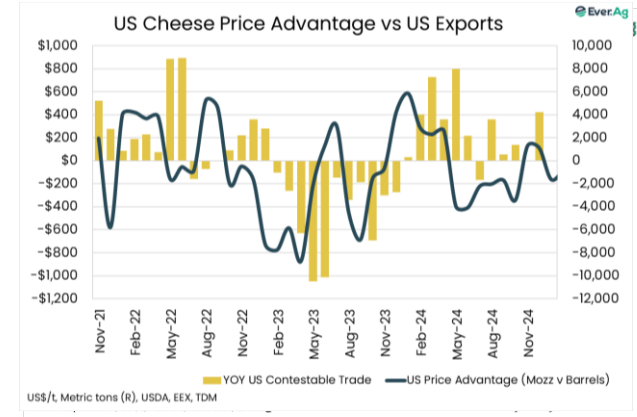
Demand from major developing importing countries and regions has been mixed



Global trade has improved YOY in the past 5 months, led by a partial recovery in China



The competition for exports to contestable cheese markets will heat up in coming months given the US price advantage

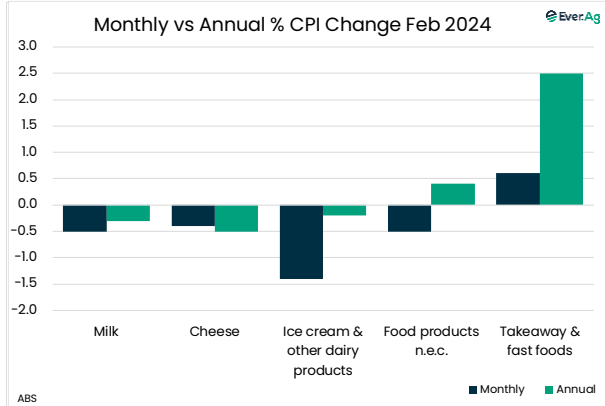
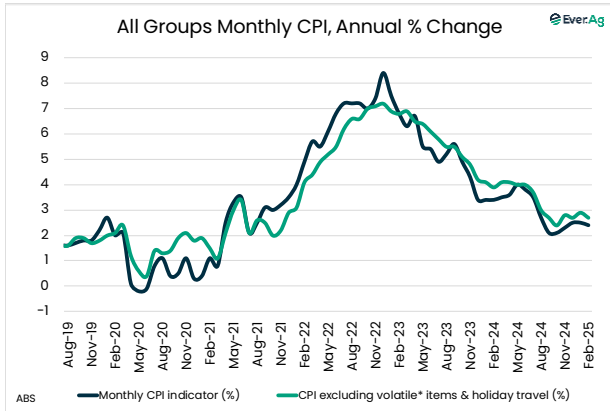


