Dairy Market Insights

Q3 | July to September 2025

milkvalue.com.au

freshagenda

1. Summary

Global Milk Surges While Demand Remains Subdued

- Global market fundamentals have weakened, with stronger EU milk growth has been met by weak export demand.
- Global trade will continue to expand at low prices despite geopolitical and tariff uncertainty. Lack of US trade policy clarity and geopolitical turmoil remain.

In the EU:

- The surge in EU milk supplies is being driven by good milk prices, limited disease outbreaks, a shift in calving patterns, and plenty of cheap feed.
- EU manufacturers are avoiding over-production of cheese, so cream and skim solids supplies are abundant. Butterfat inventories have rapidly built, with increased imports and limited export options. Falling competitiveness is causing EU cheese exporters to lose market share.
- The correction in EU dairy commodity prices has been swift, and spot milk prices have fallen.

In the US:

- US milk continues to grow as cheese capacity fills, although production issues have added volatility to the market. US cheese exports have strengthened during 2025 with a significant price advantage
- Labor market pressures, persistent inflation, and benefit uncertainty are drags on dairy consumption. Cheap butter may spur demand in local channels and sustain higher exports, although there will be keener price competition from the EU.

In NZ:

- It's been a record start to the 2025/26 season in New Zealand, buoyed by good pasture conditions and strong milk prices offering favourable farm margins.
- Higher GDT offer volumes have put pressure on prices, which have now fallen for six straight events.

In importing regions:

- China's farmgate milk prices are stablising as production falls, but import demand isn't improving because overall dairy consumption remains weak.

Contents	Pages
1. Summary	1
2. Key global dairy market indicators	2
3. Major issues in the global market outlook	3
4. Key domestic market indicators	4
5. Australian outlook	5-6
6. Glossary of key terms	7-8

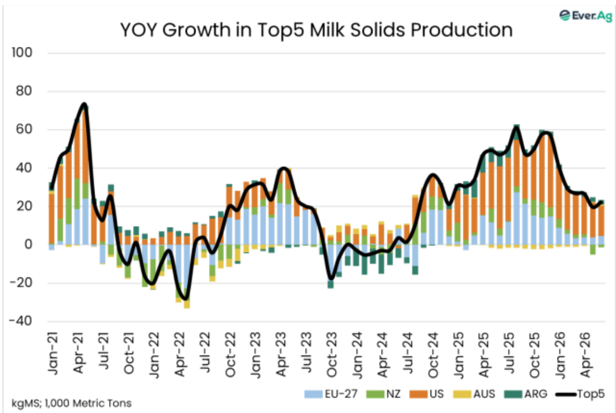
What it means for Australian dairy

- The spot Commodity Milk Value (CMV) retreated during the September quarter, ending the period at $7.89kgMS. This compares with the Australian Commodity Milk Value (ACMV) of $8.28kgMS at the end of September, reflecting higher local spot wholesale price quotes.
- The Australian dollar has been steady during the September quarter, ending the period around US$0.65.
- Australian export growth has slowed as availability has fallen and competition – particularly from low-priced US cheese has increased. Butter and cheese imports have grown in recent months, with the US gaining market share.
- Pasture conditions have improved in south-eastern Australia in the lead up to Spring, however dry conditions persist. Fodder prices have peaked but remain elevated while grain prices are under pressure from increased global supplies. However, cull cow prices continued to rise over the quarter, buoyed by export demand for beef.
- There have been several step-ups announced since the season, with the southern manufacturing milk prices between $8.95 and $9.15kgMS, about 10% ahead of the closing 2024/25 price.
- Consumer confidence has stalled over the September quarter and into October. Major supermarket retailers are reprising "price wars" to protect or increase market share.

