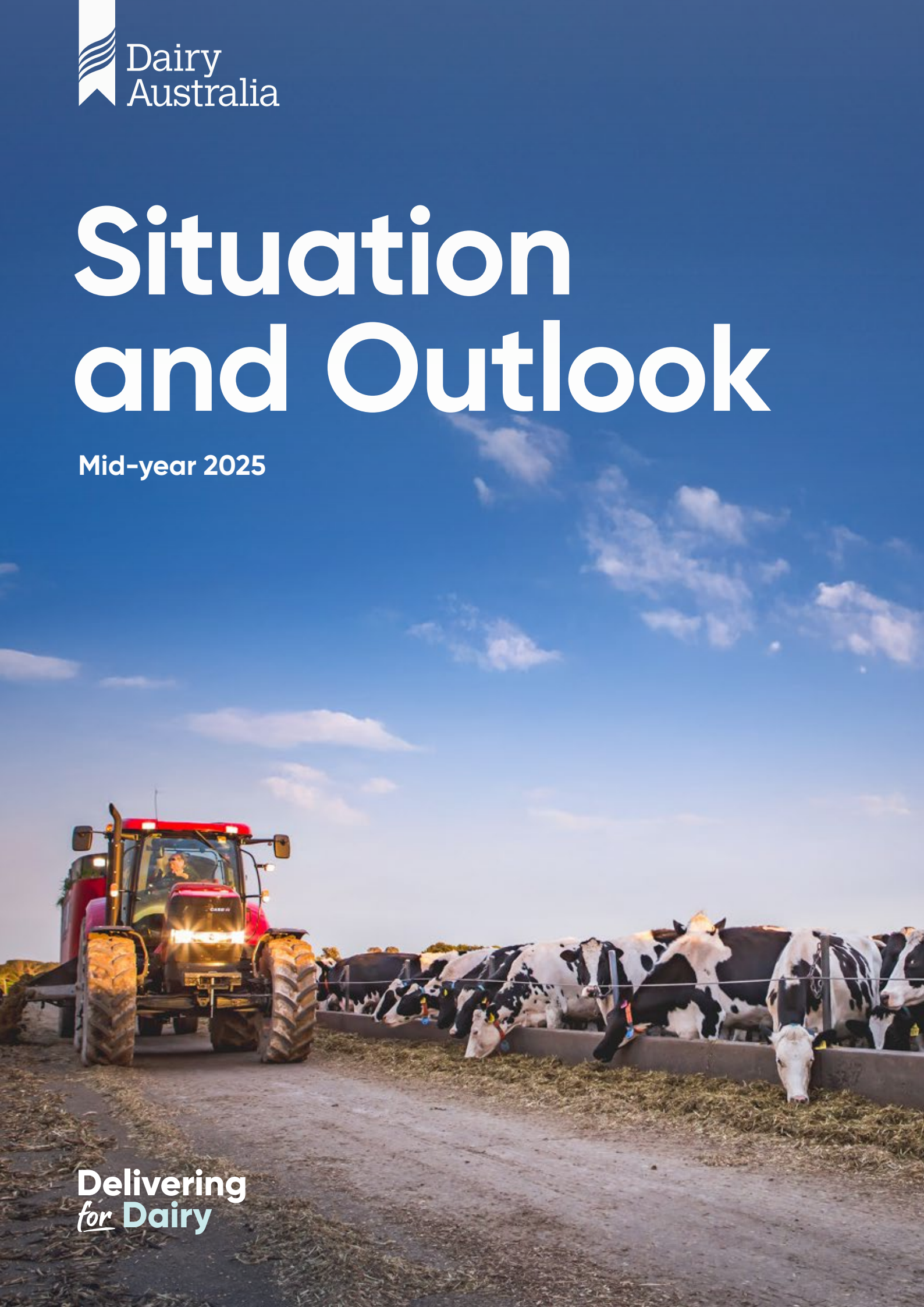
Dairy Australia

Situation and Outlook

Mid-year 2025



Delivering for Dairy

Seven key drivers

of the Australian dairy industry

Global supply

Situation: Neutral | Outlook: Positive

Peak northern hemisphere production has been weaker than anticipated; while there has been minor growth in the United States' (US) milk flows, European production has lagged against last season. Additionally, weather conditions in New Zealand limit continued growth. Looking ahead, further recovery in US milk flows is likely, while European and NZ production may remain constrained. However, US tariff changes and foot and mouth disease in select parts of Europe may carry implications for trade flows.

Australian market

Situation: Positive | Outlook: Neutral

The total volume and value of dairy sold in retail across the four key categories are growing. Shoppers continue to look towards private label products, 'right size' the packsizes they purchase and consume more in-home. While the latter weighs on the foodservice sector, it has supported the rise of social media as a source for new recipes, supporting retail sales of some dairy products. However, as shelf prices begin to ease, further value growth in retail may be limited and the pressures of imported products remain.

Global demand

Situation: Positive | Outlook: Neutral

Imports from Chinese buyers have improved as local milk production weakens and domestic stockpiles are utilised. Demand also remains robust from buyers in Southeast Asia and the Middle East. However, importers in these regions remain price sensitive and global trade flows may adapt in response to future policy changes.

Inputs

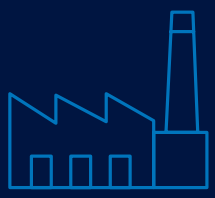
Situation: Negative | Outlook: Negative

Feed and fertiliser prices have climbed, driven by mixed seasonal conditions and tightening global supply, particularly for the fertiliser market. Water storage levels sit below last year, and temporary prices have risen from the lows of last season. Feed demand remains firm, both locally and internationally, while fertiliser markets are still dealing with supply challenges, suggesting these challenges will continue for some time yet.

Global economy

Situation: Negative | Outlook: Negative

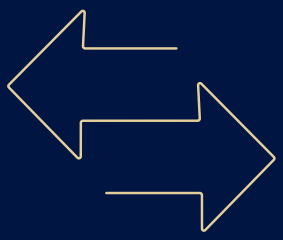
The global economic outlook has dimmed amid rising policy uncertainty and reordering of government priorities. The International Monetary Fund is projecting 2025 global growth to ease slightly to 2.8 per cent, with all Advanced Economies projected to increase. The pace of global inflation decline is expected at a slower rate than previously suspected, while global challenges and political decisions are creating a difficult and unpredictable environment.



Australian production

Situation: Neutral | Outlook: Negative

Challenging weather conditions in several dairying regions and tighter farm margins, continue to pressure milk flows in the 2024/25 season. Australia's milk production is on track to end this season at 8.3 billion litres, however, unfavourable weather, farm exits, smaller herds and persistently tight margins will likely impact production in the new season. As such, Dairy Australia is forecasting the national milk pool to drop between 0 to 2 per cent in the 2025/26 season.



Exchange rates

Situation: Positive | Outlook: Neutral

The Australian dollar (A$) has continued to decline reaching US$0.63 in April 2025. Meanwhile, the Reserve Bank of Australia (RBA) cut interest rates for the first time since 2020 in February 2025. Ongoing shifts in US policy and further reductions anticipated from the RBA are likely to keep the currency variable.

Positive | Neutral | Negative

Contents

Executive summary

Strengthened dairy export prices and growth in volume sold in Australia's retail market are helping inject some value back into the supply chain.

At the cusp of the 2025/26 season, better product returns and tighter milk production support an increase to farmgate milk prices next season. However, operating costs are rising and weather woes have worsened. Clouds are forming downstream too, amidst mounting retail price pressure and an uncertain-as-ever global trade environment.

Australian dairy export prices have found global support this season. Tightened milk production and higher export pricing from northern hemisphere key exporting regions initially increased orders for Oceania product, as global demand somewhat recovered. Importing from Chinese buyers improved as the country's local milk production and manufactured stockpiles weakened, while purchasing activity from buyers in Southeast Asia and the Middle East remained robust, albeit price sensitive. Recent United States (US) trade policy announcements have added complexity to global trade, however. While this has resulted in some buyers looking to secure product from non-US key exporting regions, such as Australia, others have been attracted to weakened US pricing. Depending on which tariff announcements come to fruition in the new season, the challenge for Australian dairy will be maintaining a strong position against potential displaced product and navigating any economic impacts in key export markets. That said, opportunities may also arise as global dynamics shifts in response to formalised trade agreements.

Back home, the overall performance of dairy in the retail market is continuing to find support from behaviours linked to recent inflation, as well as emerging social trends.

In the 52 weeks to 23 February, the volume sold of milk, dairy spreads, cheese and yoghurt increased 0.7 per cent, 3.3 per cent, 4.2 per cent and 8.4 per cent, respectively, with total value growth in all four categories[†].

Consumers continue to increase their purchasing of private label products (notably among high-income households), and 'right-size' the products they buy to minimise food and financial waste. Many households still aim to consume more in-home, supporting the rise of social media as a source of recipes and ingredient ideas. While dairy in retail has benefitted from these trends, cost-of-living pressures and potential further easing of average prices per unit of volume may limit future value growth.

From a supply perspective, Australia is on track to maintain a national milk pool of 8.3 billion litres this season. Wet weather in the north and dry conditions in the south, in addition to tightened farm margins, have weighed on milk production across several dairying regions. While herds have grown in regions that have managed to escape the worst of the climate impacts, cows have been culled in others, and farm exits have continued. Some of these have been retained within the dairy industry, while others have either been converted due to retirement plans, or sold into other industries.

The Dairy Farmland Values report, commissioned by Dairy Australia, highlights that while high farmland values support wealth creation, they continue to incentivise industry exits and create a price barrier for entry – which is now larger than ever. Across the dairying regions, the national median price reached a record $12,906/ha in 2023/24, despite a third consecutive year of falling land sales.

On-farm investment intentions have changed however, as lower incomes, challenging weather, and changes in the processing landscape have weighed on sentiment.

As reported in the 2025 National Dairy Farmer Survey, 55 per cent of farmers are feeling positive about the industry's future, while 71 per cent feel positive about their own businesses – both of which have dropped since 2024. Concerns about climate, input costs and milk prices have all increased this year. Climate remains the greatest concern nationally, with 69 per cent of farming businesses having been impacted by extreme weather.

There are now fewer farming businesses reporting they are in an expansion phase (18 per cent) and a significant shift from major planned investments to those of minor to moderate scale.

Despite an increase to farmgate milk prices in 2025/26, high operating costs will continue to limit profitability, especially if weather conditions don't improve. Unfavourable weather has spurred higher demand for supplementary feed causing fodder prices to increase further in most regions this season.In southern irrigation systems, temporary water prices have been purchased higher by tighter water availability, with current weather outlooks suggesting limited reprieve in the new season. Farming inputs exposed to global markets are responding to an increasingly unstable export trade environment, with rising volatility and higher prices overall as risk premiums grow. Australian grain exports benefited from higher demand and a weaker Australian dollar in the opening months of 2025, pressuring local prices. Global indicative fertiliser values have also risen, mostly due to constrained international supply, however pricing has been volatile since January.

Further contraction in Australia's milk pool is likely next season, due to persistent margin pressures, lingering impacts of challenging weather conditions from this season, less appetite for farm business growth and continued exits. As such, Dairy Australia is forecasting 2025/26 national milk production to ease between 0 to 2 per cent, likely dropping around 1 per cent below this season (towards 8.2 billion litres). However a continuation of unfavourable weather would be expected to lead national production to the bottom of the range.

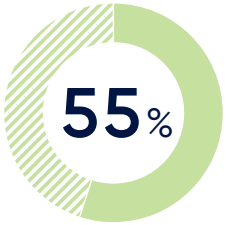
While the industry has benefited from better downstream returns this season, Australia's high cost-of-living and an unsettled global market present future risk. A higher farmgate milk price next season may help alleviate some of the farm margin squeeze, but Mother Nature's whims can't be discounted.

Dairy Australia's National Dairy Farmer Survey interviewed 600 dairy farmers nationwide in February 2025.

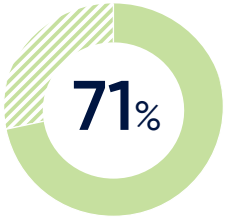
[1] NielsenIQ Homescan based on a continuous panel of 10,000 households; excludes non-private dwellings & businesses, non-permanently occupied households & out-of-home/impulse purchasing. DAIRY AUSTRALIA calculation based in part on data reported by NielsenIQ through its Homescan Service for the dairy category for the 52-week periods ending 23/02/2025, for the total Australia market, according to the NielsenIQ standard product hierarchy.

