



James Maxwell
Senior Insights Manager

Key Watchpoints – May

- 2025/26 opening farmgate price offerings are due to be announced on 1 June.
- Expectations are for new season bids to open around \$8.70-\$8.90, though could push higher through the season.
- Southern production areas are still awaiting a season break as production continues to feel the effects of ongoing dry conditions.

Another one bites the dust...

Bega announces closure of Strathmerton factory

Bega have announced the closure of their Strathmerton cheese processing and packaging site, with a phased closure expected to be finalised mid next year resulting in the loss of around 300 jobs. The consolidation of operations in their main site in Bega will create 100 jobs with employees to be offered redeployment where possible, leaving a net loss of 200 jobs. Bega estimate the closure of Strathmerton will result in annual savings of \$30 million.

Bega & Lactalis to duke it out for Fonterra's Australian operations

Bega and Lactalis are the front runners to acquire Fonterra's Australian operations. Lactalis has lodged an application with the ACCC, while Bega have publicly announced their interest. At this stage, Lactalis would be considered the front runner should the ACCC's main concern be competition. Fonterra's main site in Cobden processes an estimated 300 million litres of milk. Bega's Koroit powder plant already consumes around 500 million litres, which, if combined with the Cobden plant would give Bega control of close to half of the Eastern Victorian annual milk production of around 1.9 billion litres. Public consultation is currently open to review and respond to Lactalis' proposal to acquire Fonterra's Australian operations.

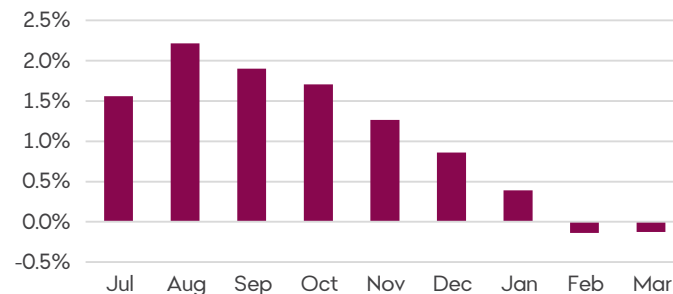
March milk production flat

Australian milk production in March was flat year-on-year which is an improvement on the trend of lower monthly production compared to the year prior which has been seen in the past three months.

Milk supply in New South Wales continues to track higher than last year, and Tasmania recorded its first year-on-year increase for the season. Victorian production in March was flat with Eastern and Northern regions posting year-on-year increases of less than one per cent which came as a bit of a surprise given there hasn't been an appreciable break to spreading dry conditions.

Season to date national production of 4.15 billion litres sits 0.2% above this time last year. This keeps 2024/25 milk supply on track to finish around our forecast 5.3 billion litres for the full season.