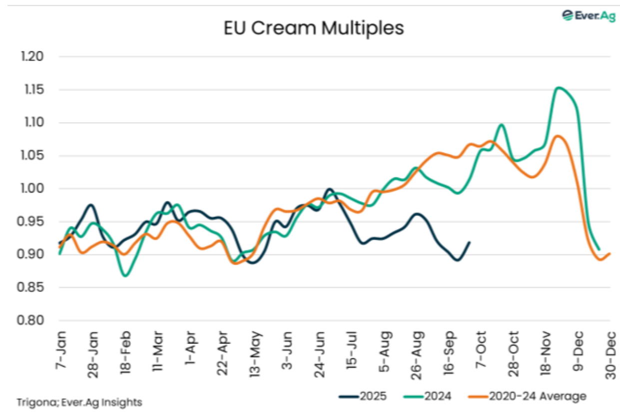
To learn more about current season regional farmgate pricing, and track CMV movements visit the Milk Value Portal at milkvalue.com.au

2. Key global dairy market indicators

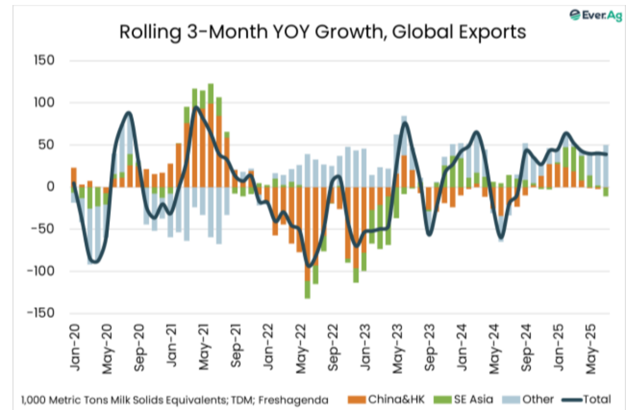
Milk production growth will increase through to the end of 2025 but slow into next year.



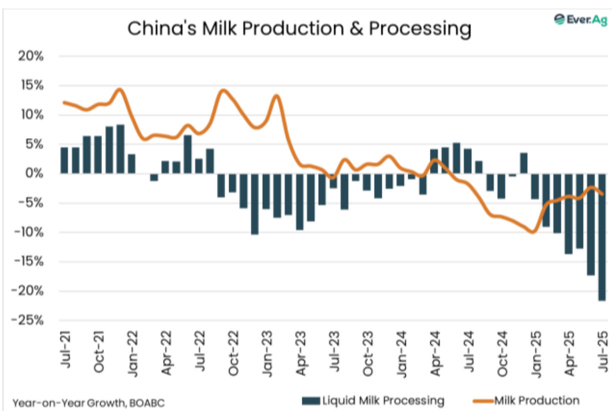
EU cream multiples are lowest on record for this time of the year, and spot cream is cheaper than butter.



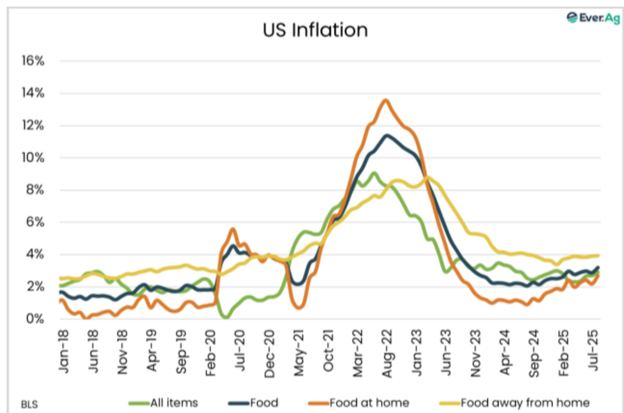
Most of the global trade growth in the July quarter was driven by demand from developed nations.



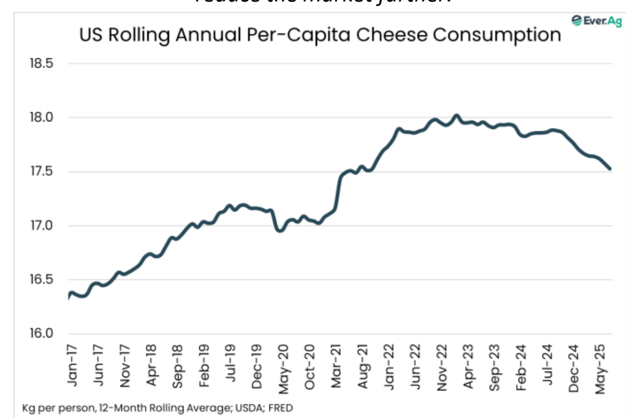
The Chinese market remains oversupplied, with worsening year-on-year declines in liquid milk processing.



