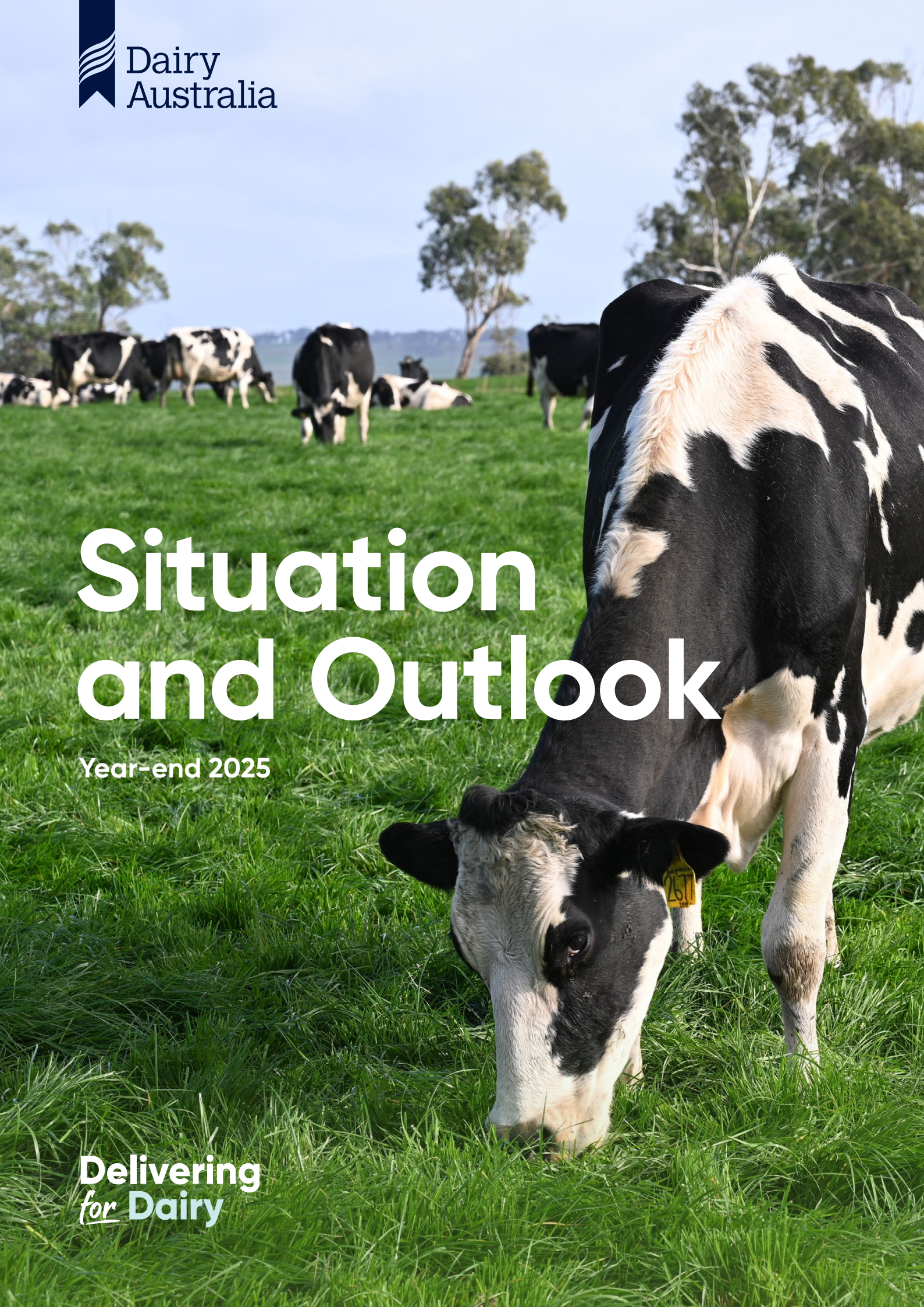
Dairy Australia



Situation and Outlook

Year-end 2025

Delivering for Dairy

Seven key drivers

of the Australian Dairy Industry

Global supply

Situation: Negative Outlook: Negative

Global milk production is rising. Milk flows remain strong in New Zealand and are recovering in both the US and Europe after past animal disease outbreaks. Further production growth is expected in both key exporting regions in the short to medium term. Increased availability of dairy export products and the various US tariffs imposed are likely to continue impacting global dairy prices.

