Dairy

November Monthly Update

Bendigo Bank Agribusiness

John Droppert
Head of Insights and Government Services

Key Watchpoints – November

- Australian milk production has reduced its year-on-year losses as the northern states and Tasmania post gains. Will this continue?
- Global milk intakes continue to weigh on dairy commodity values, with farmgate prices already falling in the United States and European Union.
- Against a backdrop of relatively static demand, buoyant milk supply means little upside for farmgate prices and limited relief from the squeeze of ongoing cost pressures.

Spring milk gains ground

As Australia's milk production nears its seasonal peak, September data released by Dairy Australia indicates that volumes are gaining ground after a challenging start to the season.

Nationally, milk intakes for September were down 0.4 per cent compared to the same month in 2024, bringing the year-to-date decrease to 2.3 per cent, compared with 3.4 per cent to August.

New South Wales and Queensland both posted gains for September, though their respective pace is slowing as the season develops. Tasmania, meanwhile, leads the pack, up 8% for the month as recovery from a very ordinary 2024/25 gains pace amidst better seasonal conditions.

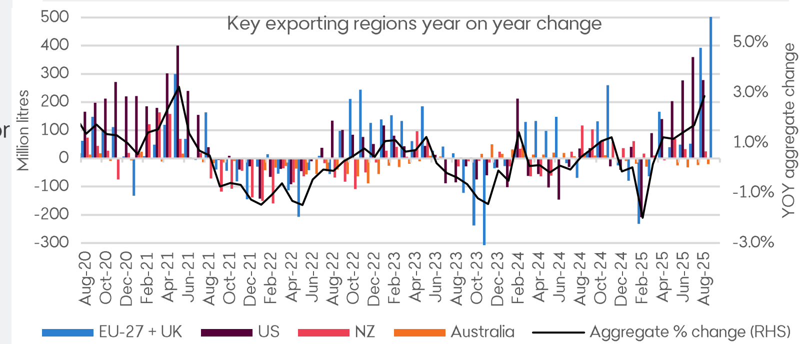
Sandwiched between these positive stories geographically, the southern mainland states are on the other side of the ledger in terms of milk production. Volumes are trailing last season across Victoria, Western Australia and particularly South Australia (down 5 percent for September and 7 per cent year to date). All three states have seen improvements as spring gets underway, but whether this is the beginning of a sustained recovery or just timely spring rainfall putting grass in front of cows in the short term remains to be seen. Easing grain prices and recent reports of crops being cut for hay will be welcome developments for dairy farmers, however feed will remain the key risk weighing on many decisions in the coming months.

Global supply booming

Australia's relative recovery in milk production risks being drowned out by the volumes flowing to processors in major competing export regions.