National Dairy Farmer Survey 2025

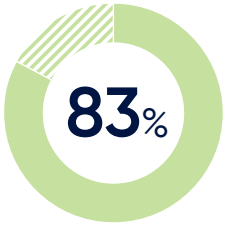
The National Dairy Farmer Survey (NDFS) is conducted each year as a means of tracking dairy farmer sentiment, views on industry challenges and own business intentions. It provides a robust set of data to support or challenge anecdotal and other information sources. In February 2025, 600 farmers were interviewed nationwide for this survey.



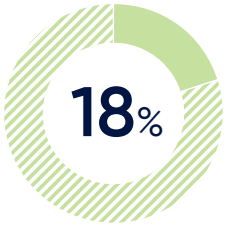
Sentiment
Positive about industry future
-13%



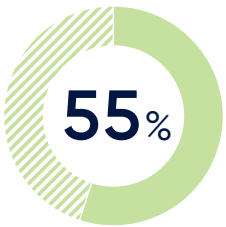
Outlook
Positive about own business
-12%



Profitability
Made operating profit in 2023/24
86% in 2022/23



Expansion
In an expansion phase
-5%



Stability
In a stable phase
-2%

Against a backdrop of the most stable period of industry confidence and widespread farm profitability, the 2025 NDFS provides an interesting account of two contrasting realities for dairy farm businesses in Subtropical, New South Wales (NSW)* and Western Australia (WA) versus those in Victoria, South Australia (SA) and Tasmania.

Industry confidence driven downwards by Victorian and South Australian regions

Following four consecutive years of stable sentiment, the 2025 NDFS reports a significant decline in farmer confidence in the future of the dairy industry. Half (55 per cent) of respondents are positive about the industry's future, compared to two-thirds in 2024. This is the lowest level of industry confidence reported in the last five years.

When it comes to confidence in their own businesses, sentiment continues to be notably higher than perceptions of the industry with seven in ten farmers positive about their businesses.

That said, business positivity is also at its lowest point in five years.

The results point to clear differences in sentiment between regions. Both industry and business confidence are slightly higher among NSW, Subtropical and WA respondents than in 2024, where conditions have been mostly favourable compared to the southeast dairying regions, or the previous season (in the case of WA). Conversely, significant declines are evident in the Murray, Western Victoria, Gippsland and SA dairy regions compared to a year ago.

* excluding Murray and parts of northern NSW

Tasmanian industry confidence has also slipped markedly in 2025, possibly due to heightened concern about farmgate milk prices, while business confidence has improved on last year but remains significantly lower than prior years. Both industry and own business sentiment has also declined considerably across businesses of all herd sizes.

While milk price has typically been a key driver of farmer sentiment, this has had lesser impact on national confidence in 2025. Difficult weather conditions, particularly the ongoing rainfall deficiencies in southwest Victoria, SA and the more recent deficiencies in parts of Gippsland, have dramatically affected the status quo causing widespread impacts on input costs and profits.

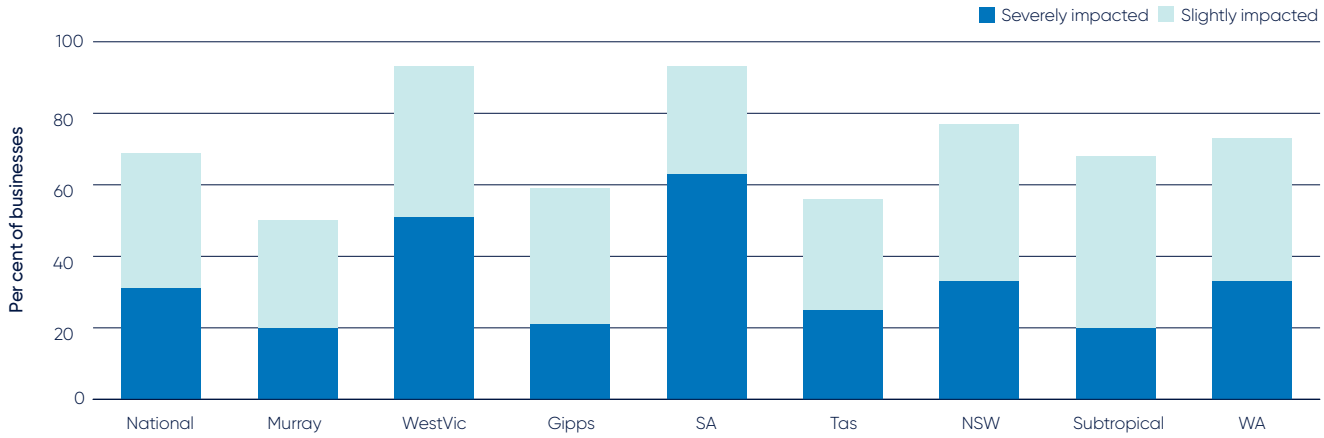
For Western Victoria, the significant decline in the proportion of farms grazing their herds on pasture for a full 12 months (72 per cent, down from 89 per cent in 2024) is certainly taking its toll on profits and sentiment. In SA, changes in the processing landscape may also have affected overall sentiment.

Seasonal conditions continue to challenge business operations

Overall, 69 per cent of dairy farm businesses across the country have been impacted by extreme weather in the last 12 months. While the worst impacts have been in Western Victoria and SA, at least half of all businesses in every dairy region have experienced some effects of extreme weather conditions.

Figure 1 Farming businesses positive about the industry

Figure 2 Farming businesses impacted by extreme weather



Given this scenario, it is not surprising that climate is expected to be the greatest challenge for the season ahead for most regions. This is followed closely by concerns about input costs. Good quality fodder is becoming increasingly difficult to source and more expensive, and water for stock and domestic purposes is also of heightened concern, especially in areas facing the lowest rainfall on record. The consequences of these challenges are having some flow on effect to milk production as culling rates rise in some areas, and with cows being dried off earlier than usual.

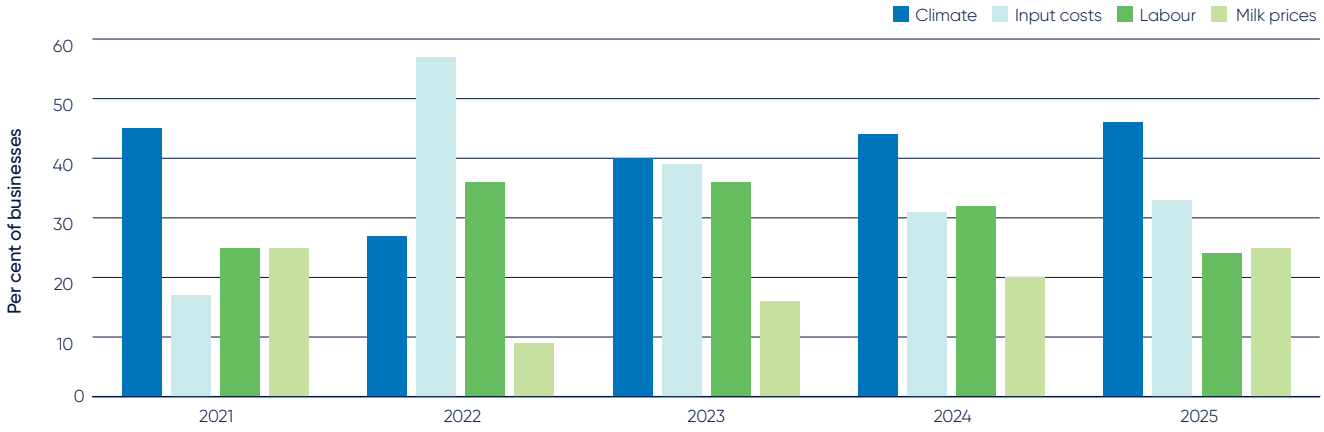
In terms of longer-term trends, climate has been the greatest national concern for four of the past five years. Labour issues are diminishing with time, while farmgate milk prices, despite being well above average in recent years, are of increasing concern as profitability declines.

Diminished profit expectations impact investment and growth decisions

Nationally, profitability remained widespread in 2023-24 (83 per cent, down slightly from 86 per cent in 2022-23) due to high farmgate milk prices, positive seasonal conditions, and stabilisation of some input costs.

The scenario for the 2025 financial year is however markedly different: less than two thirds of businesses (64 per cent) are expecting to make an operating profit, and more than half (57 per cent) are anticipating that profits will be lower than the previous five-year average. This lack of optimism about profits for the current season is most prevalent in all Victorian regions, SA and Tasmania.

Figure 3 Anticipated challenges next six to 12 months

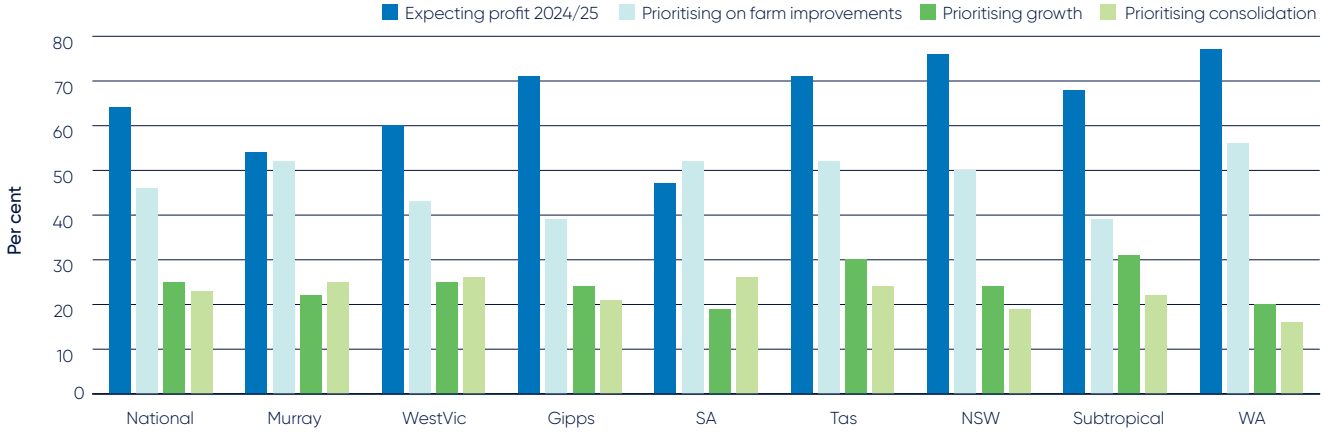


Following four years of businesses being in a strong position to make higher on-farm investment, lower expectations for profits in the year ahead are affecting capital investment intentions for the next two years. While the proportion of businesses intending to invest in their businesses remains high at 81 per cent, this represents a significant drop in investment intentions from 2024 (was 88 per cent). Furthermore, the level of investment planned for the next two years is more likely to be minor to moderate in nature compared to the moderate to major investments planned in prior years.

The appetite for growth is also diminishing in the short term as more farmers wait out the current difficult conditions. Overall, less than one in five businesses (18 per cent) report being in an expansion phase at present – this is the lowest result since 2020 and reflects lower levels of business growth across most areas this year. In terms of medium to longer term priorities, making on-farm improvements continues to the top priority and current sentiment is resulting in fewer farmers across all regions looking towards business growth in the next five to ten years. This is also true for businesses of all herd sizes.

It is apparent from the 2025 data that recovery in the Victorian regions in the year ahead is paramount to reversing the current trends in industry confidence. However, as evidenced by the movement in 2024 to 2025 results, much can change in 12 months due to the variety of factors influencing dairy farm businesses.

Figure 4 Profit vs business priorities next five to ten years



Compared to 2024, Victorian, SA and TAS farmers in 2025 are:

- Significantly less positive about the future of the dairy industry.
- Significantly less positive about their own businesses.
- Significantly less likely to be profitable in FY25 and significantly more likely to have lower profits as the average of the last five years.
- Less likely to be in an expansion phase and more likely to be in a "holding pattern" or contracting.
- Less likely to be prioritising growth in the next five to ten years.
- More likely to anticipate challenges in relation to climate , input costs and milk prices in the year ahead and less likely to be concerned about labour.