Global demand

Situation: Positive Outlook: Neutral

Exports to China continue to increase, particularly from Oceania in light of US tariff changes, and delays along European shipping routes have also diverted some demand towards other origins. However, European dairy export prices have fallen, weighing on values from other key exporting regions, and United States (US) exports have increased despite trade policy changes.

Global economy

Situation: Negative Outlook: Negative

While global inflation continues to ease, the broader economy remains extremely volatile. The International Monetary Fund expects global economic growth to continue to slow, down to 3.1% in 2026, off the back of prolonged uncertainty, protectionism and labour supply shocks.

Australian market

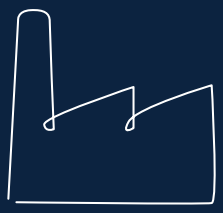
Situation: Positive Outlook: Neutral

Australian dairy continues to perform well in retail, with the total volume and value of product sold up from last year in most key dairy categories. Consumers continue to gravitate towards private label and high protein products. While dairy remains a staple in the majority of Australian households, lower international global prices may increase imports and purchasing of overseas dairy.

Inputs

Situation: Neutral Outlook: Negative

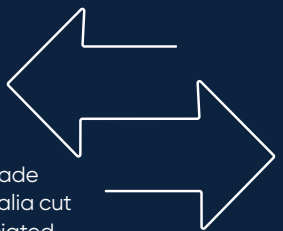
Feed costs have eased after spring rain and improved pasture conditions in some regions. However, fodder prices remain above last year and may remain under pressure in the absence of better than average weather conditions. Temporary water prices continue to rise amidst tighter availability, and while China's fertiliser exports have bounced back, global values remain above longer-term averages.



Australian production

Situation: Negative Outlook: Negative

Last season's adverse weather conditions and higher production costs continue to weigh milk flows in the 2025-26 season. While weather conditions have improved in some dairying regions, feed costs have eased, and farmgate milk prices have increased, better than expected weather conditions will be required to alleviate cost pressures entirely. Combined with a smaller national herd and continued farm exits, Dairy Australia is forecasting national milk production to drop 2% in the 2025-26 season.



Exchange rates

Situation: Neutral Outlook: Negative

After the market became less reactive to US trade policy changes and the Reserve Bank of Australia cut interest rates, the Australian dollar (A$) appreciated to US$0.65 in October 2025. A slow US economy may pressure the A$ further into early 2026, but the weakened Chinese economy will continue to provide counterweight.

Positive Neutral Negative

Executive summary

A mixed outlook is on the horizon this season for Australia's dairy industry.

Strong local retail demand and a higher farmgate milk price are helping to support farmers, but global price shifts, unpredictable weather, and rising input costs continue to put pressure on profitability. Milk production is expected to ease by about 2%, as export markets adjust after earlier price highs and farm margins remain tight. While domestic sales across major categories are holding up well, challenging conditions and persistent cost pressures mean the production outlook for the rest of the season is cautious.

Dairy products continue to perform well in supermarkets. Over the past year, milk sales rose 1.1%, cheese was up 3.8%, and yoghurt increased 8.4%, with Greek yoghurt leading the way with 15.0% growth. Dairy spreads slipped slightly, down 0.9%.[1] Even with mixed volumes, the total value of dairy sales increased, and more shoppers are choosing private label products as cost-of-living pressures linger and consumers no longer see them as lower quality. While retail demand remains strong, rising living expenses and changing consumer tastes will continue to shape future growth.

