# NZ Forecast Update: Farmgate milk price revised up to $9.50/kgMS

10 February 2026



Contact
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Confused by acronyms or jargon? See a glossary here.



## Back (on) track

### Summary


- Although global dairy supply and demand factors haven't meaningfully improved, dairy prices have rebounded strongly so far in 2026. In retrospect, the price drops in late 2025 were overdone. The welcome bounce has materially improved the milk price forecast for the current season. Accordingly, we are revising up our farmgate milk price forecast to $9.50/kgMS for 2025/26.

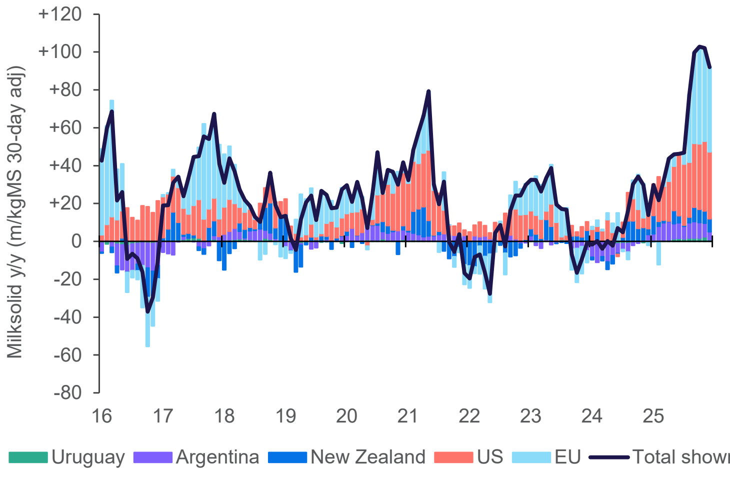
- Looking ahead to 2026/27, we open our forecast at $8.70/kgMS. That forecast assumes dairy prices drift lower once the current rush loses momentum and the reality of strongly growing global supply reasserts itself.


### Bullish price movements, bearish fundamentals

The global supply and demand fundamentals that drove prices down in the second half of 2025 are largely still in place, but in hindsight the selloff was overdone.

Milk production is growing strongly in almost every key market (Figure 1). This has mainly been a response to high prices, along with low feed costs. The signal was there in 2024 but was thwarted by poor weather and animal disease issues everywhere but New Zealand. Now every key exporting country has their foot on the accelerator. "The best cure for high prices is high prices," as they say.

**Figure 1. Milk production growth in key countries**




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

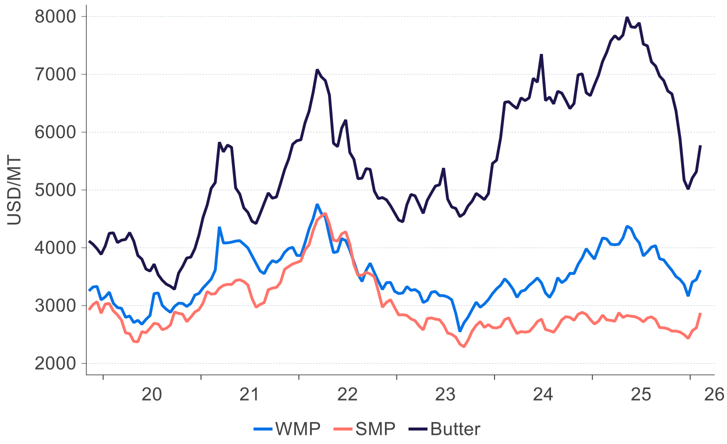
None of that has changed in the past two months, yet the GDT Index has risen 15.2% in the first three auction events of 2026 (Figure 2). A few reasons have been offered for this reversal, and while individually none of them are particularly convincing, some general themes emerge.

- **Overcorrection**. Market participants and observers may have simply overreacted to the surge in milk production in late 2025. Essentially, the market overshot on the downside as participants tried to work out where the bottom would be, and prices have now bounced back to more realistic levels.