US inflation increased in August. "Food away from home" inflation remained high at +3.9% YOY..



This is US dairy's cheese problem remains – domestic consumption is under pressure and immigration policies will reduce the market further.



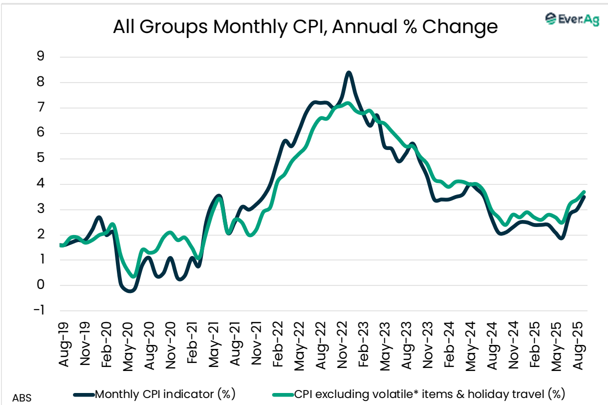
3. Major issues in the global market outlook

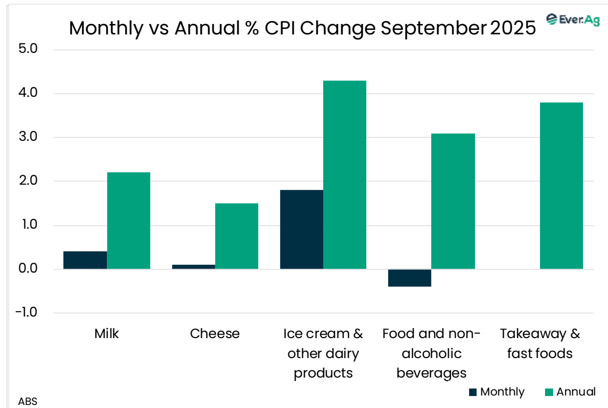
	Bullish (for prices)	Bearish	Uncertain
Demand	• Steady **cheese** demand in EU, likely to be helped by lower prices • Improving SE Asian **WMP and SMP** demand • Sustained growth in demand for drinks, and protein supplements supporting demand for WPC 80 and WPI demand Hi-Pro (higher protein) whey and MPCs • Improving Mexican **SMP** demand • Good demand for NZ MPC in developing regions	• Slowing demand in developing markets • Weak ingredient demand in key consuming regions affecting **SMP** and **WMP** • Pushback on higher **WMP** prices in SE Asia • Sluggish US **cheese** demand growth • Weakening US and global consumer confidence due to inflation fears • Weaker **whey** market prospects in China	• Economic fallout from escalating geopolitical conflicts in Europe and the Middle East • Fallout from Trump Administration policies impacting consumer confidence, currency markets and economic growth • Long-term trade deal between US and China still to be negotiated
Supply	• Weak global **SMP** production and minimal stocks in the US and EU-27. • Firm milk protein concentrate (MPC) demand drawing solids away from **SMP** in Oceania • NZ continues to carefully manage **WMP** supply	• Rapid build-up of EU **butter** inventories. • Increased NZ butter production with WMP supplies managed • Increased US capacity is rolling out and will raise export availability of **cheese** and **whey products** • Focus on hi-pro whey products limiting dry **whey** supplies • Sluggish US **cheese** demand growth and increased production will increase export availability • Increased competition in contested **cheese** markets	• Ongoing impact of US tariff policies on trade flows • Quality of conserved fodder in EU production regions • Risk of push-back on US hi-pro demand as inflation re-emerges