This season's challenging weather conditions and the difficult farm-level decisions that needed to be made in response have already seen Australian milk production ease. National production is down 2.3% year-to-date (July–October 2025 versus July–October 2024), as dry conditions, high feed costs, and farm exits have constrained milk flows. Although the national herd has declined 2%, average herd size has slightly increased, suggesting other farms are absorbing cattle from those exiting. Milk production for all Victorian regions is tracking lower, with water availability pressures mounting. South Australia has also recorded declines amid persistent dry conditions, while farm exits have impacted production in Western Australia.

In contrast, milk flows have increased in Queensland, New South Wales, and Tasmania, supported by improved seasonal conditions. Despite these regional improvements, ongoing cost pressures and a smaller national herd overall are expected to keep national milk production subdued for the remainder of the season.

Looking forward, Dairy Australia is forecasting a 2% easing in milk production for the 2025-26 season, down to approximately 8.149 billion. With year-to-date production down more than 2% on last season, the average to above-average weather conditions currently forecast by the Bureau of Meteorology will be critical to prevent a shortfall. While improved seasonal conditions could provide some upside, persistent cost pressures and climate uncertainty will likely temper recovery plans.

Farmgate milk prices opened higher this season, however increased operating costs continue to constrain profitability. Monthly averages of temporary water prices in Northern Victoria and Murray Irrigation have reached their highest levels in five years, while many southern water storage sites remain below the five-year average. Feed costs have eased from July highs, however hay prices remain elevated across most dairying regions. Wheat prices have softened as offshore demand lowered in recent months, and after rising earlier in the year, global fertiliser values have begun to ease as exports from key regions resume. Ongoing cost pressures, especially for water and fodder, will continue to be a major challenge for farm margins, even though global input markets have eased slightly.

Farmer profitability in 2024-25 reflected the impact of challenging seasonal conditions across most dairying regions, as shown by data published as part of the Dairy Farm Monitor Project.[2] Dry weather in Victoria, South Australia, and Tasmania drove higher feed costs and reduced returns, while New South Wales and Queensland recorded marginal improvements supported by strong milk prices. Western Australia saw improved profitability after a difficult season, largely due to better seasonal conditions and stronger livestock trading returns. With feed costs making up the greatest share of on-farm production costs, price volatility in fodder markets continues to weigh on farm margins.

1 NielsenIQ Homescan based on a continuous panel of 10,000 households; excludes non-private dwellings and businesses, non-permanently occupied households and out-of-home/ impulse purchasing. DAIRY AUSTRALIA calculation based in part on data reported by NielsenIQ through its Homescan Service for the dairy category for the 52-week periods ending 13/07/2025 and 05/10/2025, for the total Australia market, according to the NielsenIQ standard product hierarchy. Copyright © 2025, Nielsen Consumer LLC.

2 The Dairy Farm Monitor Project (DFMP) and the Queensland Dairy Accounting Scheme (QDAS) records financial and production data of participant dairy farms in all major dairying regions across Australia. You can access the state level DFMP and QDAS results at dairyaustralia.com.au, as made available. Data collected is housed in DairyBase and provides high quality data to generate accurate industry benchmarks.

After a strong start to the year for Australian dairy export conditions, recent global price movements have shifted the competitive landscape. Tighter milk supplies and increased export pricing from northern hemisphere producers supported demand for Oceania product through the first half of the year. However, as United States (US) and European Union (EU) milk production surged in recent months, key commodity prices in those regions fell, leaving Australian butter, cheddar, and SMP priced above other major exporters.

Although Australian export prices have softened in line with global trends, constrained milk supply has kept prices higher relative to other major exporters. Despite this, Australian product is still finding global support off the back of US tariffs and delays along European shipping routes. At the same time, demand has stabilised in key markets. Greater China recorded a modest 0.4% 12-month total increase to July, following three years of decline, while Southeast Asia import volumes held steady. Growth in the Middle East and North Africa, which had accelerated over the past three years, has begun to ease.