Compared to 2024, Subtropical, NSW and WA farmers in 2025 are:

- More positive about the future of the industry.
- Less positive about their own businesses.
- Slightly less likely to be profitable in FY25 and significantly more likely to make "about the same" profit as the average of the last five years.
- More likely to be in an expansion phase and less likely to be winding down.
- Less likely to be prioritising growth in the next five to ten years and more likely to prioritise consolidation.
- More likely to anticipate challenges in relation to milk prices and input costs and less likely to be concerned about climate and labour.

Weather woes weigh on production

Following a season defined by recovery and consolidation, 2024/25 held the potential to maintain an 8.3 billion litre milk pool – and it still does.

Initially, the small decrease in national milk production expected for this season was likely to be a result of lower farmgate milk prices, especially in the southern regions. However, severe weather has once again challenged businesses, particularly across Queensland, northern New South Wales, South Australia and western Victoria. Operating costs have risen for many this season, with significant pressure placed on the fodder market. In order to balance the books, culling has risen in regions hit the hardest by weather challenges, but herds have grown in others with comparatively favourable conditions. Farm exits have continued; while some have been converted or sold into non-dairy industries, others have been somewhat retained, purchased by neighbouring farmers. An underwhelming autumn, as well as the feed and water pressures that have mounted for many farmers, has resulted in several drying off early as the season comes to a close.

As such, Australia's 2024/25 milk production is on track to end closer to 1 per cent below last season.

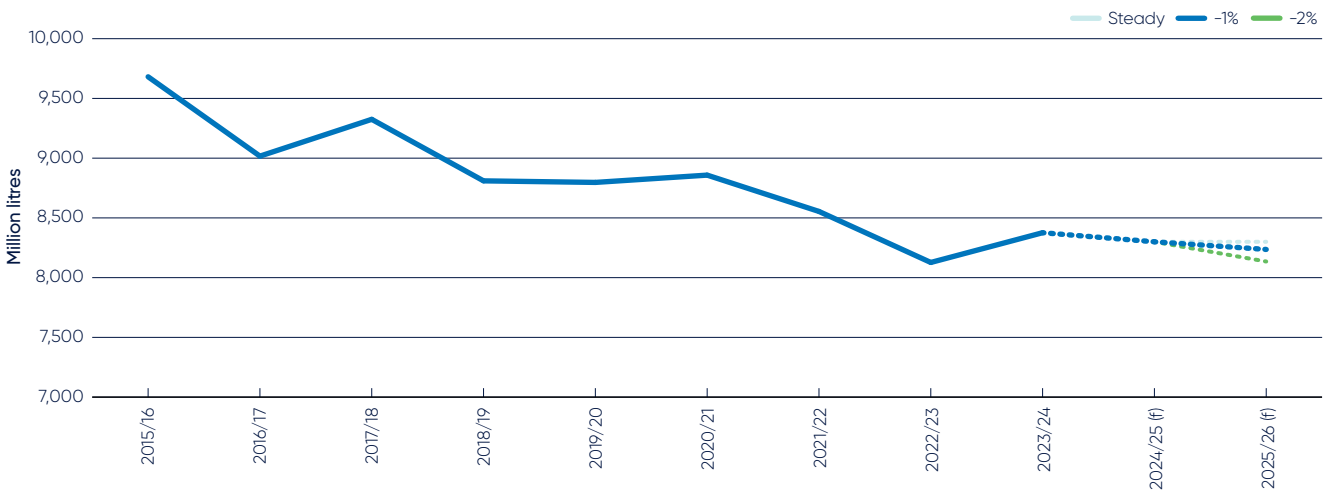
The climate and margin pressures faced this season have consequently weighed on farmer sentiment and investment decisions for the coming years. As detailed elsewhere in this report, farming businesses reporting they are in an expansion phase (18 per cent) is back to 2020 levels, alongside a significant shift from major planned investments to those of minor to moderate scale for the coming years. Considering the persistence of this season's challenges and evolving investment intentions on farm, a contraction in the 2025/26 milk pool is looking increasingly likely – depending on what Mother Nature has in store.

Victoria

The devil is in the detail for Victorian milk production. The state's season to March production was tracking steady relative to the previous season (+0.2 per cent), bolstered by growing volumes in Gippsland and northern Victoria, yet tempered by record low rainfall in parts of the west.

Western Victoria began this season on the drier side, and 2024/25 has not provided any relief. Limited pasture growth, increased reliance on purchased feed and water shortages (for stock and domestic use) have all weighed on milk production. The region's herd has contracted this season and culling has been staggered; while some farms tweaked cow numbers at the beginning of 2024/25 in preparation for a tough season, others have tailored herd sizes post-spring as challenges mount.

Figure 5 Australian milk production by season



Source: Dairy manufacturers and Dairy Australia

With many farmers reliant on purchased feed, fodder costs have risen substantially, good quality bales are scarce, and such pressures have transferred to feed byproducts, particularly almond hulls as they are increasingly adopted to fill nutritional gaps. In line with previous season, farm exits have occurred, with competition for land (especially from the forestry industry in the southeastern areas) remaining a challenge. If weather conditions and cow numbers improve next season, the region could see some recovery. However, less farms, a smaller herd, as well as feed and margin pressures, will more likely weigh on production in 2025/26.

In Gippsland, production has continued to grow, however pressures have mounted in the final months of the season. The region managed to avoid most of the weather challenges until December, with milk flows particularly supported by those with access to irrigation in the Macalister Irrigation District. Additionally, while there have been some farm exits, several have been purchased by neighbouring dairy farms. During the first half of the season, there was also increased appetite to grow herds in response to lower incomes, and investment from major producers in the region picked up. While this was supported by Gippsland's longer-term equity prospects, high farmland values in Australia's most expensive dairying region deters new entrants. More recently, drier conditions in the region's western and southern areas have led to feed and stock water issues for many farmersresulting in increased culling. Considering the lingering impacts of these challenges into the new season, Gippsland's production is likely to ease in the 2025/26 season.

Milk flows in Northern Victoria also continue to grow. While conditions have been dry in the northeast, it is likely that increased investment in cow housing and other improvements are supporting the region's milk volumes, in addition to the benefits of irrigation. Some herds have grown this season, which has helped to balance any exits that may have occurred.

However, irrigation costs have risen as water availability tightens, and challenges accessing water via shared channels has caused delays this season. If weather conditions don't improve, the pressure placed on water prices and other business costs may lead to further farm exits in the new season, however many other businesses remain in multiyear contracts. As such, it is likely that Northern Victorian milk production in 2025/26 will track steady to slightly below this season.

New South Wales (NSW)

NSW is likely to be the only state to end this season in production growth, however, it has not been devoid of challenges. After solid milk volume recovery last season, favourable weather conditions and access to irrigation has driven strong production growth in southern parts of the region. Additionally, while exits have occurred this season, many have been purchased by other dairy farmers, and there have been some new entrants. On-farm investment from key producers has also helped support the state's production. In recent months however, conditions in some southern areas have started to dry. Further north, wet conditions have featured again this season. Above average rainfall, and the impacts of ex-tropical cyclone Alfred, have resulted in wet soils in some parts this season. For those in the Mid-North coast and Hunter regions, prolonged wet conditions has led to significant flooding, which has damaged on-farm infrastructure, stored feed and pastures, as well as impacting cow health. Ultimately, the longer-term impacts of recent floods in northern areas, and pressures on water availability in southern parts will likely weigh on the 2025/26 NSW milk pool.

Queensland (Qld)

Qld has dealt with wet conditions for the majority of this season, especially in the far north. While southeast Qld has managed to mostly escape severe flooding impacts, consistent above average rainfall, and the influence of ex-tropical cyclone Alfred over already wet soils, impacted animal health, pasture growth and feed quality. Despite this season's challenges, several farmers in a winding down phase have stayed within the industry longer than expected.

Additionally, there has been some appetite to invest in on-farm infrastructure, while other smaller operations have sold the business. Such investment may support production next season, however, a smaller state herd and less farms will ultimately limit growth. As such, Qld milk volumes in 2025/26 are expected to track steady to slightly down against this season.

South Australia (SA)

Back down south, dry conditions and significant changes in SA's processing landscape have weighed on farmer sentiment and margins. The state's milk production has been easing since December, with the first half of the season particularly supported by irrigating farms in the southeast corner, and remaining cashflow from the previous season. While there have been some farm exits this season, there are also a significant number of businesses still locked into multiyear milk supply agreements. However, many of these are due to end come June 30, and a continuation of this season's challenges may encourage farm exits in the new one. Furthermore, high farmland prices in some areas are limiting new entrants in particular areas. Unfavourable autumn conditions have resulted in some farmers drying off early and may weigh on volumes into the new season, especially with climate and feed pressures unlikely to rapidly improve. As such, SA's milk production is likely to continue easing in the 2025/26 season.

Tasmania

Tasmanian milk production tracked below last season in every month up to March, partially due to the absence of milk from a significant corporate dairy farming corporation. Aside from this, a continuation of weather challenges into the 2024/25 season impacted cow conditions, contributing to a flatter seasonal peak. Tightened farm margins and feed pressures also limited the ability to stretch out the milking period, especially during a drier than usual autumn. While Tasmania has had it's challenges this season, it is one of the few regions with potential to grow in 2025/26. New entrants are rising on account of lower farmland values in areas compared to some other dairying regions, and appetite to grow the business remains strong with one-quarter reporting they are in an expanding phase. Several offline farms are set to come back into the supply chain, alongside increased corporate acquisition and investment in the region. As such, Tasmania milk production is anticipated to grow in 2025/26, but this could be somewhat tempered by competition for regional services delaying investment plans.

Western Australia (WA)

Despite favourable weather conditions, milk production has also been tracking down this season in WA. Both the dry conditions and cull cow backlogs from the 2023/24 season have been resolved, however the latter has left the state with a significantly smaller herd. There have been approximately 8 farm exits this season, with all reportedly maintaining the same ownership but converting to beef as a hobby as part of their retirement plans. While the above has weighed on WA production this season, the state will likely maintain a milk pool between 300-350 million litres and will possibly do so again in the 2025/26 season, if weather remains favourable and farm exits slow.

All in all, the lingering impacts of this season, a somewhat unfavourable weather outlook leading into spring, persistent margin pressures, lower appetite for expansion and additional farm exits, will likely lead to further contraction in the milk pool.

If weather conditions improve and cow recovery is quick in areas that have culled this season, then national milk production could steady relative to the 2023/24 season. However, if below average rainfall persists in the south and above average in the north, the combination of unfavourable conditions and tight on-farm margins could lead Australia's production even combine these. As such, Dairy Australia is forecasting national milk production for the 2025/26 season to ease between 0 to 2 per cent, likely down around 1 per cent (towards 8.2 billion litres).

So what?

While business decisions made in response to lower farmgate milk prices may not have weighed on national volumes as expected, challenging weather conditions and higher operating costs have alternatively led to the slight drop in production this season. Considering a smaller national herd, less farms, tightened farm margins, lingering impacts of weather challenges and an unfavourable rainfall outlook into spring, Dairy Australia is forecasting 2025/26 national milk production to drop between 0 to 2 per cent, relative to the 8.3 billion litres produced this season.

Dairy farmland values continue decade-long climb

Farmland values have long been a topic of conversation within agriculture, as suburban areas expand and the availability of productive farming land tightens.

With dairy farms located in typically high rainfall areas and somewhat close to metropolitan areas, the value of dairy farmland has grown significantly overtime. Other agricultural industries, growth in hobby farms, corporate investment and development attraction are key sources of competition for farmland, especially dairy.

