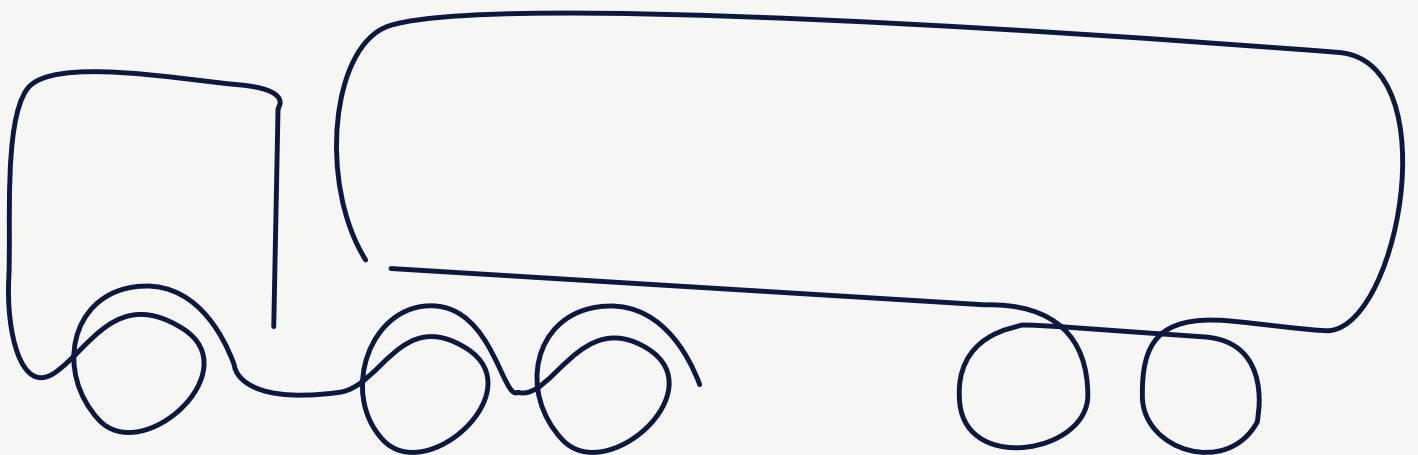


A glass of milk, a bowl of milk powder, and a wooden spoon with milk powder.

# Australian Milk Value Guide

# Welcome to the Australian Milk Value Guide

The purpose of this guide is to build awareness and inform milk producers and processors so they can make sound strategic and tactical business decisions for the benefit of their businesses and, ultimately, the dairy industry.



# Snapshot

## Global Markets

Around 700 billion litres of milk is produced globally and only 8% is traded on the world market. Relatively small changes in supply can have considerable impact on the price.

Key influences include seasonal conditions, input prices, exchange rates, geo-political events and government policy.

More information [Global dairy markets](#)

More than 70% of Australia's milk production (over 6 billion litres) is directly trade exposed to global commodity markets and exchange rates. This means that Australian dairy products must compete with imports into Australia and exports around the world.

The Commodity Milk Value (CMV) is a standardised indicator to help explain the value of raw milk.

More information [Australian dairy market – milk values](#)

## The Farmgate Milk Value Tool

The Farmgate Milk Value Tool supports understanding the factors impacting the value of raw milk in each region for the current financial year and prior seasons.

The tool provides insights into how milk value varies across the season based on farm characteristics such as:

- Seasonality of milk supply
- Size of farm
- Milk components.

More information [Farmgate Milk Value in Australia | Farmgate Milk Value Tool](#)

## There are variations on monthly and seasonal pricing structures designed to send signals to the supply base.

Processors have incentives and penalties applied over the year which vary from company to company.

There can be regional differences. Where the processors are based will influence their product mix and the associated pricing structures.

There can also be individual farm differences. Factors to consider include:

- Cashflow requirements
- Cost of production
- Feed availability and cost
- Farm scale
- Risk profile
- Location
- Calving pattern

More information [Our Farm, Our Plan | Dairy Australia, Planning & Budgeting | Dairy Australia](#)

## Mandatory Dairy Code of Conduct

The mandatory Dairy Code of Conduct (DCOC) was instigated to regulate the conduct of dairy farmers and buyers of milk.