The industry has demonstrated resilience through steady retail growth and early-season export gains, but the outlook remains complex. Global price shifts, climate uncertainty, and elevated input costs will continue to test profitability. A higher farmgate milk price may provide some relief, but sustained improvements in seasonal conditions and cost management will be critical to stabilising production.

Milk production – around the grounds

Australian milk production has slowly but surely eased at the hands of mother nature. Adverse weather across most dairying regions, and the on-farm decisions made in response, have weakened milk flows this season. Australian production is down 2.3% on a year-to-date basis (YTD, July to October 2025 compared to July to October 2024). However, seasonal rain has improved operating conditions in some regions and milk flows are making up ground.

Dry conditions, high feed costs, culling and farm exits have been key constraints to milk production across the southern dairying regions. As such, Western Victoria production is down 4.1% YTD. Milk flows in Gippsland and Northern Victoria are also tracking below last season on a YTD basis, down 2.2% and 3.2% respectively, after a solid first half of last season. Since then, many parts of these regions have become drier and irrigation pressures are mounting; water levels across several monitored storage sites sit below this time last year and temporary water prices have more than doubled in northern Victorian and Murray Irrigation systems.

Milk production in South Australia is also below last year, down 7.6%, after the South-east corner's strong first half of last season and continuing dry conditions in central areas. The prolonged nature of the state's weather challenges is also impacting cow fertility, which will likely delay production recovery.

In other states, milk production is growing. Queensland's comparatively favourable weather conditions and fairly stable milk prices supporting investment to manage climate risk have seen milk flows increase 1.6% YTD. In New South Wales (NSW), milk production continues to rise, up 1.2% YTD, led by larger herds and increased on-farm investment in the southern areas of the state.

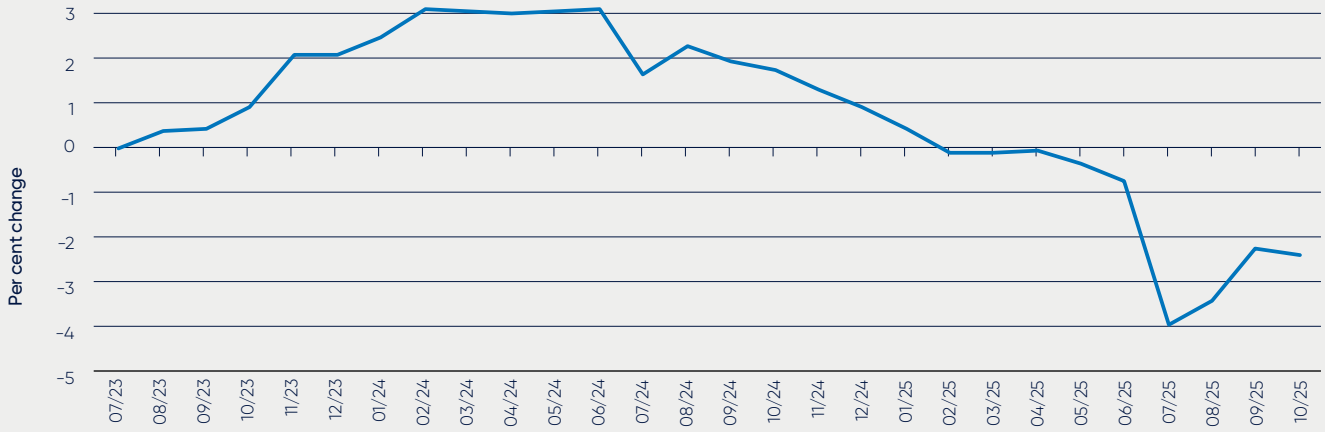
However, parts of the Mid and North Coast areas of NSW continue to deal with the impacts of last season's floods, particularly on cow numbers and animal health.