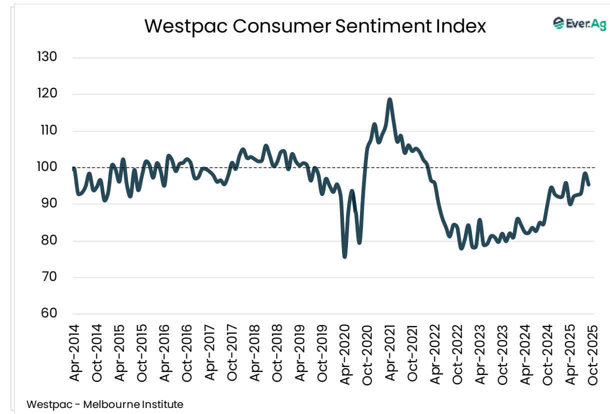
4. Domestic market indicators

The headline annual CPI was 3.5% in September, up from 3.0% in August. Food and non-alcoholic beverages prices rose 3.1% for the year to September, up from 3.0% in August. Within the food and non-alcoholic beverages category, ***dairy products prices rose 2.6% in the year to September,*** *while meat and seafood prices were +3.4% and fruit and vegetable prices were +0.7% for the period.* ***Cheese prices were up 0.1% between August and September*** *and 1.5% year-on-year*

The Westpac-Melbourne Institute Index of Consumer Sentiment fell in early October as inflation pressures returned, extending the timeline for further interest rate cuts



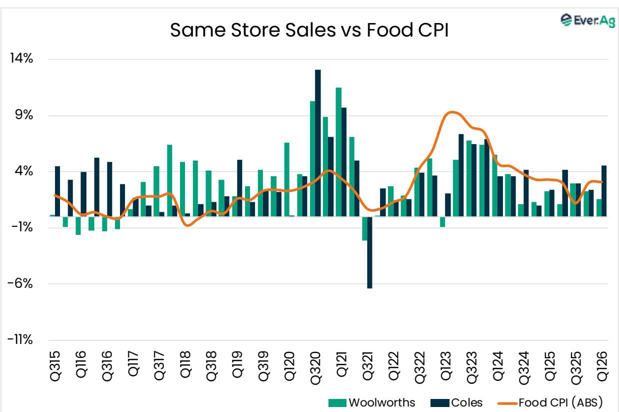


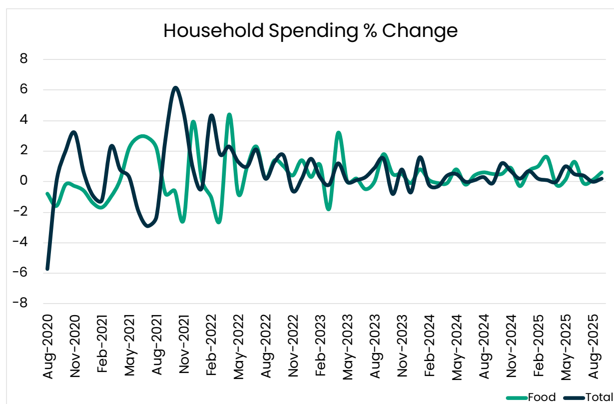


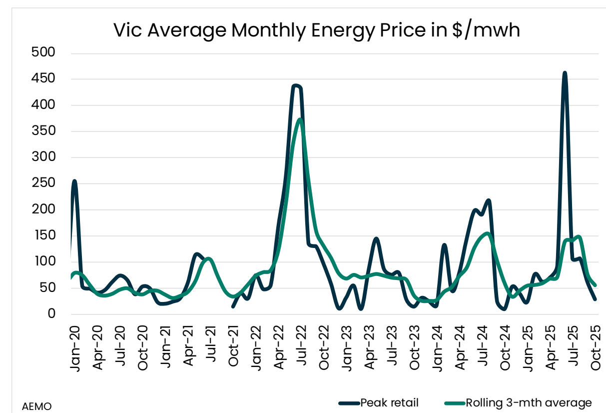
Woolworths continues to trail Coles in same-store sales, increasing the pressure on pricing to win market share. Coles reported same-store sales out-pacing food CPI in Q1-26

Household spending on food up 0.6% from the prior month in September, while total spending was +0.2%. Spending in hotels, cafes and restaurants was down 0.3% on the prior month.