Milk can only be purchased from farmers under an agreement that complies with the DCOC.

It is mandatory and therefore must be adhered to.

More information [Dairy Code of Conduct](#)

## Alternate milk selling opportunities

Milk brokers, fixed pricing and longer-term contracts might offer benefits for your farm business. It is important to understand both the potential upside and downside of any supply arrangements.

# Contents

Snapshot	1
What impacts milk markets?	4
The mandatory Dairy Code of Conduct	6
The Milk Value Portal and the Farmgate Milk Value Tool	7
Deciding on the right milk pricing structure	9
Alternate milk selling opportunities	11
Looking back: The history of milk pricing in Australia	12







# What impacts milk markets?

## Global Markets

Around 700 billion litres of milk is produced globally and only 8% is traded on the world market. Relatively small changes in supply can have considerable impact on the price.

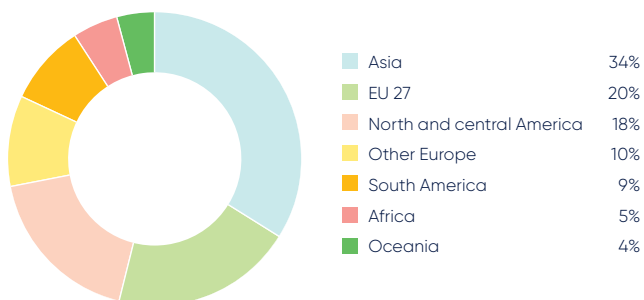
Key influences include seasonal conditions, input prices, exchange rates, geo-political events and government policy.

Local demand for milk in Australia is growing at 2% per annum and is considered insensitive to changes in price or income.

A change in price will have minimal impact on consumption.

To monitor the global dairy market data, commodity prices and dairy global news and events go to the Milk Value Portal.

**Figure 1** World cow's milk production  
(Source: International Dairy Federation, 2023)



## Dairy is a thinly traded global commodity.

Around 71% of all raw milk produced is 'trade exposed' meaning it is converted to products (eg cheese, butter and milk powder) that compete with imports in Australia or exports from other countries in the world market.

Global supply factors drive price cycles.

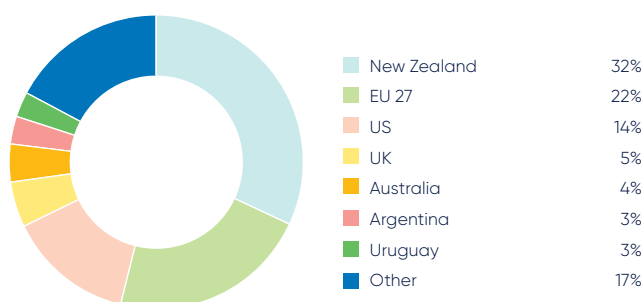
Australian pricing is heavily influenced by global factors.

Australian imports and exports are an important part of the industry.

The relative impacts of global trade factors depend on your location, whether it be in Australia's Southern Milk Pool, Northern Milk Pool or Western Australia.

For example, in the Southern Region the amount of milk that is destined for local fresh milk products is proportionately smaller as some 85% of raw milk produced is trade exposed. Hence international commodity process and exchange rate movements continue to influence returns to processors and the value of raw milk – regardless of whether product is sold at home or in overseas markets.

**Figure 2** World trade share of dairy products  
(Source: Dairy Australia)



## Australian farmgate milk price

More than 70% of Australia's milk production (over 6 billion litres) is directly trade exposed to global commodity markets and exchange rates. This means that Australian dairy products must compete with imports into Australia and exports around the world.

In FY24, Australia imported \$2.68 billion worth of dairy products – the second highest on record. This included about 100,000 tonnes of cheese and 34,000 tonnes of ice cream and 31,000 tonnes of butter.

Today, imported dairy products account for 25% of dairy consumption in Australia.

The Commodity Milk Value (CMV) is a standardised indicator to help explain the value of raw milk.

CMV = Global commodity price LESS combined industry average produce and conversion/manufacturing costs.

### PLUS

Each milk processor assesses their own market, product mix and processing efficiency to determine the price they will offer to farmers.

### Summarised as:

**Farm gate price = Commodity Milk Value (CMV) plus Value Capture/Premium.**

Increased export and international trade exposure means more relevance of the CMV price indicator.

