

# NZ Forecast Update: Farmgate milk price revised down to \$8.90/kgMS

19 December 2025

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## Global milk production sharply increasing, pressuring prices

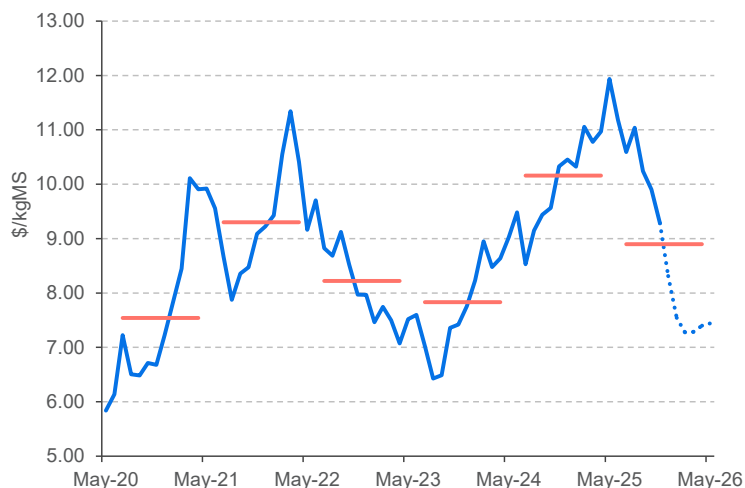
### Summary

- ANZ's farmgate milk price forecast is revised down to \$8.90/kgMS for 2025/26 (from \$9.65 previously).
- Unexpectedly strong production in the US and EU, counter to the usual seasonal trends, is the key driver of an abrupt surge in global supply.
- As farmgate prices drop in New Zealand and overseas, production will eventually fall in response, but this is unlikely to be for several months.

### Dairy prices drop sharply

We have revised our farmgate milk price forecast to \$8.90/kgMS for 2025/26, down from \$9.65. Global dairy markets have shifted abruptly over the past two months due to surprisingly strong production growth in all key markets. Demand has been relatively stable, but with a clear bearish trend in place, buyers are in no rush to stock up. Our updated forecast is slightly below the midpoint of Fonterra's updated forecast of \$8.50 to \$9.50/kgMS.

Figure 1. Farmgate milk price forecast



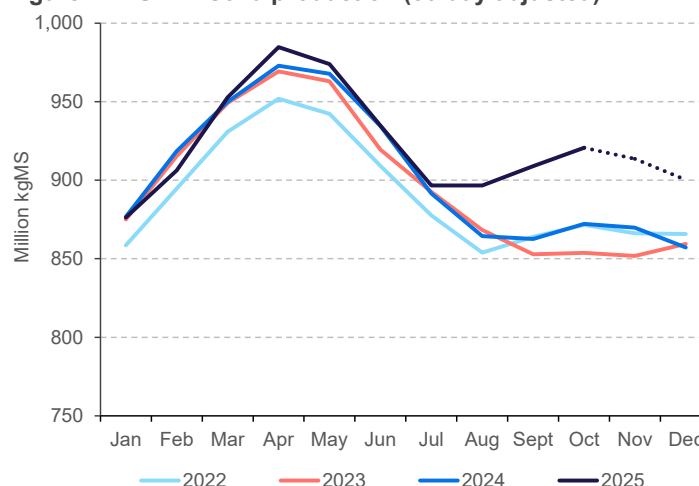
Source: Fonterra, ANZ Research

### Production growth surprises

Some key production trends are running sharply against the usual seasonality, which is why markets have been surprised over the past two months as more data is released. The EU and the US are the focal points.

In the EU, production historically bottoms out from August to January, but this year's production has a pronounced double-hump, counter to the usual seasonal trend. As Figure 2 shows, the EU was barely above year-ago levels until August.

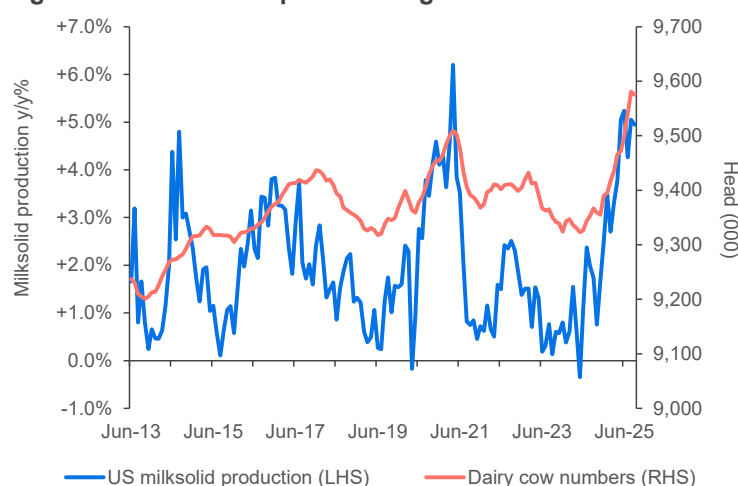
**Figure 2. EU milksolid production (30-day adjusted)**



Source: European Commission, ANZ Research

In the US, the seasonal trend is less dramatic because, unlike the EU, production has been solid all year. But production has indeed accelerated in the second half of 2025, supported by a notable increase in cow numbers. Usually cow numbers decline into autumn; not this year.