### 3. Major issues in the global market outlook

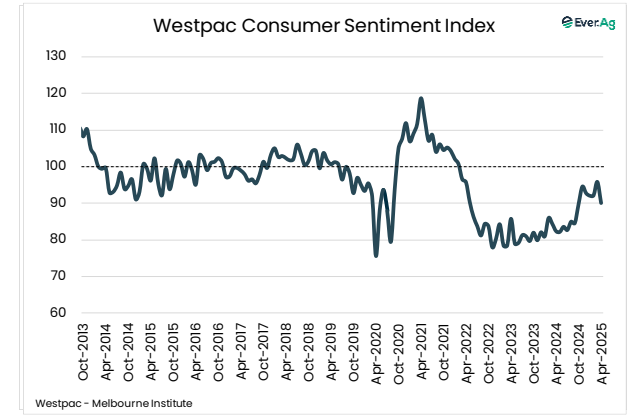
	Bullish (for prices)	Bearish	Uncertain
Demand	<ul style="list-style-type: none"> <li>Sustained EU demand for cream and <b>butter</b></li> <li>Improving food service demand for <b>cheese</b> in developing regions</li> <li>Improving SE Asian <b>WMP and SMP</b> demand</li> <li>Sustained growth in demand for drinks, and protein supplements supporting demand for WPC 80 and WPI demand Hi-Pro (higher protein) whey and MPCs</li> </ul>	<ul style="list-style-type: none"> <li>Reduced domestic ingredient usage within EU27 and the US affecting <b>SMP</b> demand</li> <li>Weak recovery in Chinese <b>ingredients</b> demand with continuing slow economic recovery</li> <li>Fragile developing market demand for <b>butter and AMF</b> at elevated prices</li> <li>Improving SE Asian <b>WMP</b> demand</li> <li>Sluggish US <b>cheese</b> demand growth</li> <li>Weakening US and global consumer confidence due to increasing geo-political uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Economic fallout from escalating geopolitical conflicts in Europe and the Middle East</li> <li>Impact of Chinese government stimulus measures on dining out and dairy demand</li> <li>Fallout from Trump Administration policies impacting consumer confidence, currency markets and economic growth</li> </ul>
Supply	<ul style="list-style-type: none"> <li>Weak and patchy growth in EU milk supply</li> <li>Weak global <b>SMP</b> production and minimal stocks in the US and EU-27.</li> <li>Firm milk protein concentrate (MPC) demand drawing solids away from <b>SMP</b> in Oceania</li> <li>Weaker external <b>WMP</b> exports from LatAm producers</li> <li>Tighter EU <b>butterfat</b> demand</li> <li>Tight Hi-Pro whey and dry whey supply</li> <li>NZ continues to carefully manage <b>WMP</b> supply</li> </ul>	<ul style="list-style-type: none"> <li>EU <b>butter</b> prices have eased with seasonally rising milk availability.</li> <li>Increased New Zealand milk supplies will ensure ample <b>SMP</b> availability</li> <li>Seasonal increases in milk supply and <b>SMP</b> availability in the EU</li> <li>Increased US <b>cheese</b> capacity is rolling out and will raise export availability</li> <li>Sluggish US <b>cheese</b> demand growth and increased production will increase export availability</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing impact of Avian flu outbreak in US on milk production</li> <li>Impact of the Trump Administration’s immigrant policies on the US farm workforce</li> <li>Trump tariff policies and retaliation will impact trade flows</li> <li>Spread of Bluetongue and foot and mouth disease in Europe</li> </ul>

# 4. Domestic market indicators

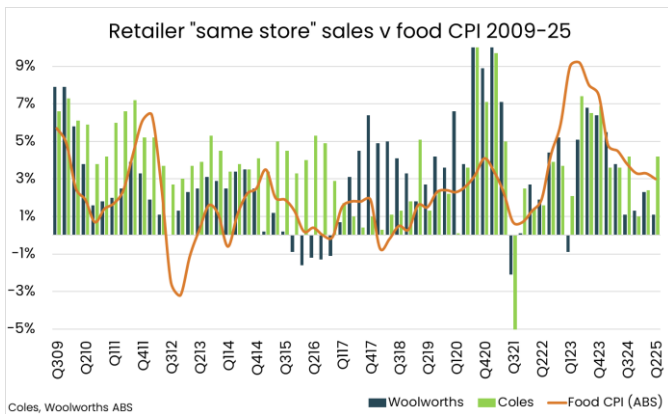
The annual CPI rose 2.4% in February, down from January. Food and non-alcoholic beverages prices rose 3.1% for the year to February, down from +3.3% in the prior month. Within the food and non-alcoholic beverages, **dairy products were again the only category to record a price decrease, which was -0.3%**, while meat and seafood prices were +4.4% and fruit and vegetable prices were +5.2% for the period. **Cheese prices were -0.4% between January and February but -0.5% year-on-year**



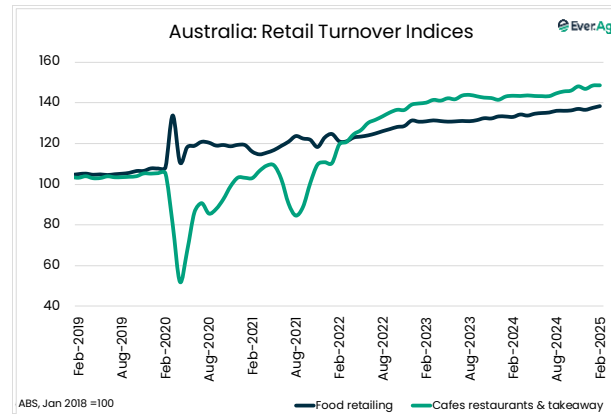
The Westpac-Melbourne Institute Index of Consumer Sentiment **eased in April to 90.1 from 95.9 in March**. Sentiment was significantly impacted by US tariff announcements on 2 April