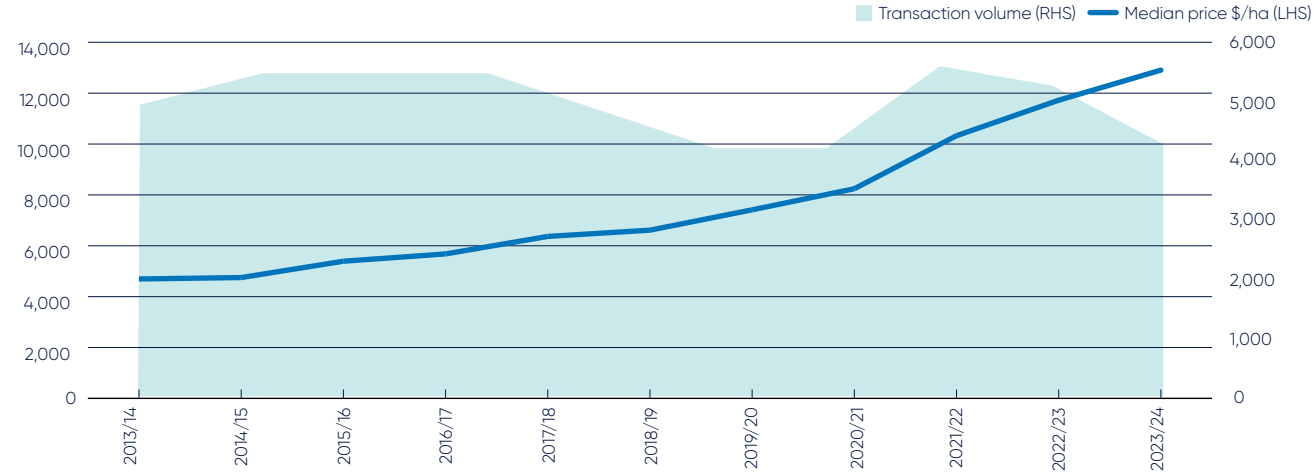
The *Dairy Farmland Values* report commissioned by Dairy Australia, highlights how farmland values across the eight dairying regions are some of the highest in the country. Over the past decade, the Murray region recorded the strongest price growth, with the median land value surging 252 per cent; there is strong demand to purchase land in the area, exacerbated by the limited sales. While Gippsland saw the smallest ten-year increase of 91 per cent, it remains the most expensive dairying region, with a median price of $20,881/ha in 2023/24. This is double that of Subtropical, which holds the lowest median land value of $10,634/ha, however this encompasses a $20,000 range between Local Government Areas (LGA) in the region.

Meanwhile, South Australia is notable as the region holding the least and most expensive dairying LGAs. The latter is Onkaparinga, with a median value of $43,878/ha, while Mid Murray is the lowest at $3,184/ha.

Farmland values are continuously breaking price records; the report outlines how the national median price per hectare has increased every year over the past decade, despite a fluctuating number of farms sold over this period, with annual growth above 10 per cent since 2019-20.

In 2023/24, the national median price in dairying regions hit the record level of $12,906/ha, off the back of tightened farmland supply, strong demand for productive land and a rebound in the livestock market.

Figure 6 National farmland values and sales



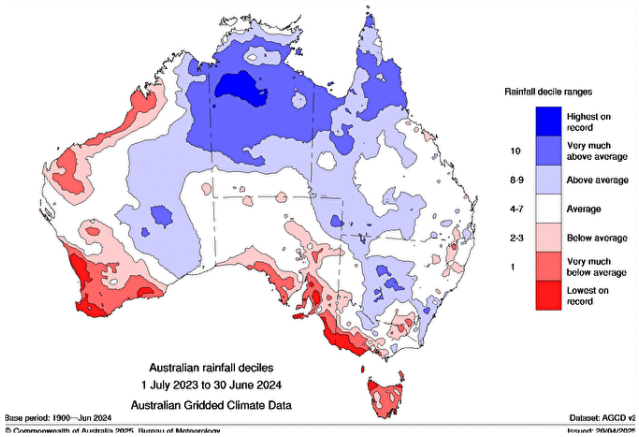
Source : Bendigo Bank Agribusiness' Dairy Farmland Values report

Like most agricultural markets, land values shift in response to broader economic and climate conditions. Between May 2022 and November 2024, the Reserve Bank of Australia lifted the cash rate 13 times, from 0.1 per cent to 4.35 per cent. These higher interest rates affected borrowing capacity and purchasing decisions for many, particularly those looking to enter the industry. As such, there has been a decline in the number of farms sold nationally in the last three consecutive seasons. Western Australia was the only area to see an increase in transaction volumes and recorded the largest price increase compared to other dairying regions over 2023/24. During the same season, the median price per hectare fell in Western Victoria and Tasmania. While strong farmgate milk prices supported profitability nationally, rising input costs, especially for feed, and drier seasonal conditions in such areas, slowed demand and resulted in sluggish land value growth across most dairying regions.

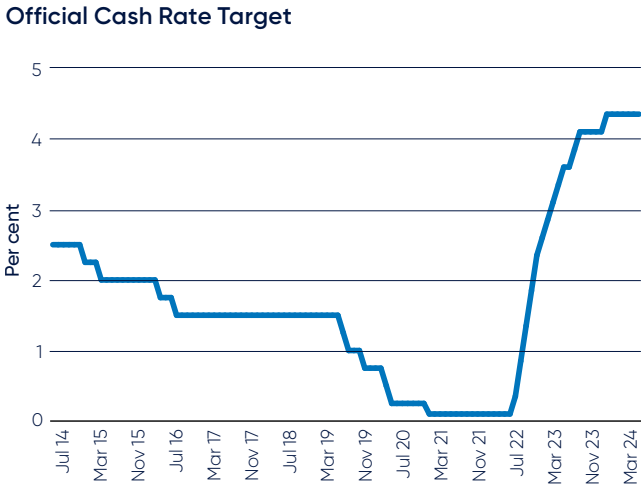
As detailed in the *Dairy Farmland Values* report, the price barrier for those looking to enter the industry is now larger than ever, while making industry exits for smaller family farms more attractive. For those looking to expand their footprint, the uplift in land value provides an increased ability to borrow, although the return on investment does become harder to justify amidst high operating costs.

You can access the Dairy Farmland Values report via the **Dairy Australia website**.

Figure 7 and 8 Key drivers of dairy farmland values in the 2023/24 season



Source: Bureau of Meteorology



Source: Reserve Bank of Australia

Dairy in retail

The constant search for value

Australia's persistently high cost-of-living continues to strain household budgets, with food prices remaining a significant pressure point.

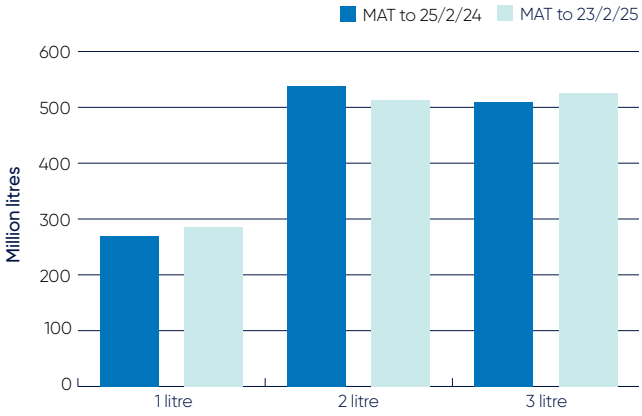
Consumers have spent 4.9 per cent more through retail over the last year, despite the volume of items purchased decreasing*. Consumers have become more value-conscious, as they seek affordable options, switch between retailers, and in some cases cut back on non-essentials*.

Dairy, however, continues to be a staple item in Australian households' baskets, as several ongoing and emerging trends shape the retail landscape.

After inflation initially weighed on the performance of dairy categories, the total volume and value of product sold in all four key categories have grown in the 52 weeks to 23 February. While the volume of milk sold rises slowly (+0.7 per cent), shoppers are purchasing increasingly more dairy spreads, cheese and yoghurt (+3.3 per cent, +4.2 per cent and +8.4 per cent, respectively)†.

The way Australians approach their grocery trip has evolved in response to financial pressures, driving the performance of the dairy categories. Private label products continue to build volume market share across milk, cheese, and yoghurt categories, including among high-income households, reflecting a shift toward cost-conscious choices. Long-life milk continues to grow in share, increasing to 15.7 per cent of total milk sales (from 15.0 per cent the year prior)†; in some states, grocery supply chain disruptions late 2024 and ex-tropical cyclone Alfred likely support long life milk sales. Packsize choices are also evolving: the two litre milk bottle is no longer the preferred packsize, with one consumers purchasing more three litre and increasing 1 litre purchases as well – the former supported by start-up families, and the latter by young transitionals (households under the age of 35, with no children)†. This is likely a result of households "right sizing", to reduce both food and financial waste. Furthermore, the growing volume sold of yoghurt has been supported by increased purchasing of the one kiloggram pack size, as Australians aim to consume more in home†.

Figure 9 Changes in milk packsizes sold



Source: NielsenIQ†

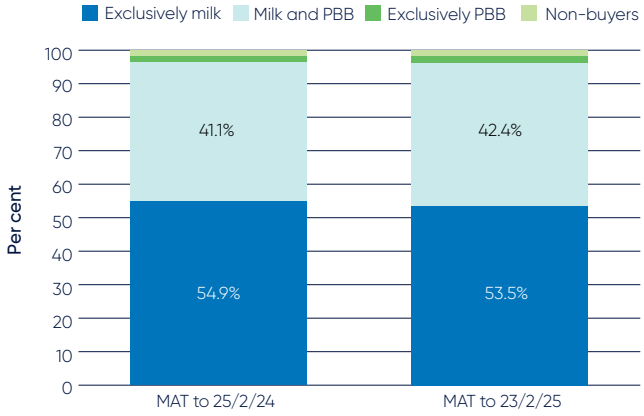
Social media is emerging as a key driver of discovery and purchasing of dairy products, especially by the young transitionals demographic (households under the age of 35, with no children). A growing number of consumers are using digital platforms to find new recipes and products, sometimes even before turning to traditional search engines. Over a third of young Australians are using social media as their primary way to learn about new products*. Viral food trends, including the high-protein and low sugar focus of the online wellness community, are likely to have supported dairy consumption in this demographic. Demand for cheese, dairy spreads and yoghurt have lifted, with the volume purchased by young transitionals increasing 12.0 per cent, 7.8 per cent, and 8.4 per cent, respectively, in the 52 weeks to 23 February†. This has supported the overall performance of products such as cooking cheese (which includes cottage cheese) and Greek yoghurt, with the total volume sold rising 7.1 per cent and 17.3 per cent, respectively, over the same period†.

At the same time, online health commentary appears to be changing the way nutrients and ingredients are perceived in everyday diets. Australian consumers are responding differently to dairy fats, prompting a shift towards full fat milk, which could also be supported by increased in-home consumption. A similar trend is demonstrated in the yoghurt category, with the volume sold of full cream varieties rising 10.2 per cent but while low fat products drop 2.7 per cent over the 52 weeks to 23 February†.

Meanwhile, varying views around seed oils, might also be influencing purchasing decisions. Margarine continues to lose market share as shoppers switch to dairy spreads, driving growth in the total volume sold of butter and butter blends (+2.7 per cent and +3.8 per cent, respectively, while margarine fell 3.6 per cent in the last year)†.

Lifestyle preferences are increasingly driving shopping behaviours, affecting dairy purchasing habits and the shift towards alternatives. For some shoppers, convenience and preference are winning out, even over lower prices. Sliced cheese recorded the highest volume growth compared to all other everyday cheese pack types, rising 7.1 per cent in the 52 weeks to 23 February†. While these products have one of the highest average price per kilogram, fast and easy to prepare foods are becoming increasingly important for consumers, and the convenience of packed sliced cheese continues to resonate with Australian households#. In the milk fridge, growth in the plant based beverages (PBB) category continues, but not entirely at the expense of dairy. In the 52 weeks to 23 February, the total volume sold of PBB grew 11 per cent; while a steady 2 per cent of Australian households exclusively purchase PBB, there are now more households purchasing both milk and PBB (see figure 10)†.

Figure 10 Exclusivity of Australian households purchasing milk and plant based beverages (PBB)



Source: NielsenIQ†

Looking ahead, there may be limitations to the performance of the key dairy categories. While the retail homescan data is yet to show a widespread drop in the average price per volume of dairy goods, the consumer price index for the total dairy category dropped below the previous year in the quarters to September, December and March. Cost-of-living remains high within Australia, and the major retailers are increasing their focus on private label offerings. Dairy persists as an important food for the majority of households, however, further pressure on shelf prices will likely limit continued value growth.

Dairy remains a staple in most Australian households, but shifting shopping behaviours are changing the way it appears in Australian shopping baskets. Private label options are likely to remain resilient as value-conscious habits persist, while social media trends continue impact purchasing decisions. Pack types and sizes are evolving in response to changing household needs and priorities, while plant based beverages still appeal to a segment of consumers. All in all, the dairy case has performed well in the face of shifting shopping behaviours but potential headwinds loom ahead.

So what?

Dairy in retail has been resilient in the face of inflationary-led and emerging shopping trends, supporting volume and value growth across all four key dairy categories. However, cost of living pressures continue to mount, with the retailers looking to cater to consumer demand for affordable products. While dairy remains a staple product in majority of Australian households, the pressure on shelf prices will likely limit continued value growth.