Milk flows are recovering in Tasmania, despite a poor start to the season. Improved cow conditions and pasture growth (albeit at a slow rate) has seen the state's milk flows rise 2.0% YTD. Additionally, many farmers have reportedly been feeding out more grain, supporting per cow yields.

Over in Western Australia (WA), weather conditions have also improved, with favourable spring conditions supporting pasture growth. Nonetheless, WA milk production is down 4.8% YTD, after several farm exits last season and a smaller state herd.

All in all, improved weather conditions in some dairying regions have been welcomed, supporting pasture growth and supplementary feed production. However, while recent easing of feed costs have been advantageous against higher farmgate milk prices, the average to above average conditions forecasted by the Bureau of Meteorology may not be enough to alleviate cost pressures entirely, likely tempering herd recovery plans. As such, persistent cost pressures, a smaller national herd and continued farm exits will likely lead Australian milk production to drop 2% in the 2025-26 season.

Figure 1 Australian milk production - year to date changes



Dairy Farm Monitor Project

In 2024-25, the Dairy Farm Monitor Project (DFMP), which provides a comprehensive physical and financial analysis of 250 dairy farms across Australia, reported that almost every dairy region experienced the impact of unfavourable seasonal conditions. Victoria, South Australia, Tasmania and Southern Inland New South Wales (NSW) experienced drought or below average rainfall and other parts of NSW and Queensland experienced flooding and prolonged wet conditions. Whilst Western Australia's season improved on 2023-24, it still had its challenges for many farmers.

The seasonal conditions across Australia not only impacted the ability to optimise homegrown feed on dairy farms but also resulted in extremely high fodder prices across dairying regions and, at times, issues in farmers being able to source feed. Whilst concentrate prices eased in 2024-25 for many farmers, the inability to source fibre proved a challenge in managing milker diets.

Average profitability, both return on total assets and EBIT (Earnings Before Interest and Tax) declined in Victoria, South Australia and Tasmania with those regions also experiencing a drop in milk price for 2024-25. Profitability in NSW and Queensland improved marginally on 2023-24, backed by strong average milk prices at $11.55 and $12.32 per kilogram of milk solids respectively.

After a very challenging year in 2023-24, Western Australian DFMP participants have seen an increase in average profitability supported by improved seasonal conditions, a lift in milk price and improved livestock trading conditions which makes up a higher portion of their overall income than other dairy regions.

Seasonal conditions and farm systems have a substantial impact on cost of production with the regions situated in typically reliable and higher rainfall areas historically having a lower cost of production. The inability of those regions to optimise homegrown feed this year impacted this with South Australia and Victoria experiencing the biggest increase in cost of production across the year. Cost of production dropped in all other regions, with the exception of Western Australia that had a marginal increase. Feed costs make up the largest portion of the cost of production on farms ranging from of 49% to 59% with South Australia seeing the biggest increase in cost of production for the 2024-25 period.

The Dairy Farm Monitor Project (DFMP) and the Queensland Dairy Accounting Scheme (QDAS) records financial and production data of participant dairy farms in all major dairying regions across Australia. You can access the state level DFMP and QDAS results at ***dairyaustralia.com.au****, as made available. Data collected is housed in DairyBase and provides high quality data to generate accurate industry benchmarks.*

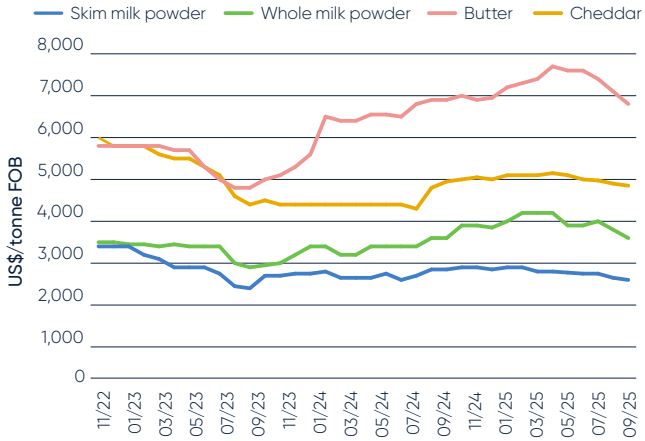
Table 1 Key metrics from 2024-25 Dairy Farm Monitor Project by region