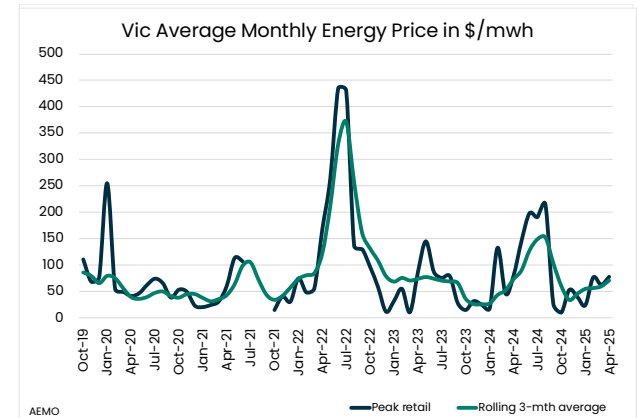
Same store or comparable sales were down for Woolworths in Q2-25, affected by industrial action during the critical festive season. Coles sales benefited as a result



Café restaurants and takeaway turnover rose 0.1% while food retailing sales rose 0.6% between February and January



Victorian wholesale spot energy costs have trended higher in recent months, although still well below the peak seen in mid 2022



# 5. Australian outlook

## Critical issues

- Milk output in southern regions is slowing rapidly as hot and dry conditions affect output in Western Victoria, south Australia and Tasmania, reducing collections more than 10% YOY combined for the year to February.
- Our full season outlook worsened to be down 1.6% in milk solids (H1-25 down 2.9%), with the prospect of increased early drying-off and farm exits. Dairy Australia forecast volume to fall 0.9% to 8.3bn litres. Cheese and butterfat imports will grow with slowing output.
- Grain prices remain elevated due to dry conditions in the northern hemisphere. The latest crop report from the USDA was bearish for grain markets, forecasting increased year-end stock and reduced Chinese imports.
- At home, dry conditions in southern Australia have growers looking for a decent autumn break, as soil moisture levels are low.
- Dairy cull cow prices were trending higher since November, but eased in March, averaging 237.70c/kg liveweight (lwt). Price have been higher in the first few weeks of April, averaging 252.41c/kg lwt.

Milk production

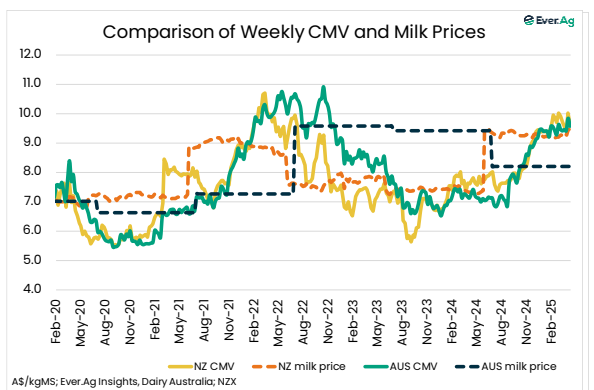
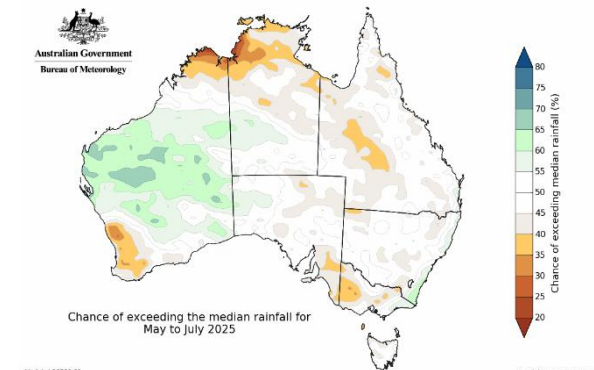
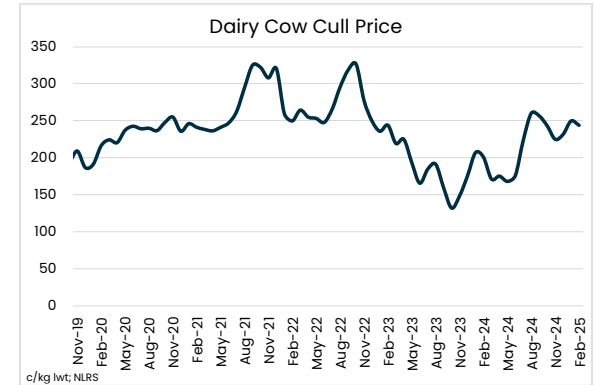
- Late-season milk price step-ups were announced by Burra and Bulla during the March quarter, and Fonterra and ACM announced a second step up in April.
- The Australian Commodity Milk Value (ACMV) stood at \$9.41kgMS at the end of March based on Dairy Australia's spot prices. This compares with a Commodity Milk Value (CMV) of \$9.14kgMS based on lower reported Oceania export prices for most commodities except butter.
- Current indicative regional farmgate milk prices can be monitored at the [Milk Value Portal](#).