*NIQ 2024 Mid-year consumer outlook

#NIQ BASES Trendspotter Australia 2024

† NielsenIQ Homescan based on a continuous panel of 10,000 households; excludes non-private dwellings & businesses, non-permanently occupied households & out-of-home/impulse purchasing. DAIRY AUSTRALIA calculation based in part on data reported by NielsenIQ through its Homescan Service for the dairy category for the 52-week periods ending 23/02/2025, for the total Australia market, according to the NielsenIQ standard product hierarchy.

Market dashboard

Inputs

Hay and grain

Australian dairy regions			%			%
1	Atherton Tablelands*	$330	↓ -15	$396	↑	3
2	Darling Downs	$410	↑ 50	$355	↓	-7
3	North coast NSW	$340	↑ 18	$350	↑	1
4	Central west NSW	$295	↓ -2	$341	↓	-6
5	Bega Valley	$385	↑ 21	$351	↓	-2
6	Goulburn/Murray Valley	$319	↑ 9	$357	↑	8
7	Gippsland*	$299	↑ 24	$373	↑	6
8	South-west Victoria	$356	↑ 21	$330	↑	5
9	South-east SA	$413	↑ 40	$378	↑	7
10	Central districts SA	$350	↑ 18	$323	↑	1
11	South-west WA	$260	↓ -21	$361	↑	3
12	North-west Tasmania	$250	↓ -12	$463	↑	5

Shedded cereal hay: mid-range product without weather damage, of good quality and colour

The relevant stockfeed wheat available in a region (ASW, AGP, SFW1 or FED1)

Prices are estimates in $/tonne at April 2025. Compared to equivalent date April 2024.

*Note that all regions other than Atherton Tablelands and Gippsland is cereal hay. Atherton Tablelands and Gippsland is pasture hay.

Source: Australian Fodder Industry Association, Profarmer

Fertiliser

Urea (granular Black Sea)	DAP (US Gulf)	MOP (granular Vancouver)
387 US$/t	635 US$/t	352 US$/t
↑ +21% LY	↓ +17% LY	↑ +15% LY
↓ -15% 5Y	↓ -4% 5Y	↓ -4% 5Y

Price is April 2025 average, compared to the April 2024 average (LY) and 5-year (5Y) April average. *Source: World Bank*

Cows

Cull cows

252c/kg (lwt)	50,590 head
↑ +44% LY	↑ +5% LY
↑ +4% 5Y	↓ -14% 5Y

Dairy cattle exports ↓ -42% LY

37,212 head ↓ -154% 5Y

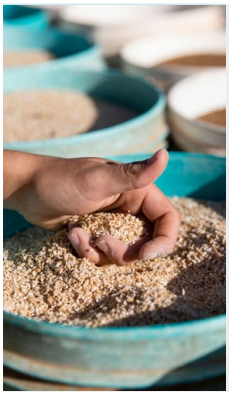
Price is April 2025 average (c/kg liveweight), compared to April 2024 (LY) and 5-year (5Y) average. Number of head is last 12 months (cull cows to April 2025, dairy cattle exports to February 2025) compared to year earlier (LY) and 5-year (5Y) average. *Source: NLRS, ABS*

Water

Northern Victoria	Murray Irrigation system
154$/ML	85$/ML
↑ 646% LY	↑ 492% LY
↑ 65% 5Y	↑ 60% 5Y
98$/ML MA	65$/ML MA
3,178,245 ML	388,652 ML
↑ 5% LY	↑ 44% LY
↑ 17% 5Y	↑ 50% 5Y
264,854 ML MA	32,388 ML MA

Price of water traded is April 2025 average compared to April last year (LY) and 5-year (5Y) average. Volume of water is 12 month total, to April 2025, and compared to same period last year (LY) and last 5 year (5Y) average. Monthly average (MA) is the average price and volume over the past 12 months to April. Northern Victoria prices are averaged from three key trade zones, details can be found in the monthly Production Inputs Monitor report: **dairyaustralia.com.au/industry-reports/production-inputs-monitor**

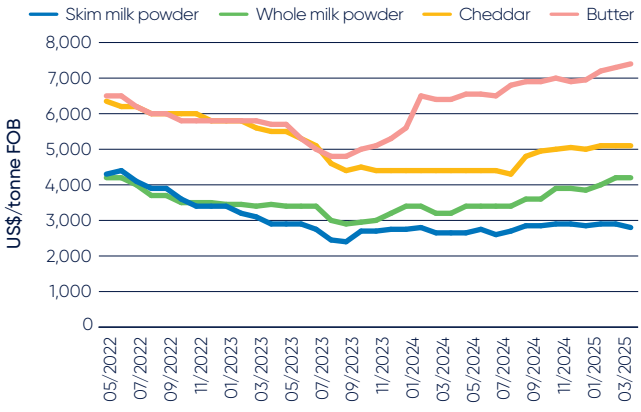
Source: Victorian Water Register, Murray Irrigation Ltd



For ongoing information and updates on farm inputs, readers can subscribe to Dairy Australia's weekly hay and grain reports, the monthly byproducts report and the monthly production inputs monitor report via **dairyaustralia.com.au/industryreports**

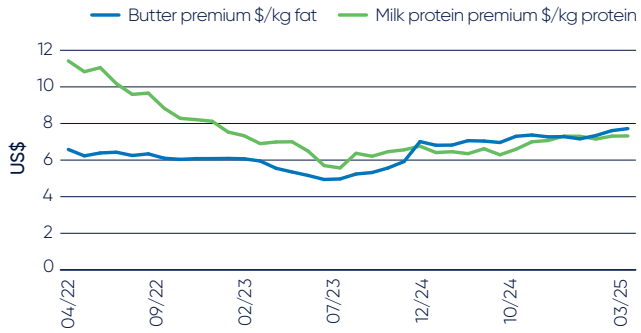
Commodity prices

Figure A1 Key dairy commodity price indicators



Source: Dairy Australia

Figure A2 Dairy fat and protein – pricing relative to substitutes



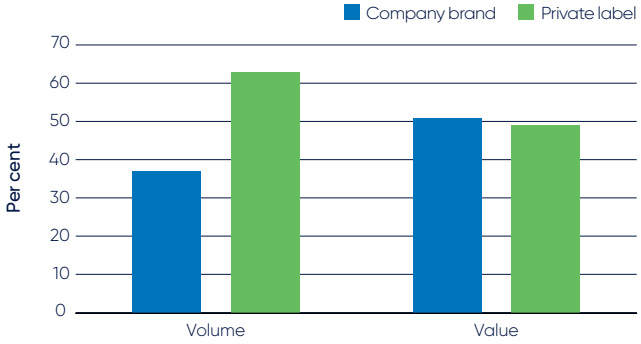
Source: Dairy Australia, Oil World

Australian market

Figure A3 Australian supermarket sales*

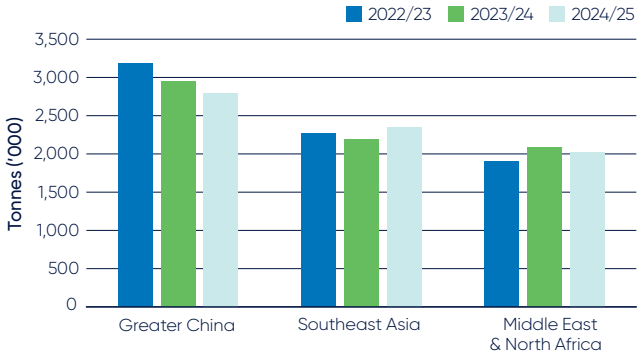
	Take home volume	YoY growth	Take home value $m	YoY growth
Milk *As of 23/02/25*	1,415m. L ↑	0.7%	2,927 ↑	0.8%
Cheese *As of 23/02/25*	154kt ↑	4.2%	2,683 ↑	1.9%
Dairy spreads *As of 23/02/25*	62kt ↑	3.3%	838 ↑	4.1%
Yoghurt *As of 23/02/25*	198kt ↑	8.4%	1,568 ↑	10.2%

Figure A4 Retail sales – share of total milk sales**



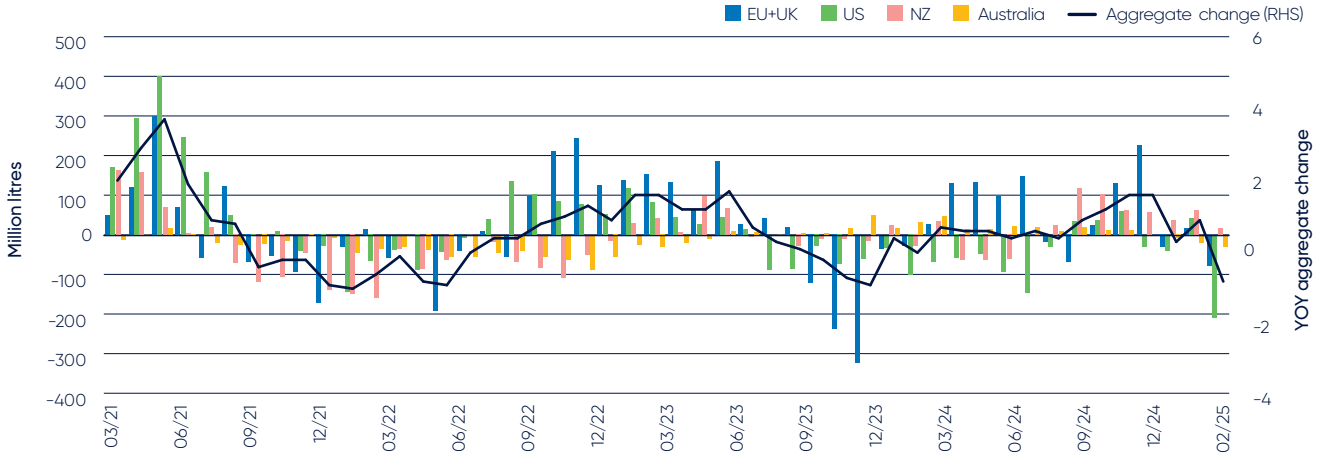
Global supply and demand

Figure A5 Exports to key markets (MAT to December)



Source: Dairy Australia, TDM.

Figure A6 Milk production trends for key dairy exporting regions



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

The charts and insights presented in this report are a combination of Dairy Australia's unique industry data collection and externally sourced information.

*Source: Dairy Australia calculation based in part on data reported by NielsenIQ through its Homescan Service for the fresh and long life milk categories, dairy spreads, yoghurt and cheese to 23 February 2025, for the Total Australia market, according to the NielsenIQ standard hierarchy. Copyright © 2025, Nielsen Consumer LLC. product.

**Source: Dairy Australia calculation based in part on data reported by NielsenIQ through its Homescan Service for the fresh and long life milk categories to 23 February 2025, for the Total Australia market, according to the NielsenIQ standard hierarchy. Copyright © 2025, Nielsen Consumer LLC. product.

Regional NDFS results

New South Wales* Regional NDFS results at a glance

Business and industry confidence has remained stable and widespread over the past 12 months due to recent favourable seasonal conditions and stable milk prices.

Consistent with prior financial years, approximately eight in ten businesses were profitable last financial year and farms in this region are among the most optimistic about their profitability this financial year.

As a result, nine in ten respondents plan to make on-farm capital investments over the next two years and compared to other regions, are more likely to make major investment decisions.

On-farm improvements are the greatest priority in the next five to ten years while one in four are planning for business growth.