	Gippsland	Northern Victoria	South West Victoria	New South Wales	Western Australia (p)	Tasmania (p)	South Australia (p)	Queensland (p)
Average return on total assets (%)	2.9	5.4	2.5	4.3	3.2	5.2	2.2	2.6
Average EBIT ($/kg MS)	1.09	1.93	1.26	2.14	1.66	2.1	0.56	1.55
Average EBIT (total $/farm)	194,075	748,674	375,063	697,468	558,411	905,554	344,441	242,218
Milk income ($/kg MS)	8.41	9.38	8.7	11.55	9.63	8.5	9.67	12.32
Feed costs ($/kg MS)	4.21	4.96	4.46	5.41	4.85	3.66	5.28	5.86
Cost of production (incl. inventory changes) ($/kg MS)	8.16	8.35	8.5	10.46	9.32	7.41	10.04	11.81

Market dashboard

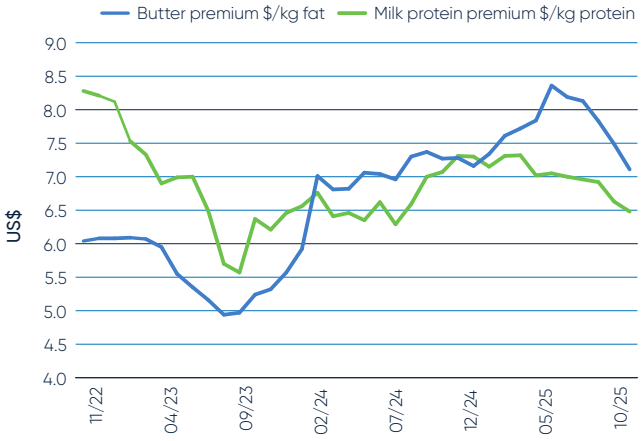
Commodity prices

Figure A1 Key dairy commodity price indicators



Source: Dairy Australia

Figure A2 Dairy fat and protein – pricing relative to substitutes



Source: Dairy Australia, Oil World

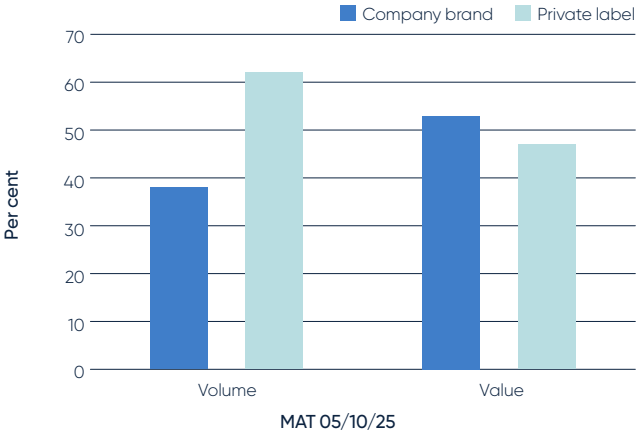
Australian market

Figure A3 Australian retail sales

	Take home volume	YoY growth	Take home value $m	YoY growth
Milk *As of 05/10/25*	1,430m. L ↑	1.1%	3,053 ↑	2.9%
Cheese *As of 13/07/25*	176kt ↑	3.8%	3,066 ↑	1.9%
Dairy spreads *As of 05/10/25*	61kt ↓	-0.9%	857 ↑	3.1%
Yoghurts *As of 13/07/25*	213kt ↑	8.4%	1,666 ↑	10.5%