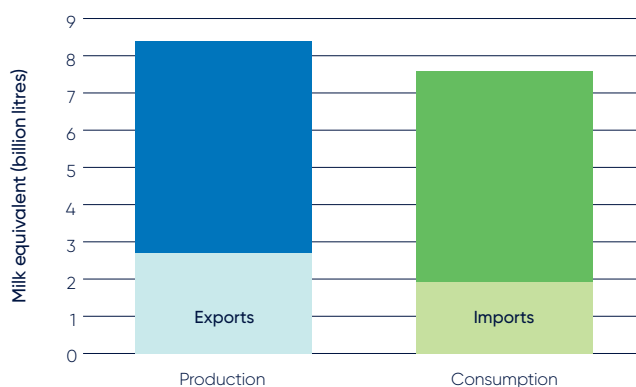
**The Southern milk pool (SMP) makes up 80% of total Australia production. 75% of the SMP goes to manufactured product and so has higher exposure to export/global market movements.**

The global milk market is relatively volatile and changes in global supply will have a direct impact on commodity prices and the CMV. What happens on the global market can have a significant impact on the milk price in the SMP. The CMV is a strong indicator of milk price in this milk producing region.

QLD and NSW are responsible for 16% of Australian total annual production. Most of the milk is processed and sold in local markets. Some milk is sourced from the SMP. Processors in these regions also import raw milk from the SMP. Farm gate milk price is strongly determined by local factors but is also influenced by the SMP and the subsequent CMV.

WA produces 4% of Australian total milk. Local markets dominate but are also exposed to competition from the SMP and international products.

**Figure 3** Australian imports and exports by Milk equivalents 2023/24. Total production is 8.38 billion litres of which 2.69 is exported (32%). Total consumption is 7.59 billion litres of which 1.9 or 25% is imported.



## Driving better decisions

Stay informed about what product mix your milk processor/buyer has and how they are linked to domestic and international markets.

### What does this mean for your business?

Talk to processors about their product mix and factory efficiency and how they drive the pricing signals they provide. You might also discuss their exposure to global dairy markets and other milk price drivers.

### Actions to take

Meet with processor field staff to find out more about their business and milk supply requirements.

### Where to get further information:

[Situation and Outlook | Dairy Australia](#)

[Milk Value Portal | Australian Dairy Producers Federation](#)

[Industry Reports | Dairy Australia](#)



# The mandatory Dairy Code of Conduct

## Global Markets

The mandatory Dairy Code of Conduct (DCOC) was instigated to regulate the conduct of dairy farmers and buyers of milk.

Milk can only be purchased from farmers under an agreement that complies with the DCOC. It is mandatory and therefore must be adhered to.

The Code was introduced in 2020 and overseen by the Australian Competition and Consumer Commission (ACCC).

Features of the code include:

- 'Plain English' Milk Supply Agreements (MSA)
- Standardised terminology to outline the terms and conditions of the agreement
- Quality requirements and a minimum milk price for the term of the agreement
- Processors must publish their price offers by 1 June each year
- Signed agreements are to be in place by 1 July each year
- Farmers and processors must act in good faith. Honestly and reasonably.

## Driving better decisions

Be aware of your rights and responsibilities under the mandatory Dairy Code of Conduct.

Ensure you understand the key components of the Milk Supply Agreement with your processor.

What does this mean for your business?

The aim of the codes is to improve the clarity and transparency of trade between dairy farmers and processors.

### Actions to take

Consider the requirements you will need to meet when signing a Milk Supply Agreement.

Think about the terms and conditions, especially milk pricing as it applies to your farm – your volume, your supply pattern, your components, your location.

Ask for income estimation for your farm based on your predicted milk supply by month.

### Where to get further information:

[Dairy Code of Conduct](#)

[Mandatory Code](#)



# The Milk Value Portal and the Farmgate Milk Value Tool

## About the Milk Value Portal

The Milk Value Portal (MVP) is a well-established, credible and trusted source of primary information that can help farmers understand how milk is valued each season, along with the domestic and global market factors and on-farm parameters that can influence this.

It helps answer the questions: "What is the milk price?" and "What influences the milk price?".