Profitability and investment

80% Made profit 2023/24

76% Expect profit 2024/25

29% Profit higher than 5–year average

51% Profit about same/unsure

20% Profit lower than 5–year average

91% Invested 2023–25

89% Plan to invest 2025–27

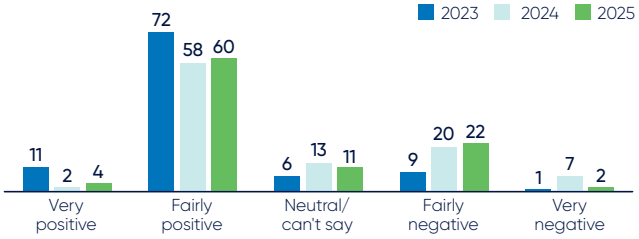
36% Plan minor investment

31% Plan moderate investment

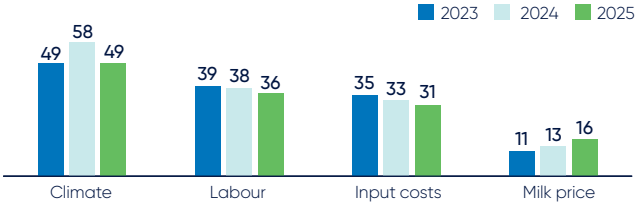
22% Plan major investment

Sentiment

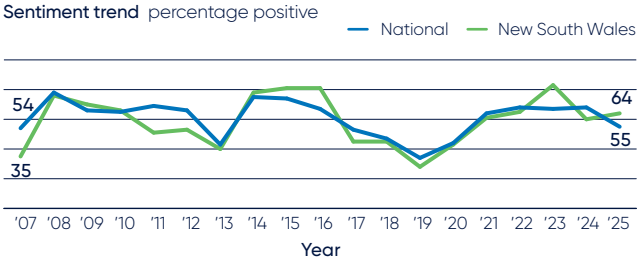
Industry sentiment per cent



Next 6-months' challenges per cent

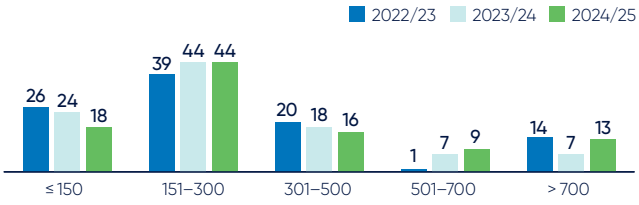


Sentiment trend percentage positive

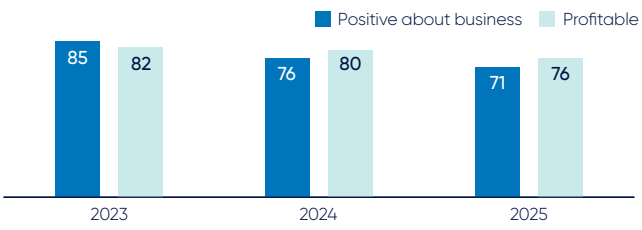


Current herd size and production

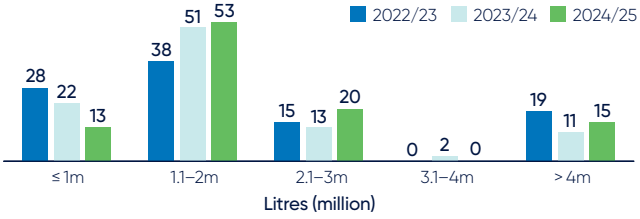
Herd size per cent



Business sentiment vs. profitability per cent

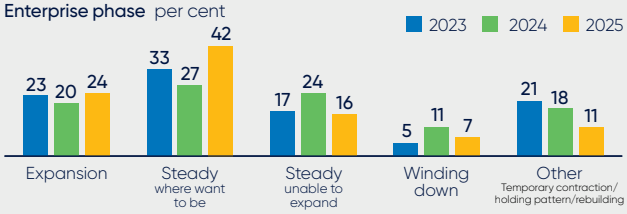


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' New South Wales farmer

78% Impacted by extreme weather L12M

0% Changed milk factory supplied

22% Intend/desire to change milk factory

2.0t Average tonnes fed per cow per year

388 Average herd size

* excluding Murray and parts of northern NSW

South Australia Regional NDFS results at a glance

South Australian confidence in the industry's future and their own businesses has dropped significantly since 2024.

This is a result of nine in ten businesses being impacted by extreme weather conditions in the last year, plus there are growing concerns about milk prices, feed production and operating costs.

While profitability was widespread in FY24, less than half of businesses are expecting an operating profit in FY25 and most are expecting lower than average profits.

As a result, significantly fewer SA farms are currently expanding and more are in a "holding pattern".

Profitability and investment

80% Made profit 2023/24

47% Expect profit 2024/25

7% Profit higher than 5–year average

10% Profit about same/unsure

83% Profit lower than 5–year average

97% Invested 2023–25

77% Plan to invest 2025–27

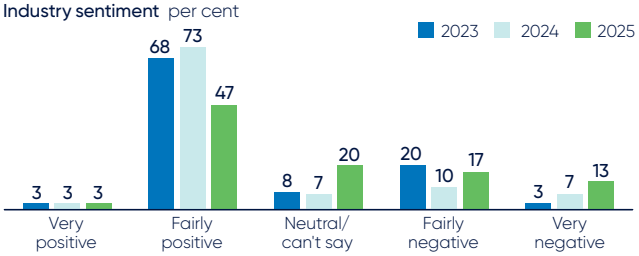
43% Plan minor investment

17% Plan moderate investment

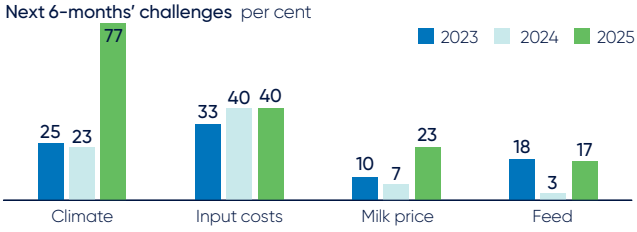
17% Plan major investment

Sentiment

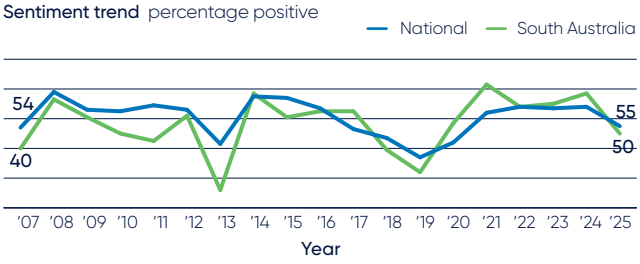
Industry sentiment per cent



Next 6-months' challenges per cent

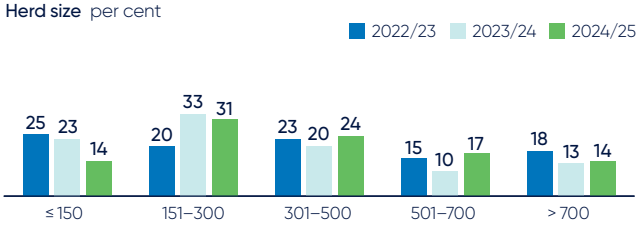


Sentiment trend percentage positive

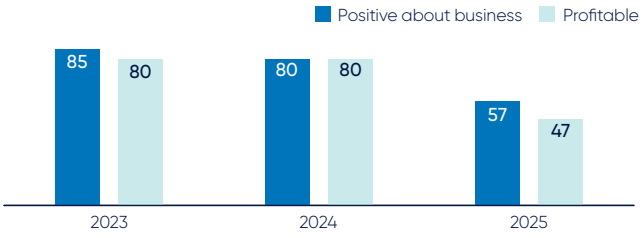


Current herd size and production

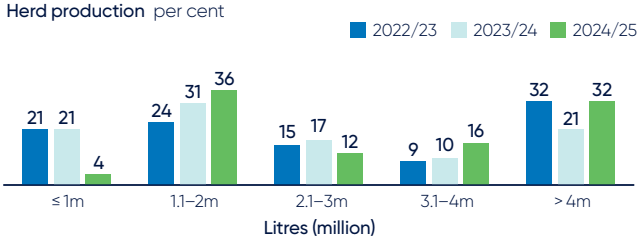
Herd size per cent



Business sentiment vs. profitability per cent

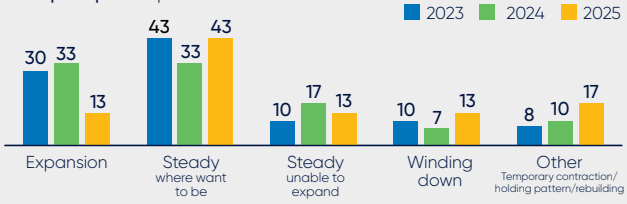


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' South Australian farmer

93% Impacted by extreme weather L12M

33% Changed milk factory supplied

3% Intend/desire to change milk factory

2.2t Average tonnes fed per cow per year

470 Average herd size

Tasmania Regional NDFS results at a glance

Tasmanian respondents are the most likely to be positive about their own businesses but confidence towards the industry's future has declined.

Concerns about farmgate milk prices in the season ahead and lower profit expectations are driving this trend.

In FY24, more than nine in ten farms made an operating profit; this has now dropped to seven in ten for FY25 and expectations are lower than previous years.

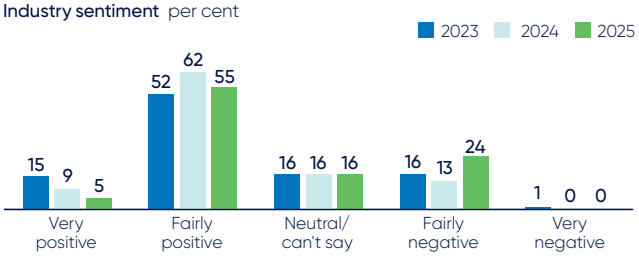
While Tasmania has the one of the highest proportion of farms in an expansion phase, this has dropped since 2024. Growth is however still a priority in the medium term.

Profitability and investment

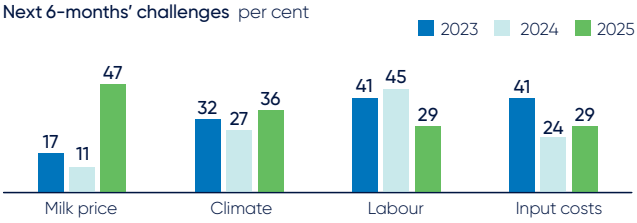
93% Made profit 2023/24
71% Expect profit 2024/25
5% Profit higher than 5–year average
10% Profit about same/unsure
85% Profit lower than 5–year average
95% Invested 2023–25
87% Plan to invest 2025–27
45% Plan minor investment
20% Plan moderate investment
22% Plan major investment

Sentiment

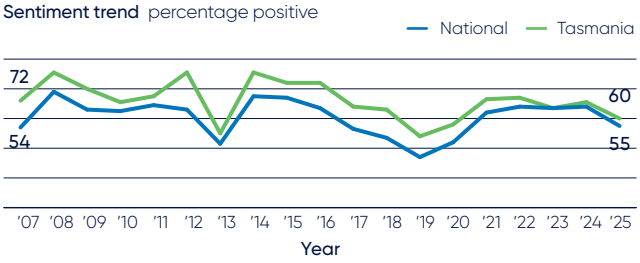
Industry sentiment per cent



Next 6-months' challenges per cent

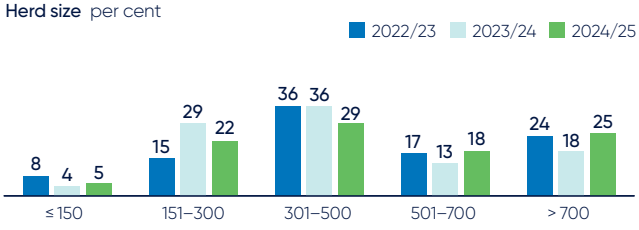


Sentiment trend percentage positive

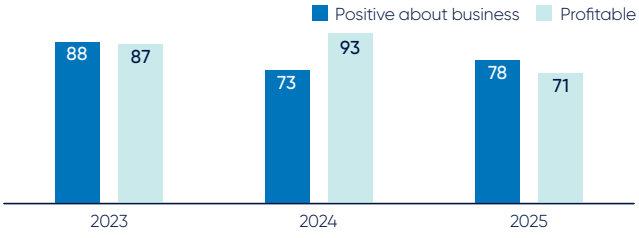


Current herd size and production

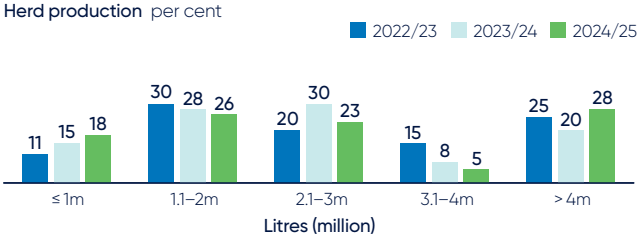
Herd size per cent



Business sentiment vs. profitability per cent

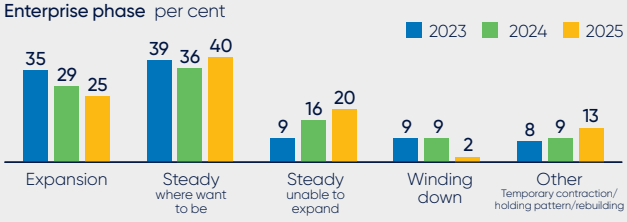


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Tasmanian farmer

56% Impacted by extreme weather L12M
0% Changed milk factory supplied
21% Intend/desire to change milk factory

1.7t Average tonnes fed per cow per year
578 Average herd size

Gippsland Regional NDFS results at a glance

While 75% of respondents remain positive about their own business, concerns with operating costs and farmgate prices have significantly reduced business and industry confidence.