Source: Dairy Australia calculation based in part on data reported by NielsenIQ through its Homescan Service for the fresh and long life milk categories, and dairy spreads to 5 October 2025, and yoghurt and cheese to 13 July 2025, for the Total Australia market, according to the NielsenIQ standard hierarchy. Copyright © 2025, Nielsen Consumer LLC. product

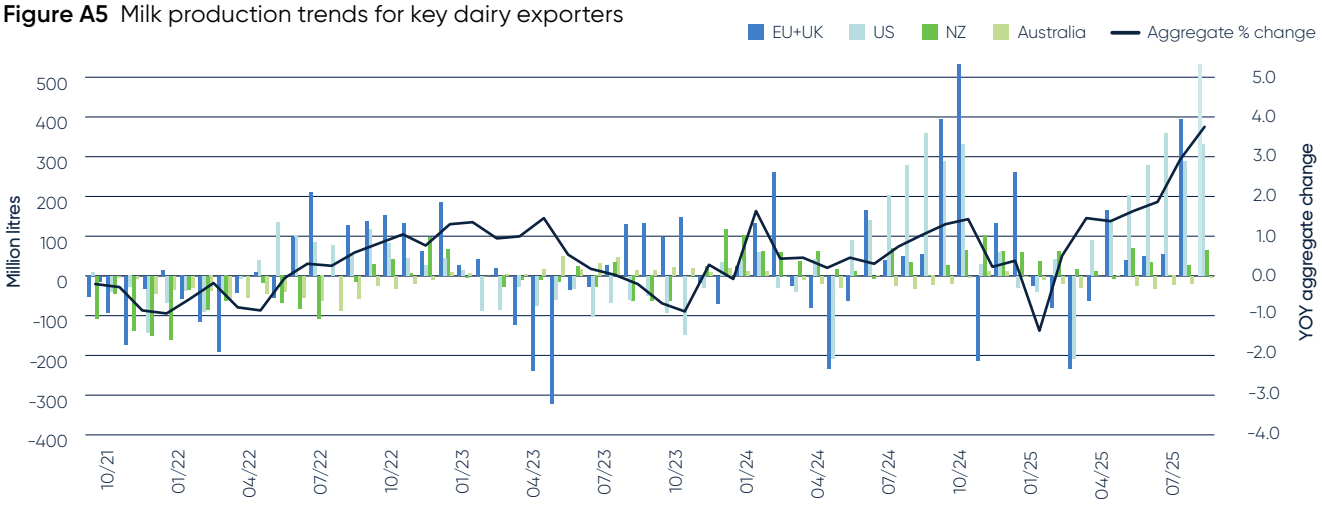
Figure A4 Retail sales – private label share



Source: Dairy Australia calculation based in part on data reported by NielsenIQ through its Homescan Service for the fresh and long life milk categories to 5 October 2025, for the Total Australia market, according to the NielsenIQ standard hierarchy. Copyright © 2025, Nielsen Consumer LLC. product

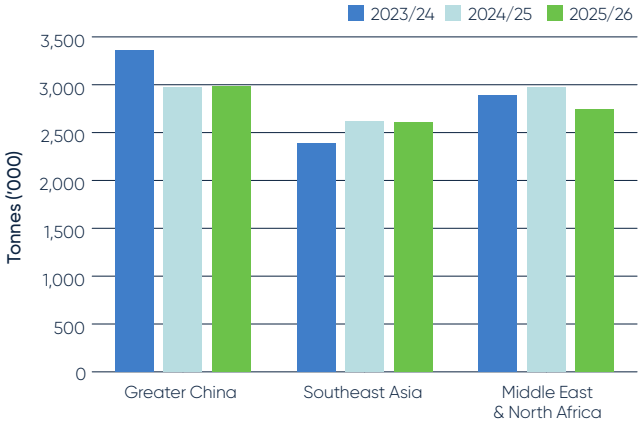
Global supply and demand

Figure A5 Milk production trends for key dairy exporters



Source: AHDB, Dairy Australia, DCANZ, Eurostat, USDA

Figure A6 Global exports to key markets (MAT to July)