Primary data is provided directly by Australia's dairy processors – the buyers of raw milk – and aggregated independently.

Together the processors represented account for more than 90 per cent of Australian's milk production across eight of the nine major dairy regions.

The MVP is an initiative of the Australian Dairy Products Federation and delivers to commitment 5 of the Australian Dairy Plan, which aims to "restore trust and transparency between farmers and processors to strengthen industry confidence".

## The Farmgate Milk Value Tool

At the heart of the MVP is the Farmgate Milk Value Tool (FMVT) – an interactive tool that allows users to compare weighted average farmgate milk prices across regions and customise results based on real farm parameters including; Farm size, production region, seasonality of milk supply and milk components such as butterfat and protein content.

The tool also allows users to look at price in cents/litre and \$/kg milk solids for the current and previous years. Users can model different farm profiles and see how changes, such as farm size or milk composition, influence potential milk prices over the season.

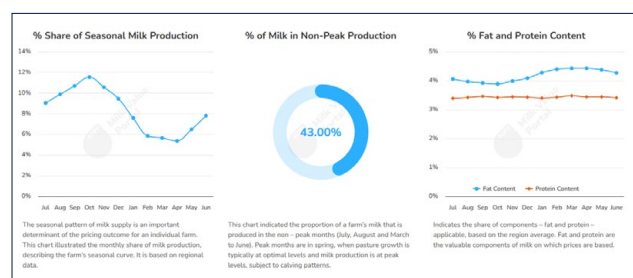
The MVP and FMVT provides valuable reference points to help assess milk supply agreements and relevant contracts.

## The Farmgate Milk Value Tool

The Farmgate Milk Value Tool supports understanding the factors impacting the value of raw milk in each region for the current financial year and prior seasons.

The tool provides insights into how milk value varies across the season based on farm characteristics such as:

- Seasonality of milk supply
- Size of farm
- Milk components.

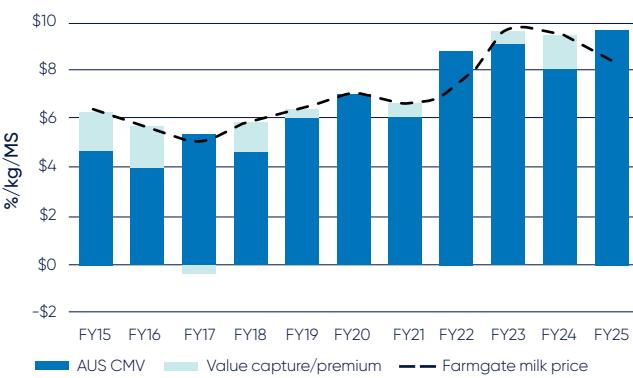


Results show the expected weighted average milk price for each season as well as the average for the year. The expected range of prices to expect is also provided.

Other sections provide information on how farmgate prices are determined in the key milk producing regions of Australia.



Figure 4 Track record in average farmgate milk prices



### Driving better decisions

**NOTE.** Income estimates from individual processors are still the best way to compare prices available for your own farm.

Keep informed about movement in the factors that impact on the value of raw milk in your region.

Gain insights into how farm gate prices are determined in your milk producing region.

#### What does this mean for your business?

Bring it back to your farm and learn about the factors that are going to impact the value of your milk.

#### Actions to take

Try the Milk Farmgate Value Tool to better understand the drivers of milk price for your farm.

#### Where to get further information:

[Farmgate Milk Value Tool](#)

# Deciding on the right milk pricing structure

## The Farmgate Milk Value Tool

Milk pricing structures are designed to send signals to milk producers to inform farm management decisions and production systems.

Price options and farm systems fundamentals

The main inputs required by processors are:

- Milk
- Energy
- Labour
- Equipment
- Water
- Transportation.

Each processor has a product mix of fresh versus manufactured product.

Processors value milk based on the end use of that milk (eg: fat and protein (solids) or cents/litre for fresh milk).

Extracting water from liquid milk takes energy cost. This can be subtracted as the volume charge to encourage growers to produce milk with more solids.

Prices across months of the year make up the annual weighted average. In spring there is a peak of milk production when lower prices often apply while, typically, higher prices are in place for late summer, autumn and early winter months when production is more difficult and/or more costly to attain on farm.