A high 88% of business reported an operating profit in FY24 but expectations for FY25 are significantly lower with most businesses anticipating lower than average profits.

As a result, capital investments intentions for the next two years are much lower than in prior years.

Over the next five to ten years however, four in ten will continue to focus on on-farm improvements, and one quarter of businesses are prioritising growth.

Profitability and investment

88% Made profit 2023/24

71% Expect profit 2024/25

15% Profit higher than 5–year average

21% Profit about same/unsure

64% Profit lower than 5–year average

96% Invested 2023–25

80% Plan to invest 2025–27

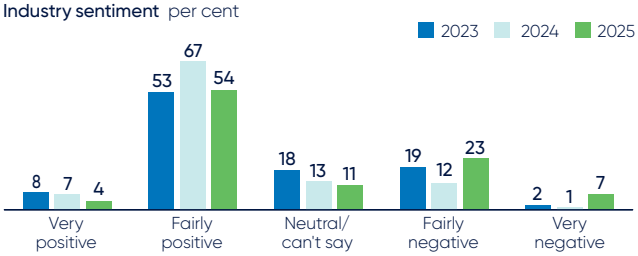
35% Plan minor investment

30% Plan moderate investment

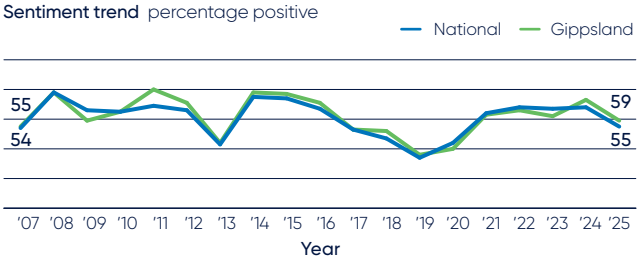
15% Plan major investment

Sentiment

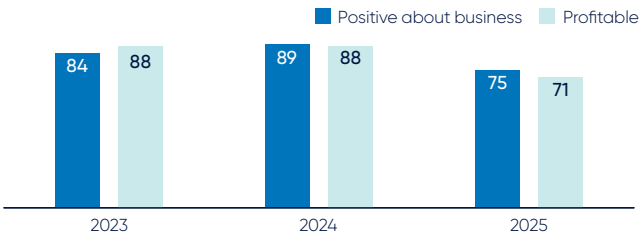
Industry sentiment per cent



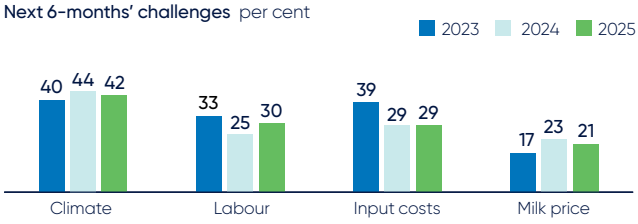
Sentiment trend percentage positive



Business sentiment vs. profitability per cent

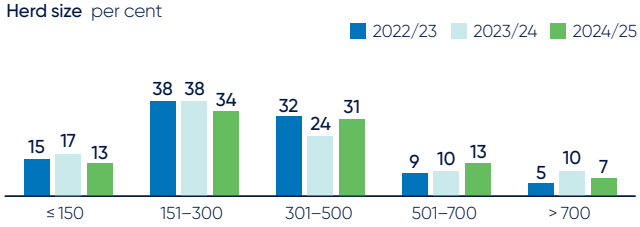


Next 6-months' challenges per cent

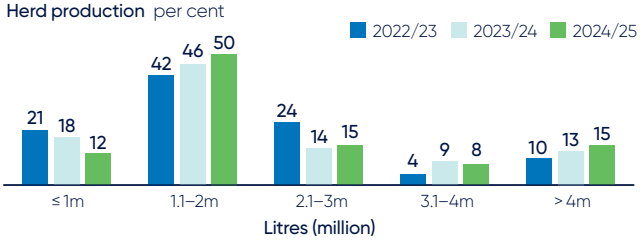


Current herd size and production

Herd size per cent

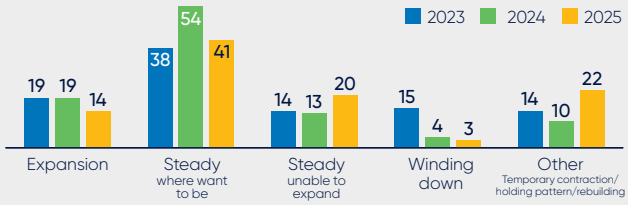


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Gippsland farmer

59% Impacted by extreme weather L12M

7% Changed milk factory supplied

25% Intend/desire to change milk factory

1.7t Average tonnes fed per cow per year

388 Average herd size

Murray Regional NDFS results at a glance

Industry and own business confidence has declined significantly largely due to concerns with farmgate prices and operating costs.

While 83% of respondents made an operating profit in FY24, a significantly smaller proportion (54%) anticipate doing so this financial year with half anticipating profits to be lower than the 5-year average.

This is impacting capital investment intentions for the next two years as well as short-term growth, resulting in the proportion currently expanding being at its lowest since 2020.

For the next five to ten years however, 22% of businesses are planning for growth by purchasing land/farms, increasing production, productivity or herd numbers. In the meantime, the main priority is expected to be on-farm improvements.

Profitability and investment

83% Made profit 2023/24

54% Expect profit 2024/25

20% Profit higher than 5–year average

30% Profit about same/unsure

50% Profit lower than 5–year average

94% Invested 2023–25

79% Plan to invest 2025–27

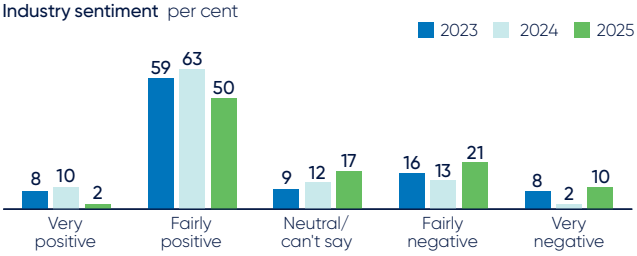
35% Plan minor investment

27% Plan moderate investment

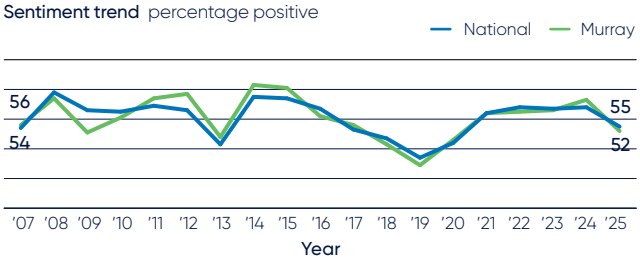
17% Plan major investment

Sentiment

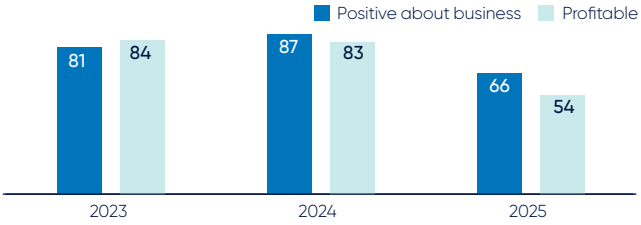
Industry sentiment per cent



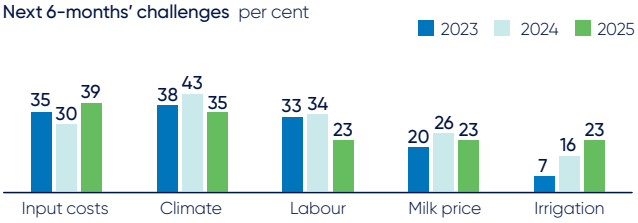
Sentiment trend percentage positive



Business sentiment vs. profitability per cent

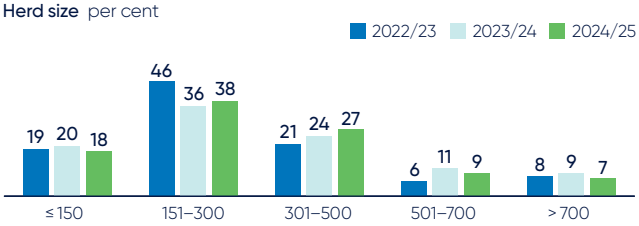


Next 6-months' challenges per cent

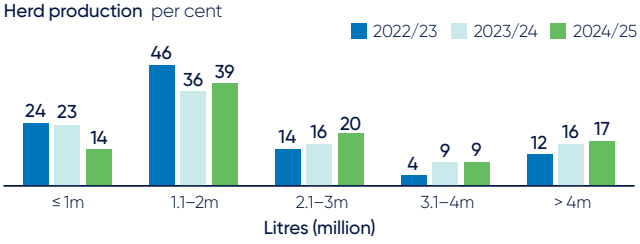


Current herd size and production

Herd size per cent

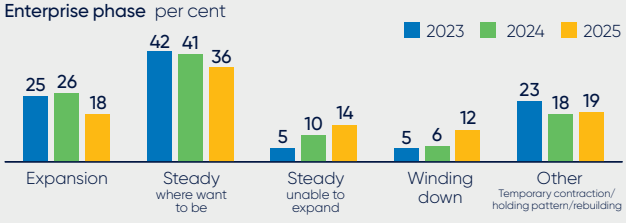


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Murray farmer

50% Impacted by extreme weather L12M

12% Changed milk factory supplied

24% Intend/desire to change milk factory

1.9t Average tonnes fed per cow per year

372 Average herd size

Subtropical Regional NDFS results at a glance

While industry confidence has declined since last year, business confidence has lifted, largely due to favourable farmgate prices and seasonal conditions.

Sentiment is however being dampened by greater concerns about milk prices and operating costs in the season ahead.

Profitability in FY24 has remained high and widespread. Profit expectations for FY25 are however less optimistic compared to prior years.

Compared to 12 months ago, fewer respondents are planning on-farm improvements in the next five to ten years, but more businesses are planning for growth in the medium term.