- **Infant formula recall**. Nestlé and Danone recently recalled a number of infant formula products due to the detection of a toxin in one of the ingredients. It's possible that has caused a surge in demand for SMP in particular, as the supply chain scrambles to get products back on shelves. In terms of timing, this matches up well with the recent surge in SMP prices.

- **Buyers stocking up.** Up to December, so this theory goes, buyers were happy to buy just enough inventory to cover immediate needs, knowing that a mountain of milk was getting produced. Then in January they all decided to take advantage of these low prices and stock up, perhaps spooked by geopolitical tensions in the Middle East and elsewhere.

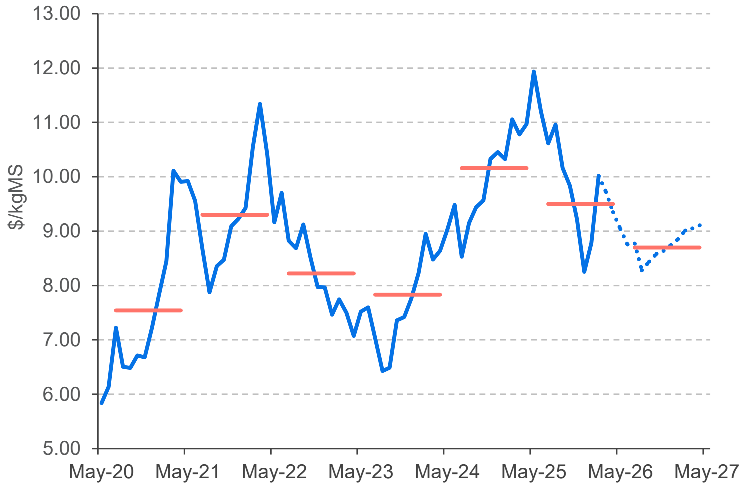
**Figure 2. GDT prices, selected products**




Source: Global Dairy Trade, Macrobond, ANZ Research

Regardless of the cause, the bounce is great news for dairy farmers even though prices remain a lot closer to the bottom than the top, because it virtually guarantees a milk price somewhere in the mid-$9 range. By the time this price surge loses momentum, most of the current season's production will have been sold. This takes a lot of the downside (and upside) risks out of the equation.

**Figure 3. Farmgate milk price forecast**




Source: Fonterra, ANZ Research

## New season outlook

Our opening forecast for 2026/27 is $8.70/kgMS. Lower commodity prices across the season are the main driver, but a strengthening NZD is another headwind.

As shown in Figure 3 above, we are forecasting dairy commodity prices to drift lower as New Zealand heads into winter and global oversupply signals re-emerge. From that point, we expect dairy prices to increase moderately throughout the season as supply and demand begin to balance out. Across the full season, that forecast would have WMP average USD3,250, down from USD3,600 this season.

The NZD/USD is currently trading at just over 0.60, and ANZ's latest forecast is for the NZD to rise to 0.66 by the end of the 2026/27 season. If that forecast pans out, and factoring in hedging dynamics, Fonterra would be hedging at 0.62 NZD for next season's milk price calculations. The difference between 0.60 and 0.62 is 38 cents on the milk cheque (Table 1).

**Table 1. Exchange rate scenarios for 2026/27 season**

| Scenario | Hedged NZD/USD | Milk price |
|---|---|---|
| Low scenario | 0.5500 | 10.15 |
| Unchanged from 2025/26 (estimated) | 0.5900 | 9.28 |
| Flat at current rates | 0.6000 | 9.08 |
| ANZ spot forecast (base scenario) | 0.6200 | 8.70 |
| High scenario | 0.6500 | 8.18 |

* Commodity prices constant in each scenario with WMP at USD3,450.

Previously we had warned that lower prices would increase cow culling rates heading into New Zealand's winter and in the Northern Hemisphere's late summer (August-September). Now that prices have rebounded so strongly, there will be fewer incentives to destock. This will likely help milk production continue to expand in 2026, especially with low feed and input costs.

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