## There are variations on monthly and seasonal pricing structures designed to send signals to the supply base

Processors have incentives and penalties applied over the year which vary from company to company.

There can be regional differences. Where the processors are based will influence their product mix and the associated pricing structures.

There can also be individual farm differences. Factors to consider include:

- Cashflow requirements
- Cost of production
- Feed availability and cost
- Farm scale
- Risk profile
- Location
- Calving pattern
- Management
- Labour availability and efficiency
- Milk quality requirements.



## Online tools and resources

Industry Reports | Dairy Australia

### Driving better decisions

Income estimates from individual processors are still the best way to compare prices available for your own farm. All processors will provide these on request – make sure you get them done on the same set of numbers for your farm, that is, your forecast milk supply by month – volume, components and quality.

Know your farm's physical and financial numbers – cost of production, feed costs and assess different scenarios.

Access online tools and resources to analyse your own farm data at [dairyaustralia.com.au/farm-business/planning-and-budgeting](http://dairyaustralia.com.au/farm-business/planning-and-budgeting)

#### What does this mean for our business?

You are encouraged to ask yourself the following questions:

- What can a milk payment system encourage or discourage?
- When should we calve?
- Calving pattern – seasonal, split, batch or year-round?

- Should we be producing milk solids or volume?
- Breed for fat or protein?
- Feed for fat or protein?
- Input feeding implications.
- Payment system has cashflow implications.
- How does a payment system influence the risk factors for our farm?

#### Actions to take

Source income estimations from processors, using the same production numbers for your farm so you can 'compare apples with apples'.

Participate in Dairy Australia's 'Our Farm, Our Plan' program – this will support you to document a business plan, set long term goals and identify strengths and weaknesses.

#### Where to get further information:

[Our Farm, Our Plan | Dairy Australia](#)

[Planning & Budgeting | Dairy Australia](#)





# Alternate milk selling opportunities

Historically the Australian dairy industry was based on farmer owned co-operatives with milk producers supplying to a company that they had a stake in.

That has changed in the last 20 years with the processing sector now dominated by publicly listed and multinational companies.

A number of smaller businesses have emerged to provide milk purchasing and brokering services, with some of these offering to buy milk from producers. A simple internet search for 'Milk buyers and brokers in Australia' will find companies who are operating in this space, with each providing information online about their offering to milk producers and buyers.

In some cases, this provides milk pricing based on spot prices, multi-year contracts and/or the ability to lock in prices for a proportion of milk supplied. This gives farmers the ability to mitigate the risks that come with market variability.

Some of the larger processing companies also have options for farmers to lock in prices for a proportion of their milk supply. This is something that you should ask your processor about if you think it could be of value to your farm business.

## Driving better decisions

### What does this mean for your business?

Milk brokers, fixed pricing and longer-term contracts might offer benefits for your farm business. It is important to understand both the potential upside and downside of any supply arrangements.

### Actions to take

Explore your options, but you should get advice from people that you trust before entering into any arrangements that you haven't used in the past. It is important to understand what any arrangements mean for your milk production, and your bottom line.

### Where to get further information

Online information – search for 'Milk buyers and brokers in Australia'.

Dairy farm consultants with experience in supply arrangements.

# Looking back: The history of milk pricing in Australia

Over the last 100 years, Federal and State governments have played a role in regulating the dairy industry for two main reasons:

- 1 To ensure year-round supply of high-quality fresh milk to all Australians.
- 2 To encourage industry capability and capacity to earn valuable export income for the Australian economy.

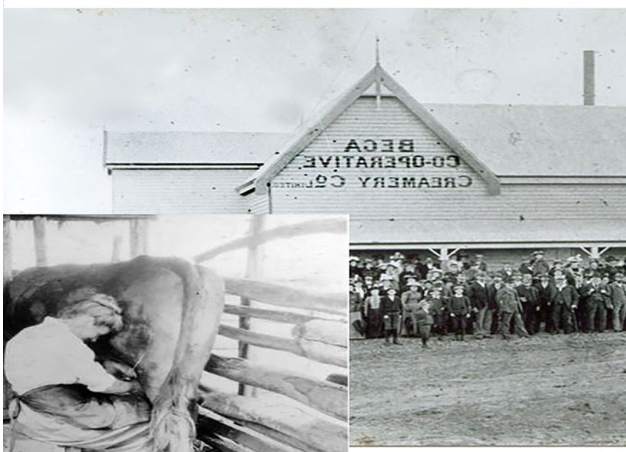
## Key areas

### 1850 – 1920

Small cream and butter factories service the local market.