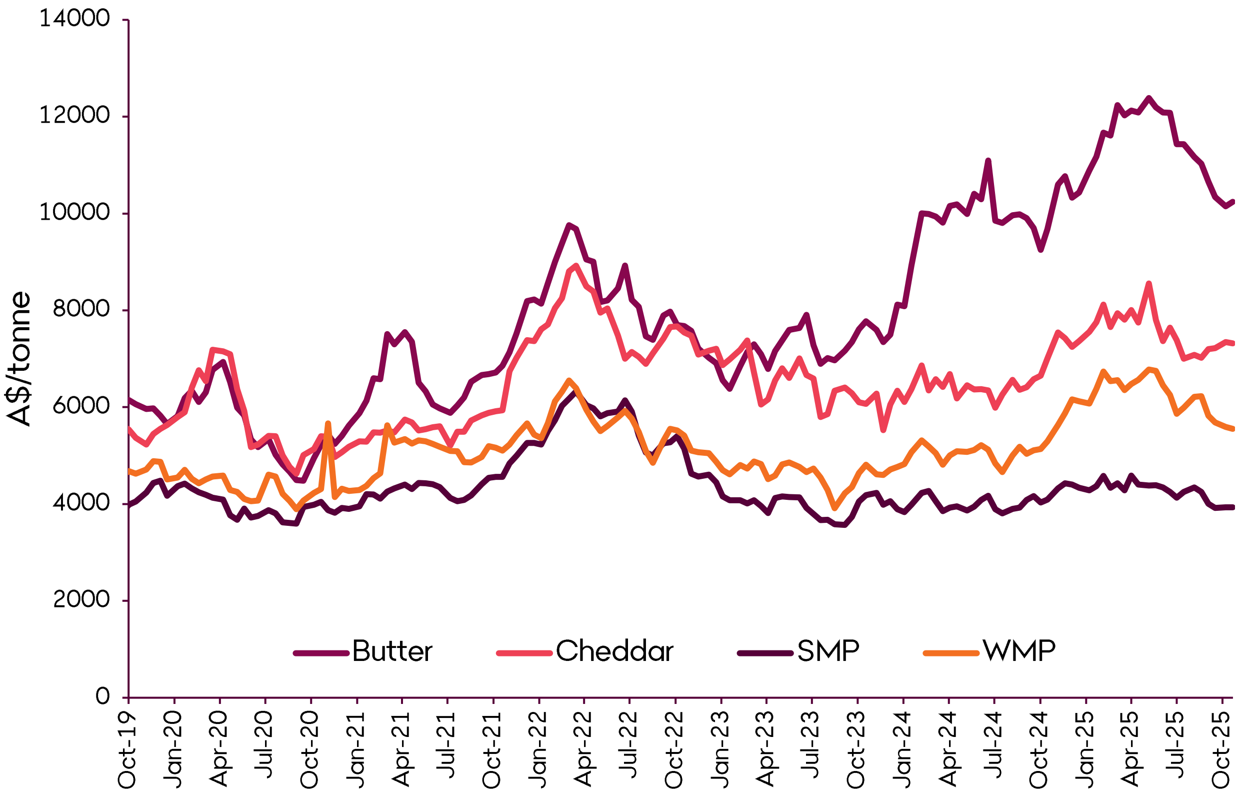
Last month's dairy update outlined the bounce in US milk production (up 3.2 per cent in August) following a period of stability in 2024. The ongoing US government shutdown has precluded any further data releases, but a growing dairy herd is likely to sustain the momentum, even as farmgate prices begin to retreat.

Across the Atlantic, European milk production has surged – up 3 percent in August and as much as 6 per cent in September, based on preliminary estimates. Plentiful spot availability of milk is driving dairy commodity prices down at a rapid rate, and internal EU demand is doing little to compensate for sluggish export orders. Closer to home, New Zealand milk intakes set a new September record in solids terms (up 3.4 per cent year on year), as the industry seemingly shrugs off years of speculation about an end to dairy production growth.



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

GlobalDairyTrade (GDT) average prices



Source: GlobalDairyTrade

Limited upside for prices

Increasing volumes of milk hitting global markets have dampened dairy commodity prices through the southern hemisphere spring.

With European and US indicators in freefall, competitive pressure is likely to continue building as values fall below Australian and New Zealand equivalents. Add in growing NZ production as their season ramps up, and it's difficult to see much upside for global dairy markets in the short term.

As these pressures flow through, average prices for products traded on the GlobalDairyTrade (GDT) platform have eased, with the headline GDT Price Index down 13 per cent since peaking at Event 379 on May 5th. The Australian Wholesale Commodity Milk Value (CMV) published by the Australian Dairy Products Federation has cooled by a similar magnitude, down 15 per cent since its recent high point in early April.

Most in the dairy industry would agree that 2025/26 opening farmgate milk prices set on June 1st were relatively conservative and based on the CMV typically accounting for 80-90 per cent of average farmgate prices, the current spot CMV of $8.31/kg MS can still comfortably support low $9/kg MS commitments for southern, export-focused regions.

Nonetheless, with further downside likely to flow through dairy markets in the coming months, any increases to farmgate offers will have to be driven by competitive dynamics and actions to support farmers through another high-cost season, particularly if conditions dry up later in spring.