Profitability and investment

80% Made profit 2023/24

68% Expect profit 2024/25

23% Profit higher than 5–year average

43% Profit about same/unsure

34% Profit lower than 5–year average

96% Invested 2023–25

82% Plan to invest 2025–27

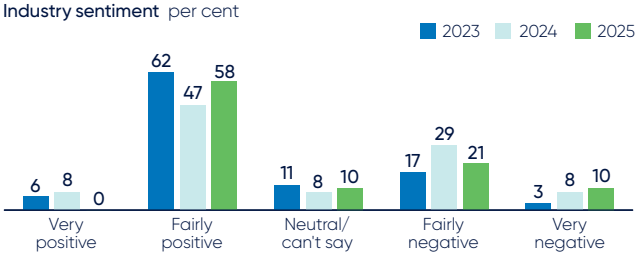
29% Plan minor investment

34% Plan moderate investment

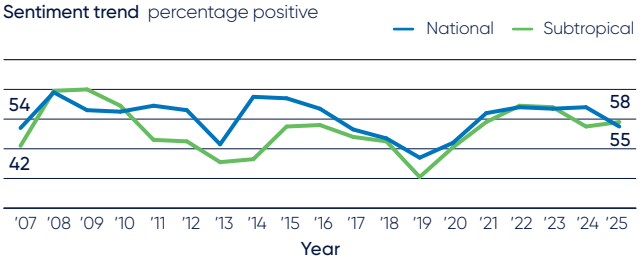
19% Plan major investment

Sentiment

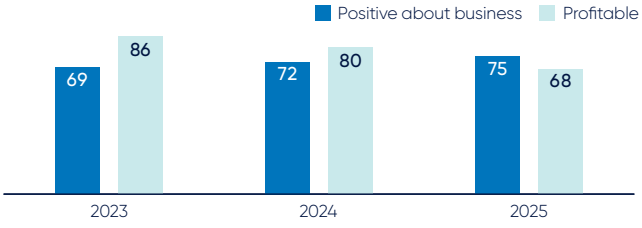
Industry sentiment per cent



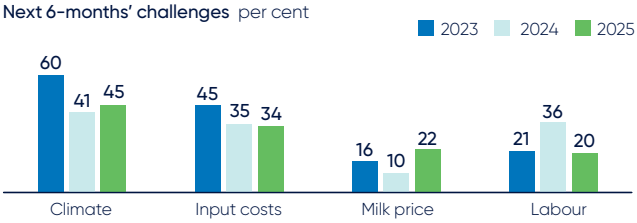
Sentiment trend percentage positive



Business sentiment vs. profitability per cent

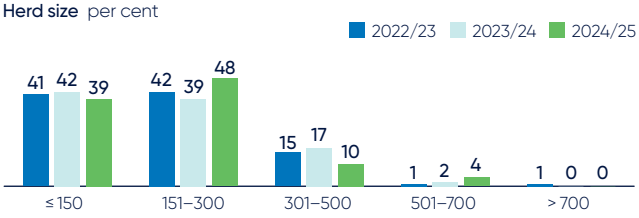


Next 6-months' challenges per cent

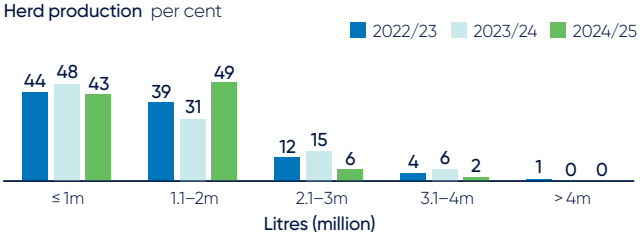


Current herd size and production

Herd size per cent

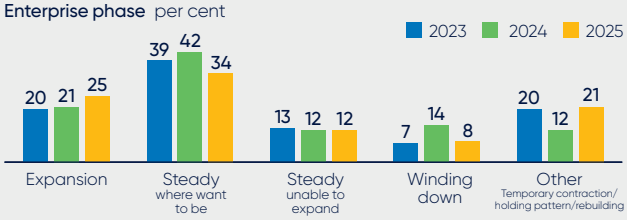


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Subtropical farmer

68% Impacted by extreme weather L12M

0% Changed milk factory supplied

28% Intend/desire to change milk factory

1.7t Average tonnes fed per cow per year

207 Average herd size

Western Australia Regional NDFS results at a glance

Dry conditions in Western Australia during the 2023/24 financial year led to a marked decline in the proportion of respondents making an operating profit.

For the current financial year, despite more widespread concerns with farmgate prices, improved seasonal conditions are contributing towards greater positivity about the future of the industry and more businesses are now expecting to be profitable.

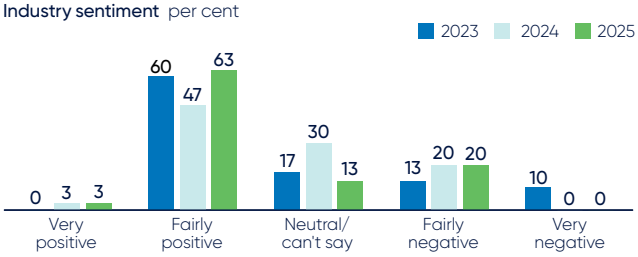
There is however still some reluctance to expand their businesses in the short term but one in five are optimistic about growth in the next five to ten years.

Profitability and investment

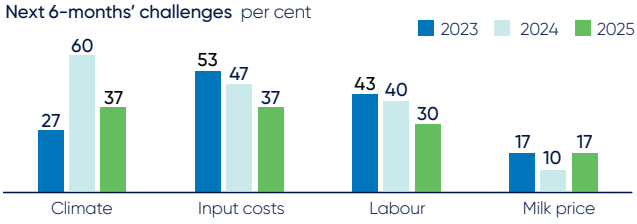
63% Made profit 2023/24
77% Expect profit 2024/25
17% Profit higher than 5–year average
43% Profit about same/unsure
40% Profit lower than 5–year average
7% Invested 2023–25
67% Plan to invest 2025–27
20% Plan minor investment
40% Plan moderate investment
7% Plan major investment

Sentiment

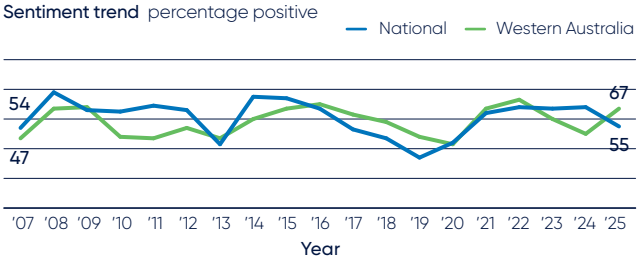
Industry sentiment per cent



Next 6-months' challenges per cent

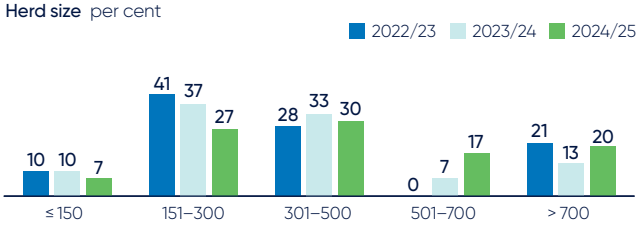


Sentiment trend percentage positive

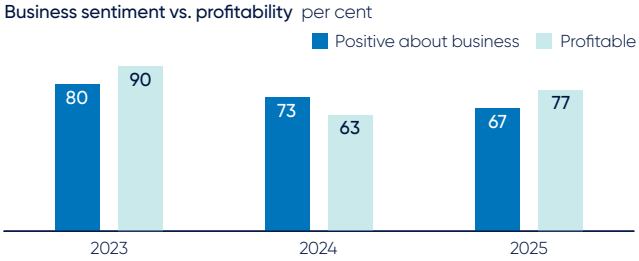


Current herd size and production

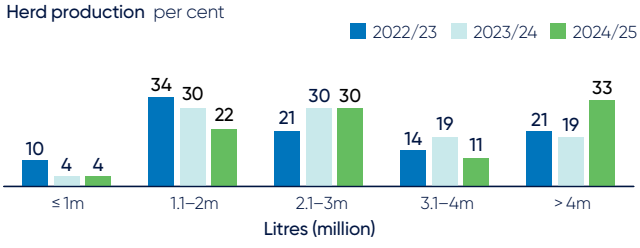
Herd size per cent



Business sentiment vs. profitability per cent

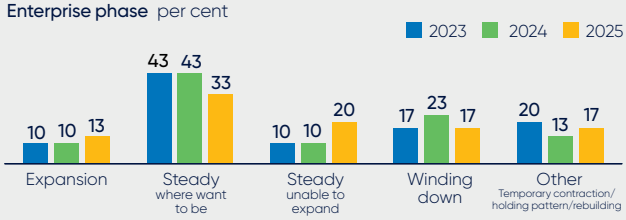


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Western Australian farmer

73% Impacted by extreme weather L12M
3% Changed milk factory supplied
23% Intend/desire to change milk factory

2.3t Average tonnes fed per cow per year
470 Average herd size

Western Victoria Regional NDFS results at a glance

Almost all respondents (93%) have been impacted by extreme weather in the past 12 months. As a result of the dry conditions, plus concerns with farmgate prices, positivity towards both the future of industry and their own businesses has declined significantly.

While profitability last financial year remained widespread, it has trended downwards since FY22 and a significantly smaller proportion expect to be profitable this financial year. For two-thirds of businesses, profitability in FY25 is expected to be lower than the 5-year average, resulting in lower investment intentions for the next two years.

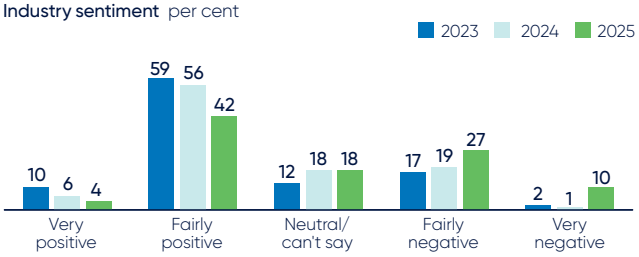
Business priorities in this region for the next five to ten years remain focused on making on-farm improvements and consolidation but one in four are planning to grow their business in the medium term.

Profitability and investment

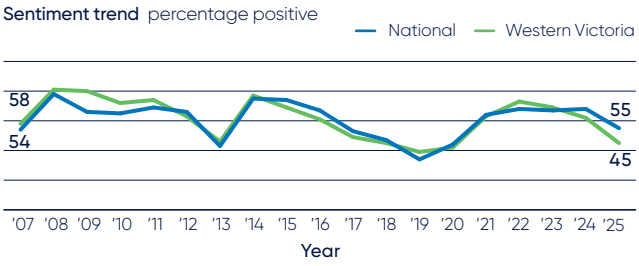
- **79%** Made profit 2023/24
- **60%** Expect profit 2024/25
- **9%** Profit higher than 5–year average
- **25%** Profit about same/unsure
- **66%** Profit lower than 5–year average
- **92%** Invested 2023–25
- **82%** Plan to invest 2025–27
- **43%** Plan minor investment
- **25%** Plan moderate investment
- **13%** Plan major investment

Sentiment

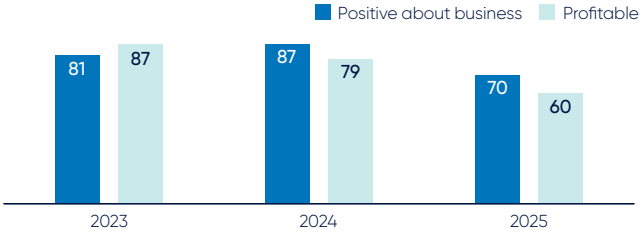
Industry sentiment per cent



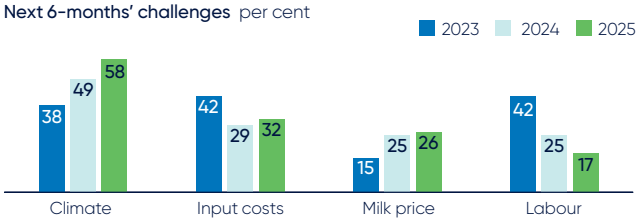
Sentiment trend percentage positive



Business sentiment vs. profitability per cent

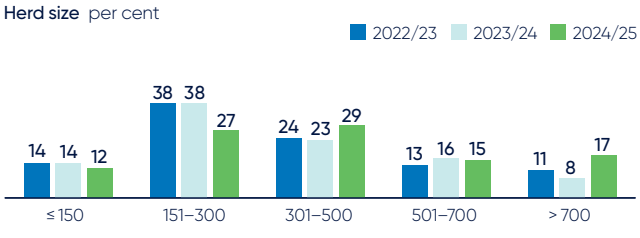


Next 6-months' challenges per cent

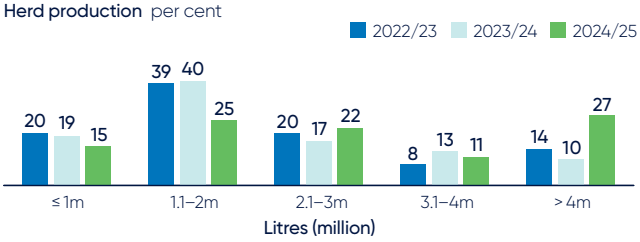


Current herd size and production

Herd size per cent

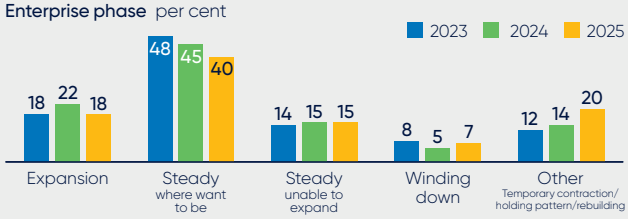


Herd production per cent



Farm profile

Enterprise phase per cent



The 'average' Western Victorian farmer

- **93%** Impacted by extreme weather L12M
- **13%** Changed milk factory supplied
- **25%** Intend/desire to change milk factory
- **1.8t** Average tonnes fed per cow per year
- **469** Average herd size

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