Milk prices

## Outlook assumptions

AUS milk and product output ('000t)			
	Milk kgMS	Cheese	SMP
2022	618	365	206
2023	620	396	153
YOY % changes			
2023	0.4%	8.3%	-25.7%
2024	2.5%	-9.3%	-3.2%
1H-24	4.0%	-7.8%	8.5%
2H-24	1.3%	-10.7%	-10.3%
1H-25	-2.9%	18.7%	18.1%
2H-25	-1.6%	4.8%	24.1%

- Hot and dry conditions that have impacted western Victoria and SA as well as Tasmania have spread to Gippsland, reducing milk production. This is likely to intensify competition amongst processors for milk in those regions.
- Commodity and currency markets are likely to be volatile, given the unpredictable trade policy announcements from the Trump administration.



# 5. Australian outlook

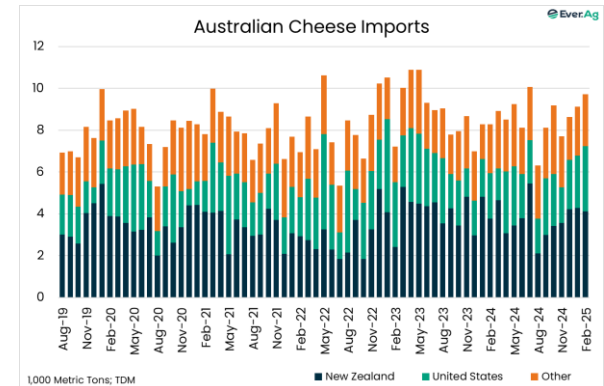
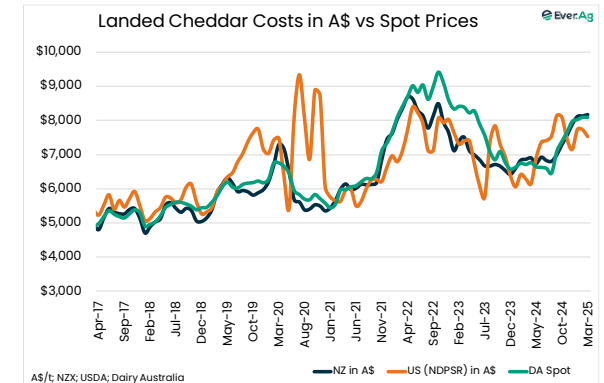
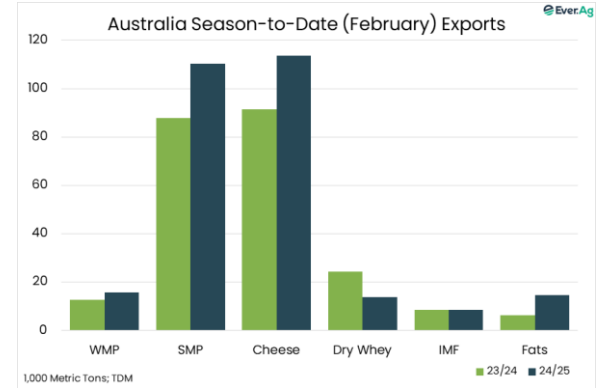
Markets

## Critical issues

- Spot prices generally weakened during March, although cheddar prices have been reasonably stable.
- Stream returns have merged in early 2025, with pressure on mozzarella prices and improving returns for AMP/butter. However, SMP/cream returns are well behind other product streams, with cheap AMF keeping a lid on prices.
- Contracted cream rates in H1-25 remain at \$11 - 11.50/kg butterfat range This is under-valued given butterfat is returning \$13.50 to \$15/kg bf based on March conversion costs and butter values.
- Local cheese manufacturers have cleared the decks of stock, increasing 24% year-on-year for the season to February and +28.4% on an annualized basis. SMP shipments have also increased 26% for the season so far and +33.8% on an annualized basis.
- Meanwhile cheese import growth has been in double-digits year-on-year for the three months to February but are still down 3% on annualized basis. Likewise, butter imports were up 25% year-over-year for the February quarter, but remain -8% annualized.
- At home consumer sentiment remains in negative territory, however the pressure on cheese retail prices eased early in late 2024 and early 2025 with small month-on-month increases but were under renewed pressure in February.

