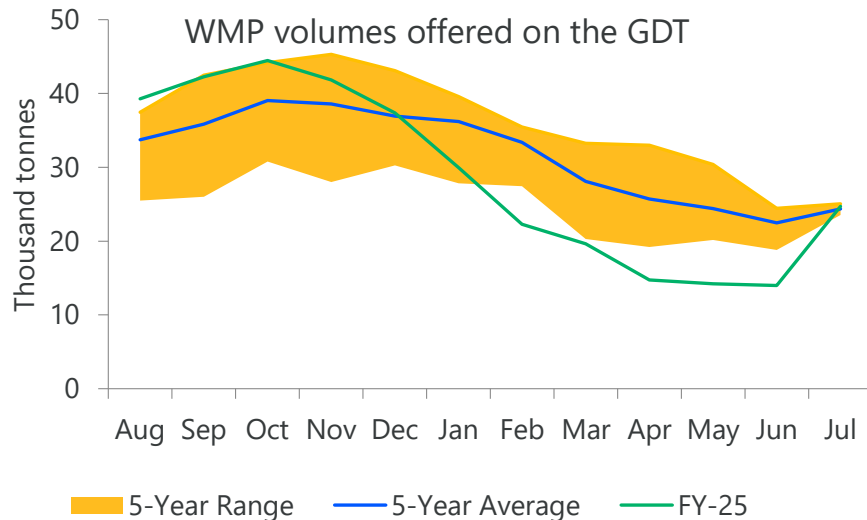


Source: USDA, RaboResearch 2025



Source: NZX, Fonterra, RaboResearch 2025

Milk Price forecast for 2025/26 season



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Solid (white) gold dairy commodity prices

Dairy commodity prices have steadily moved higher through 2025 so far, with a broad-based upswing for most of the dairy complex. As at the end of May 2025 – which coincides with the end of the 2024/25 production season – whole milk powder (WMP) prices (in USD terms) have lifted almost 30% higher, compared to the 2024 average WMP price, while skim milk powder (SMP) prices are nudging USD 3,000/tonne which is 10% higher than the 2024 average. Butter is the clear star of the dairy stable, charging to dizzying record highs in 2025 at prices 16% higher than 2024, and a whopping 40% higher than the 5-year average.

Supporting commodity prices over the 2025 calendar year so far has been the slowdown in New Zealand milk production growth from February, and corresponding decline in dairy product availability on the Global Dairy Trade platform. New Zealand milk flow growth rates in the North Island shifted down a gear over autumn as North Island milk supply was sizzled by hot and, in some areas, dry weather which impacted pasture availability. While season-to-date milk production is higher by 2.4% YOY through to April 2025, dairy product availability on the GDT has been correspondingly limited in the GDT events held over the months of February through May 2025. Offer volumes over the four-month period were stripped back significantly below the 5-year averages, helping bump commodity prices up roughly 10% over this same timeframe. WMP offer volumes in the months of April and May were over 40% lower than the 5-year average volumes, while SMP available volumes were around 50% lower over the same period.

The commodity cycle at present looks and feels very similar to 2022 – at least at a price level. Yet, while 2022 price highs were driven by voracious Chinese demand, this time around broad-based demand for NZ dairy in the face of modest supply from the Big-7 exporting regions has been helping to keep an elevated pricing floor. In fact, shipments to China have remained flat since 2023 on a 12-month rolling basis, after a painful commodity price adjustment in 2022-2023. More recently, however, shipments to China have jumped by 10% for the period from Jan – March 2025 YOY, and combined with strong demand from broader Asia (Vietnam, Singapore, Indonesia, Taiwan and Japan) has added the extra boost, lifting the WMP price above USD 4,000/tonne.



Source: StatsNZ, RaboResearch 2025

Current 2024/25 season: room to move

RaboResearch believes Fonterra's current mid-point forecast for the 2024/25 season farmgate milk price of NZD 10.00/kgMS remains solid, with potential for a final price increase of NZ15-20 cents once the season's sale book is fully closed.

2025/26 season: the stage has been set for another good year ahead

Looking ahead to the milk supply picture from exporting regions, supply is set to grow from the combined Big-7 over the course of the 2025/26 season (through to 31 May 2026). Most of the attention, along with growth prospects, is squarely focussed on the Northern Hemisphere – the EU and the US – which is now mid-spring flush. So far, production gains are most evident in the US, which has shown consecutive YOY increases for three months in a row, while EU has had a mixed start to the 2025 calendar year.

Adding into the supply picture is some milk flow improvement from South America – largely driven by prior year declines that are easy to surmount – along with flat supply out of Australia and growth in New Zealand forecast over the coming season, RaboResearch expects milk production in the Big 7 export regions to expand modestly (i.e. sub 1% YOY for 2025), with this trend expected to continue into 2026. Importantly for New Zealand farmgate prices, this growth rate is not anticipated to bring a tidal wave of milk to the market.

Still, the global dairy demand outlook remains cautious – and this is the part that provides downside risk when forecasting the farmgate milk price for the new 2025/26 season. Fragility for end-consumers is palpable in some markets and regions, as highlighted in multiple earnings results from large food and beverage companies. While new record butter prices achieved on the GDT in May 2025 is excellent news for supporting high farmgate prices in New Zealand, elevated commodity prices will likely mean even further sticker shock is possible at some point in the near future, as higher supply costs are passed through the chain. Lovers of dairy products are already cost-conscious in some markets, and any significant price hikes on retail shelves or restaurant menus could be met with resistance, with consumers already gravitating towards lower price points and substitution.

Demand settings with China, New Zealand's largest export market, remain cautionary, too. China's dairy market rebalance is well underway, and RaboResearch are expecting that settings will be more supportive towards import demand growth. Milk production growth rates have been falling, herd sizes are continuing to be reshaped, and while local inventories are being worked through, the short-term outlook does risk some downward price pressure for Oceania dairy commodities. Further into 2026, upside pressure is possible for commodity prices – and also farmgate milk price forecasts.

All of these factors are set against a backdrop of more heightened economic uncertainty. RaboResearch has written extensively on the [wider macro environment](#) and, combined with the current dairy commodity price cycle currently at a high point, some downside from lofty price levels is likely in the weeks ahead.

New Season, New Double Digit Price Range?

Our base case expectation is for an opening farmgate milk price of around NZD 9.50/kgMS for the 2025/26 season, assuming a spot exchange rate of USc 0.59 (see Figure 4).

While it is lower than the NZX futures markets (as at the time of writing) and spot results would suggest, it would be the highest opening milk price forecast midpoint from Fonterra.

A lower opening milk price allows for seasonal volatility that can occur over the winter months and a wide range (NZD1.50/kgMS plus) allows for any unwelcome commodity price shocks: a real consideration in the geopolitical climate we find ourselves in, where market-moving headlines are announced almost on the daily.

There's room to see farmgate price move higher than the prevailing RaboResearch price forecast. This will require dairy markets to maintain current export values over a sustained period, allowing for the usual seasonal price weakness through the New Zealand peak.

Depending on currency capers, the farmgate milk price has upside the bandwidth to edge as high as NZD 10.40-10.90/kgMS by the season's end – assuming commodity prices remain broadly stable.

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