Australian year-on-year milk production



Source: Dairy Australia



Opening farmgate price expectations

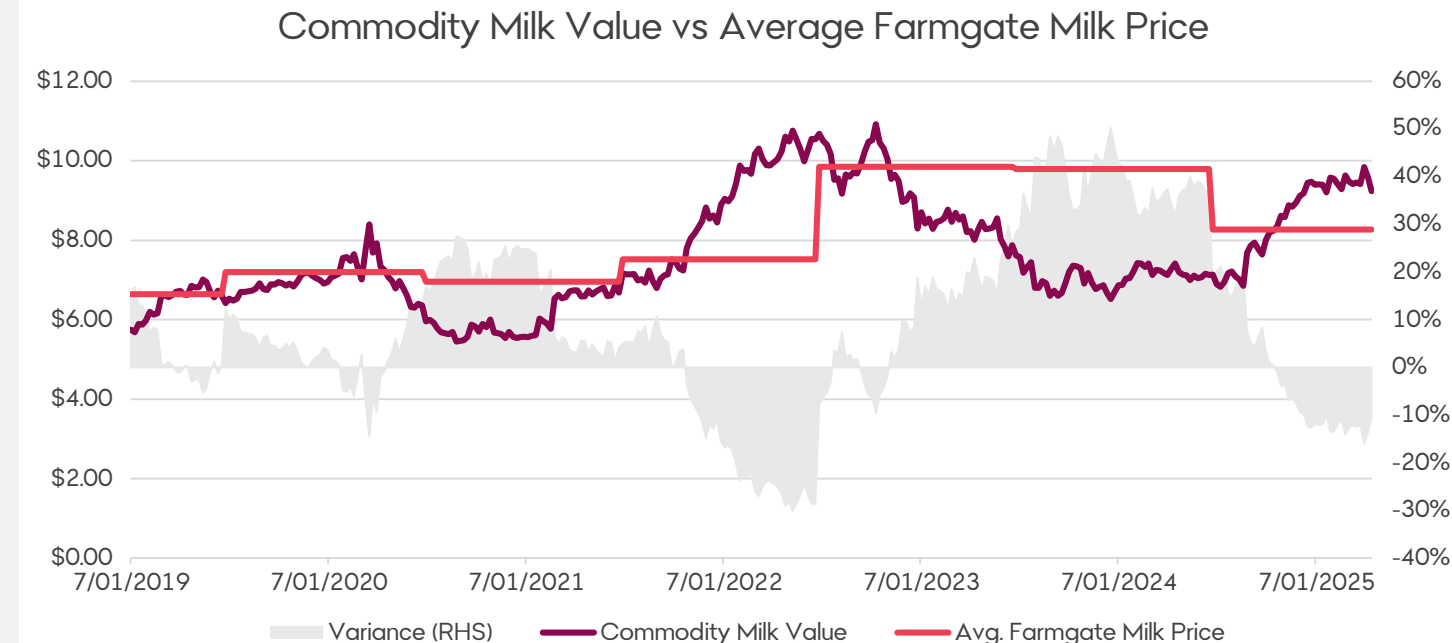
With the June 1 deadline for dairy processors to announce opening farmgate milk price offerings drawing closer, it's time to dust off the crystal ball and consider what might be in store for new season opening bids. Below are some of the factors to be considered when evaluating new season pricing:

Global dairy prices

The Global Dairy Trade index sits 21.5 per cent higher than this time last year. Butter, Cheese and WMP prices are well up on last year, while SMP is marginally lower. Improved global prices support the argument for higher opening bids.

Global demand

EU demand for cream and butter remain strong and have supported dairy markets through the year. SE Asian demand for SMP and WMP have lifted values, particularly through 2025. There are, however, headwinds for global demand in the form of low global consumer confidence and slowdown in economic growth, particularly in key Asian markets.



Australian milk supply

While local milk supply is thought to be stabilising, it remains near historical lows. Further, the current season shows just how fragile production can be with deteriorating seasonal conditions turning what was looking to be a positive season into no increase. Ongoing dry conditions, particularly in southern areas mean new season production is in danger of falling further. Tight supply and competition to secure milk will continue to be a feature of the Australian market and a consideration for processors when setting prices.

Elevated input costs

Input costs – prices for fertiliser, electricity, fodder and fuel all remain elevated. Dairy Australia reports extreme pressure on cash flow for producers in drought affected regions in South Australia and Victoria. Quality fodder is difficult to source and increasingly expensive, resulting in herds being culled or dried off feeding into the cycle of lower production. Margins for dairy farmers face ongoing and sustained stress, particularly with ongoing dry conditions.

Price expectations

Tight local supply, stabilising global prices and improving demand should provide impetus for a lift in farmgate prices. Geopolitical tensions breed volatility and uncertainty, but firm demand for dairy products should see processors open at higher levels than current. Processors are likely to open cautiously and while farmgate prices have every chance to reach \$9 at some stage, opening offers will be around the \$8.70-\$8.90/kg MS range.

This report has been created by Bendigo Bank Agribusiness Insights. It is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). The information herein is believed to be reliable and includes information obtained from official or other sources considered reliable. Bendigo and Adelaide Bank makes no representation as to or accepts any responsibility for the accuracy or completeness of information contained in this report. Any opinions, estimates and projections in this report do not necessarily reflect the opinions of Bendigo and Adelaide Bank and are subject to change without notice. Bendigo and Adelaide Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth therein, changes or subsequently becomes inaccurate. Information contained in this report does not take into account your personal circumstances and should not be relied upon without consulting your legal, financial, tax or other appropriate professional. Bendigo Bank Agribusiness is a division of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879