**Figure 3. US milksolid production growth and herd numbers**

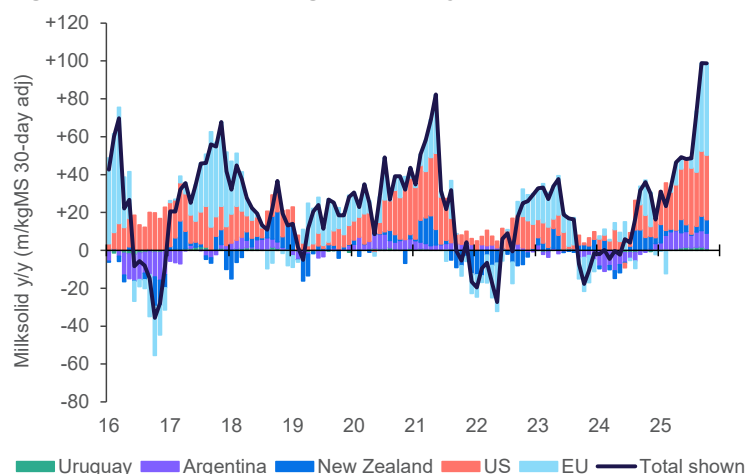


Source: US Department of Agriculture, ANZ Research

In South America, production continues to impress as well. Argentina's milksolid production was up 9.8% y/y in November, and bringing our forecast up 11.6% for 2025. Uruguay's production data for most of 2025 was just revised up, bringing our full-year forecast up from +5.1% to +7.5% y/y on a milksolid basis. These are smaller producers than the US and EU, but they are more export oriented.

Production is also up strongly in the UK, Brazil, and New Zealand. Only Australia is lagging on a year-over-year basis.

**Figure 4. Milk production growth in key countries**

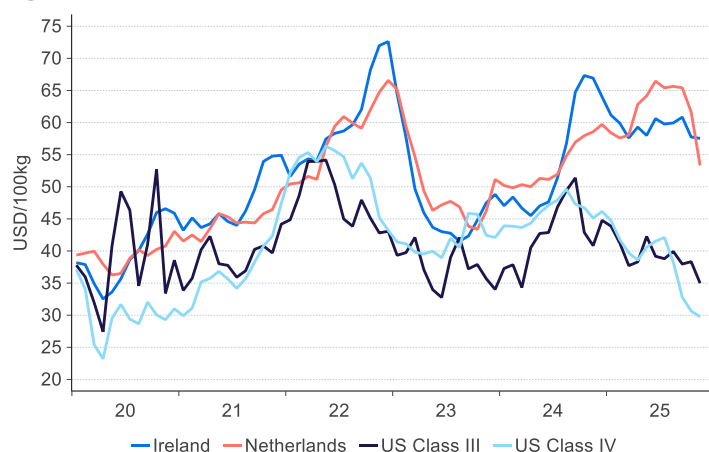


Source: NZX, DCANZ, Eurostat, US Department of Agriculture, Inale, Argentina MAGYP, ANZ Research

### When might prices turn?

Picking the bottom of the current bear trend in terms of timing or prices is always a tricky business. At some point, farmer profit margins will get to a level that results in lower production and cow numbers. Prices haven't been low enough for long enough for that to start happening yet. Feed prices are low and other input costs are stable, supporting margins.

**Figure 5. Milk prices in the EU and US**



Source: DG AGRI, CME Group, Bloomberg, Macrobond, ANZ Research

The next thing to look at is the calendar. Assuming cow numbers are reduced in the usual seasonal pattern – which might be a big assumption this year – meaningful supply reductions are unlikely for several months.

In the Northern Hemisphere, that should be August to December. It's not happening in 2025, so the second half of 2026 would be the next key window.

New Zealand cow numbers are likely to fall next season, with April to June the key destocking months. But the impact on production wouldn't be noticeable until production ramps up in September/October.

If milk production indeed takes several months to slow down, the 2026/27 season is likely to start with gloomy outlook. The futures market is currently at \$8.30/kgMS with the risks weighted to the downside. Key factors we are watching include the NZD and destocking trends here and overseas. We will issue an opening forecast for 2026/27 in early 2026.

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