## Outlook factors

- Increasing US cheese production and subdued domestic demand is likely to increase competition in contestable markets, including the local Australian market.
- Inflation has eased and the start of new cycle of interest rate cuts was improving consumer confidence in Australia. However, the global market turmoil prompted by President Trump's "Liberation Day" tariffs and escalating trade war with China severely impacted confidence in April.
- Consumers are likely to remain cautious as the conflict between the US and China plays out, maintaining frugal behaviours such as eating at home and purchasing private label products.
- The federal government's mandatory Food and Grocery Code of Conduct came into effect on 1 April, selling out rules for negotiations and giving the Australian Competition and Consumer Commission the power to issue infringement notices and take court actions.



# Glossary and explanation of key terms

Acronym		Explanation
ACMV	Australian Wholesale Commodity Milk Value	The ACMV is calculated from Australian wholesale dairy product prices as distinct from spot export quotes used in the CMV
AMF	Anhydrous Milk Fat	Removal of water from cream or butter yielding 99.8% milk fat product used in preparing reconstituted product and in food processing
CME	Chicago Mercantile Exchange	US-based derivatives marketplace offering a range of futures and options products for risk management for agricultural commodities.
CMV	Commodity Milk Value	The CMV calculation utilises actual or forecast spot prices for major commodities (SMP, WMP, cheese and butter) converted to local currency and the average industry product mix to generate revenue estimate. Direct conversion, overhead costs and allowance for profit retention to generate an estimate of returns available to the relevant milk pool. The CMV is used as a useful forward indicator of how the global market might affect the farmgate and is tracked weekly <a href="#">here</a> .
EU-27	European Union	European trading bloc including 27 member states
FMP	Farmgate Milk Price	The average FMP that is paid by processors in the southern exporting region of Australia (including southern NSW, Victoria, Tasmania and South Australia) is made up of the underlying commodity value of milk (CMV) and a value-add or premium that depends on the product and market mix of each processor. This includes fresh and other retail dairy products as well as higher value specialised dairy ingredients.
FOB	Free on Board	A shipment term used to indicate whether the buyer or seller is liable for goods that are damaged or destroyed during shipping
Hi-Pro	High Protein	Higher protein concentration whey and milk protein concentrates, typically used in sports nutrition and ready-to-drink products
LatAm	Latin America	Mainly focused on major dairy producing and importing countries Argentina, Uruguay and Brazil.
MENA	Middle East and North Africa	
MS	Milk Solids	The protein and fat content of milk which is the basis of payments from processors to farm suppliers. According to Australia in 2019/20 the average Australian litre of milk comprised 4.15gms of fat (4.15%) and 3.45gms of protein (3.45%) and therefore was 7.60gms of milk solids (7.6%).
NDSPR		National Dairy Products Sales Report produced by the United States Department of Agriculture (USDA)
NFDM	Non-Fat Dry Milk	Shelf-stable milk powder derived from the evaporation and spray drying of skimmed milk. NFDM is defined by the US Code of Federal Regulations and is similar in composition to the more widely produced and traded skimmed milk powder at 34% protein.
NZ	New Zealand	



# Glossary and explanation of key terms

Acronym		Explanation
OPEC	Organisation of the Petroleum Exporting Countries	OPEC is a permanent intergovernmental organization of 13 oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries.
PFV	Projected Fundamental Value	Freshagenda's forecast for the future value of commodities based on the expected market fundamentals of supply and demand
SGX	Singapore Exchange Ltd	Singaporean investment holding company that provides different services related to securities and derivatives trading and others. SGX and NZX formed a strategic partnership in 2022, agreeing to the listing of NZX's Global Dairy Derivatives contracts on SGX's trading and clearing platform
SMP	Skimmed Milk Powder	Shelf-stable milk powder derived from the evaporation and spray drying of skimmed milk. SMP is defined by the globally recognized Codex Alimentarius as comprising 34% protein and 1.5% milkfat.
US	United States of America	
WMP	Whole Milk Powder	Shelf-stable milk powder derived from the evaporation and spray drying of whole milk. SMP is defined by the globally recognized Codex Alimentarius as comprising 34% protein and a minimum 26% and less than 42% milkfat.