Victorian wholesale spot ***energy costs are seasonally falling, with the 3-month average to October*** *down 8% year-over-year*







5. Australian outlook

Milk production

Critical issues

- The December to February BOM rainfall outlook weakened across eastern Australia, but remains mostly above-average. Temperatures are also expected above average in most areas apart from eastern NSW.
- Fodder prices in southern regions have retreated from mid-year highs. With grain markets over-supplied more marginal wheat and barley crops are likely to be baled, adding to supply. At them same time, improved pasture conditions in some severely drought-affected regions should reduce some demand.
- Cow culling activity continued strongly, increasing 30% in the September quarter before weakening in October. Monthly turn-off – as indicated by saleyard transactions - peaked in July and was the highest monthly head-count for more than 3 years, as cull cow prices spiked.
- The Ever.Ag milk solids production outlook is for a 1.9% fall in in 2025/26, the spring peak constrained by cow numbers. *That said, the official milk production data appears to be understated, with major companies reporting increased production in the early part of the season.*

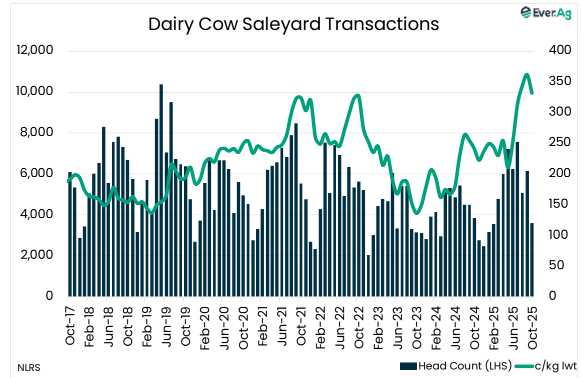
Outlook assumptions

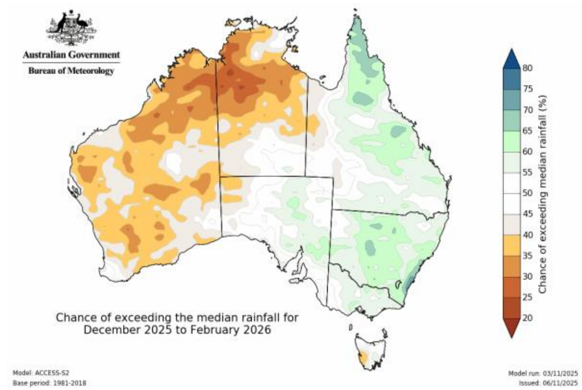
AUS milk and product output ('000t)

	Milk kgMS	Cheese	SMP
2024	636	419	172
2025	622	403	159

YOY % changes

	Milk kgMS	Cheese	SMP
2024	2.5%	-5.5%	20.1%
2025	-2.1%	-3.9%	-7.8%
1H-25	-1.4%	2.7%	-6.1%
2H-25	-2.7%	-9.9%	-9.0%
1H-26	-0.9%	3.8%	-9.1%
2H-26	-0.7%	-4.9%	-1.6%





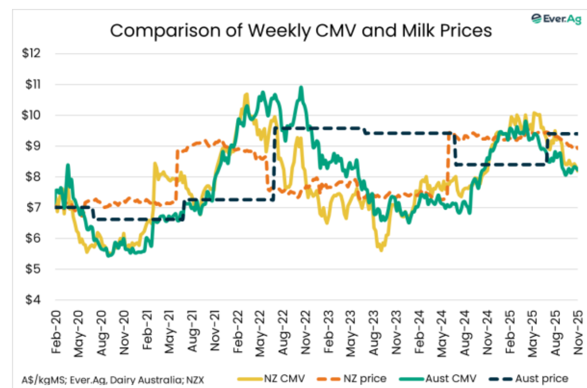
Milk prices

Critical issues

- The ACMV stood at $8.28kgMS at the end of September based on Dairy Australia's spot prices and continued to weaken through October. This compares with a CMV of $7.89kgMS based on lower reported Oceania spot prices for all commodities.
- Both commodity milk values continued to fall since the end of June, with the ACMV falling 9.8% over the September quarter.
- Current indicative regional farmgate milk prices can be monitored at the Milk Value Portal.