Source: Dairy Australia, TDM

Inputs

Hay and grain

Australian dairy regions		%		%
1 Atherton Tablelands*	$350 →	0	$384 ↑	3
2 Darling Downs	$347 ↓	-1	$323 ↓	-2
3 North coast NSW	$326 →	0	$320 →	0
4 Central west NSW	$376 ↑	12	$319 ↑	6
5 Bega Valley	$476 ↑	17	$344 ↓	-1
6 Goulburn/Murray Valley	$386 ↑	16	$333 ↓	-1
7 Gippsland*	$431 ↑	17	$360 →	0
8 South-west Victoria	$416 ↑	17	$305 ↓	-5
9 South-east SA	$432 ↑	17	$336 ↓	-8
10 Central districts SA	$314 ↓	-13	$279 ↓	-13
11 South-west WA	$255 ↓	-29	$324 ↓	-7
12 North-west Tasmania	$250 ↓	-37	$445 ↓	-1

Shedded cereal hay: mid-range product without weather damage, of good quality and colour

The relevant stockfeed wheat available in a region (ASW, AGP, SFW1 or FED1)

Prices are estimates in $/tonne at October 2025. Compared to equivalent date October 2024.

**Note that all regions other than Atherton Tablelands and Gippsland is cereal hay.*

**Atherton Tablelands and Gippsland is pasture hay.*

Source: Australian Fodder Industry Association (AFIA), Bendigo Bank Agribusiness

Fertiliser

Urea (granular Black Sea)	DAP (US Gulf)	MOP (granular Vancouver)
394 US$/t	754 US$/t	352 US$/t
↑ +5% LY	↑ +31% LY	↑ +27% LY
↓ -21% 5Y	↑ +16% 5Y	→ 0% 5Y

Price is October 2025 average, compared to the October 2024 average (LY) and 5-year (5Y) October average.

Source: World Bank

Cows

Cull cows	
338 c/kg (lwt)	59,327 head
↑ +39% LY	↑ +17% LY
↑ +24% 5Y	↑ +1% 5Y
Dairy cattle exports	↓ -8% LY
50,689 head	↓ -35% 5Y

Price is October 2025 average (c/kg liveweight), compared to October 2024 (LY) and five-year (5Y) average. Number of head is last 12 months (cull cows to October 2025, dairy cattle exports to September 2025) compared to year earlier (LY) and five-year (5Y) average.

Source: NLRS, ABS

Water

Northern Victoria	Murray Irrigation System
294 $/ML	252 $/ML
↑ 150% LY	↑ 127% LY
↑ 201% 5Y	↑ 338% 5Y
2,747,405 ML	308,563 ML
↓ -9% LY	↑ 14% LY
↓ -1% 5Y	↑ 14% 5Y
Monthly average (12 months)	
196 $/ML	99 $/ML
228,950	25,714

Price of water traded is October 2025 average compared to October last year (LY) and 5-year (5Y) average. Volume of water is 12 month total, to October 2025, and compared to same period last year (LY) and last 5 year (5Y) average. Monthly average (MA) is the average price and volume over the past 12 months to October. Northern Victoria prices are averaged from three key trade zones, details can be found in the monthly Production Inputs Monitor report: **https://www.dairyaustralia.com.au/industry-reports/production-inputs-monitor**

Source: Victorian Water Register, Murray Irrigation Ltd

For ongoing information and updates on farm inputs, readers can subscribe to Dairy Australia's weekly hay and grain reports and the monthly Production Inputs Monitor via **https://www.dairyaustralia.com.au/industry-reports/production-inputs-monitor** or the byproducts report **https://www.dairyaustralia.com.au/industry-reports/byproducts-report**

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