ANZ Research

NZ Insight: NZ milk production off to a strong start

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The adventure begins for the 2025/26 dairy season

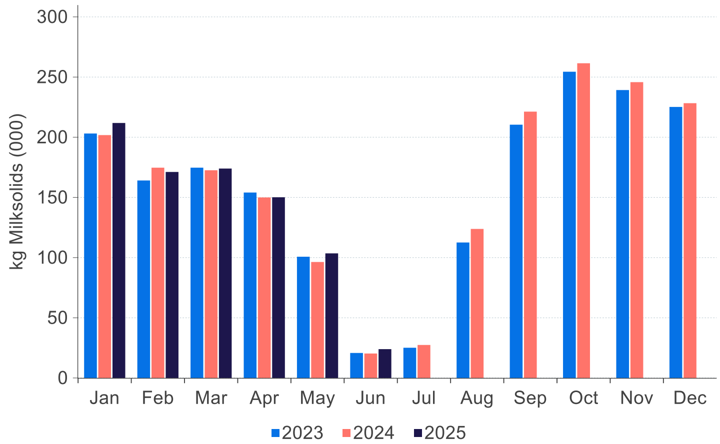
Key points

- June 2025 milksolid production was up 17.8% y/y.
- While June is the least consequential month in the dairy season, it reinforces expectations that the 2025/26 season should get off to a flying start.
- This expectation is driven by a strong opening milk price, good feed availability, positive reproduction trends, and low cow cull rates.

Stars aligning

New Zealand milk production statistics for June were released on Tuesday, showing an impressive 17.8% increase year on year. As figure 1 below shows, June and July are the seasonal lows, so June numbers don't typically draw much attention.

Figure 1. New Zealand milk production



Source: DCANZ, Macrobond, ANZ Research

However, the stars are aligning for a strong spring – from August to October – led by a signal from the market that the world needs more milk.

- High global dairy prices are encouraging farmers to increase production where possible, both in New Zealand and overseas. Fonterra's opening milk price is $10.00 per kgMS (see our opening forecast here).
- Good pasture growth over winter means there is plenty of feed available under foot. This includes a recovery from drought conditions that impacted Waikato and Taranaki from January to March 2025.
- Great reproduction metrics, particularly the 6-week in-calf rate, mean more cows ready to be milked earlier in the season. The metrics were good last year and even better this year.

- This winter's dairy cow cull numbers are roughly 8% lower than last year. Farmers have been drying off their herds as late as possible, and they are also likely to keep older cows past their 'best before' date to boost production in 2025/26.

- A surge in palm kernel expeller (PKE) imports (up 34% in the past year) should provide support on the shoulders of the coming season.

The upshot

Last season's milk production was up 3.0%, the largest year on year gain since 2014/15. The weather was very good last year despite challenges in Southland, Taranaki, and Waikato. The extra feed on hand this year provides a buffer, but the weather tends to drive milk production in New Zealand.

It is hard to make large gains two years in a row, but with the stars aligning, growth of 1-3% should be attainable in 2025/26 if the weather cooperates. The expansion signal from the market is much stronger this year – recall Fonterra's opening milk price was just $8.00 last year – and Southland should rebound with vigour.

If this comes to pass, it would be the second straight year of high prices and high output, a rare and very welcome combination for New Zealand's rural sector.

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