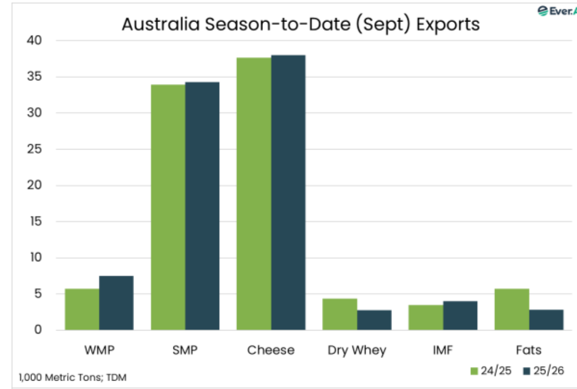
Outlook assumptions

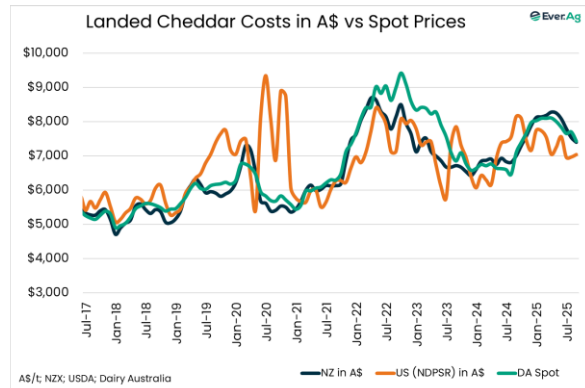
- Milk prices for the 2025/26 season in the southern region, most prices – excluding that for exclusive fresh milk supply - remain between $8.95 and $9.15kgMS.
- There have been step ups announced by some companies so far, there appears limited upside for farmgate prices given weaker global commodity prices and increased competition from increased global supply.

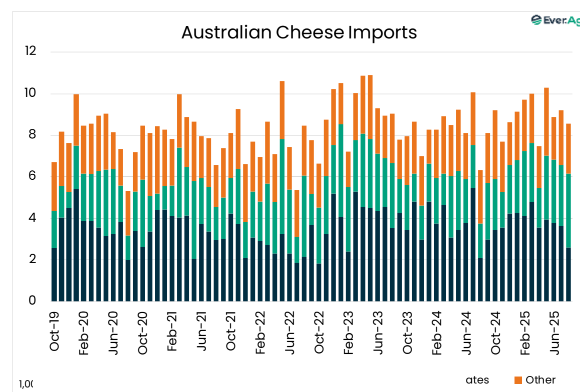


5. Australian outlook

	Critical issues	Outlook factors
Markets	• Spot commodity prices have weakened in the three months to the end of September, particularly butter and cheese. • Local cheese and butter wholesale prices remain at a healthy premium to the global market, however. Bulk butter imports from the US, while small in the context of Australian availability, will nonetheless (due to the cost differential) help pressure lower-value segments of the fat market. • The global market correction and increased import volumes will pressure local cream prices into H1-2026. • Cheese exports were up 1% % YOY in the three months to September, despite increased competition. SMP shipments were also up 1% YOY for the same period after a strong month in September, while butterfat exports fell 50% YOY on a commercial butterfat equivalent basis. • Cheese imports have increased 9% in the three months to August. US-sourced product has surged, up 62% YOY for the period. Butter import volumes fell 4% in the three months to August, and on an annualized basis. • However, the US has emerged as a significant supplier to the Australian butterfat market, leveraging its significantly lower priced product to overtake volume imported by competitors in August. • Consumer sentiment has edged lower in recent months, despite an interest rate cut in August. The latest reading was back to a 6-month low with signs of re-emerging inflation.	• US cheese production and subdued domestic demand is continuing to increase export availability. This will increase competition in contestable markets, including Australia. • Consumer confidence has stalled as inflation fears push interest rate cuts further into the future, or reduce expectations about the number of cuts in this cycle. • While "cost of living' has receded as the major concern for consumer, retailers remain focused on delivering value to shoppers. Woolworths promised to invest in lower prices in 2025/26, and Coles has vowed to match any moves in a price war.







6. 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 here.
EU-27 or EU	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	

6. 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 recognised Codex Alimentarius as comprising 34% protein and a minimum 26% and less than 42% milkfat.

Disclaimer: This publication has been prepared by independent global dairy market consultancy Freshagenda, and reflects their professional judgment, analysis, and interpretation of the available evidence. The purpose of this publication is to examine the macroeconomic and geopolitical variables impacting the Australian and International dairy markets in the short to medium term.