In 1900 there are approximately one million dairy cows in Australia with one billion litres produced.

State-based dairy authorities set prices for supply of market milk. Sale of milk is restricted between states.



### 1920 – 1960

23,000 service men return from World War 1. Many become dairy farmers through Soldier Settlement Schemes.

Federal government regulates pricing to encourage supply of butter to the UK.

The Dairy Produce Export Control Act manages a price stabilisation fund.

**1940** – 3.24 million dairy cows in Australia.

**1942** – Australian Dairy Federation formed with the aim of a fair return for farmers. Milk price is set according to farm cost of production and return on capital.

**1957** – European Economic Community (EEC) forms, establishing subsidies and protections for European dairy farmers.



### 1960 – 1990

**1973** – UK joins the EEC resulting in Australian Dairy losing preferential access to UK market. Australian butter exports fall by 90%.

State governments intervene to spread market milk premiums more evenly.

**1980** – National milk production falls to 5.4 billion litres. Victoria – One million cows and 60% of production.

Focus shifts to Japanese and SE Asian markets.

**1983** – Introduction of an era of economic reform and trade liberalisation led by the Hawke/Keating government.

All "single desk" marketing and exporting arrangements removed.

New Zealand granted full and free access to Australian domestic market.

The deregulation process of the dairy industry begins.



## 1990 – 2000

**1973** – UK joins the EEC resulting in Australian Dairy losing preferential access to UK market. Australian butter exports fall by 90%.

### Deregulation

The Kerin Plan (1986) brings in the Dairy Produce Act. A Domestic Market Support levy is paid by farmers as an export subsidy on manufacturing milk. Expires in June 2000.

**1995** – National Competition Reform Package requires state governments to review market regulations. Victorian government commits to remove price controls by 2000.

**2000** – Deregulation accomplished.

State based controls removed and Federal export supports wound back.

Dairy farmer owned co-ops process approximately 75% of Australia's milk.

## 2000 – 2025

### Post deregulation years

Two 'mega co-ops' emerge – Murray Goulburn and Bonlac.

Export focussed co-ops utilise 'pooling system'.

An opening conservative price is generally added to with 'step up' payments and 'back pays' to get to a final price typically 10 – 15% higher.

Farmers do not know their final price until end of season, so they carry the price risk.

Over time, competitive pressure to secure milk saw co-ops leading with stronger opening price with less expectation of 'step ups'. This shifted the price risk away from farmers and back to the processors.

**2015/16** – Murray Goulburn's and Fonterra set price cannot be sustained resulting in payments being 'clawed back' by the processor. Significant financial and social impacts on MG suppliers.

### Demise of co-operatives

Public listings, mergers and take overs in the processing sector see farmer owned co-operatives slide from controlling of 75% of milk production in 2000 to 6% in 2022.

In some areas up to 15 possible buyers actively seek milk supply.

Amongst severe droughts, water buybacks, corporate failures and a global financial crisis (2008) this period sees the Australian milk pool and the number of dairy farmers dwindle however the dairy industry remains in the political spotlight.

**2018** – An Australian Competition and Consumer Commission (ACCC) industry review recommends a Mandatory Code of Conduct aimed at bringing clarity and transparency to arrangements between dairy farmers and milk buyers.

The introduction of Milk Supply Arrangements (MSA's) with plain English, standard terminology, terms and conditions, milk quality and minimum price.

**2021** ACCC Review of the performance of the Code of Conduct sees overwhelming support for the code from all sectors of the dairy industry.

**2024** – A further review examines, multi-year contracts, non-exclusive contract arrangements and farmer collective action against processors.

National production tracks to 8.2 billion litres.



1800 004 377  
enquiries@dairyaustralia.com.au  
dairyaustralia.com.au

**Disclaimer**

The content of this publication is provided for general information only and has not been prepared to address your specific circumstances. We do not guarantee the completeness, accuracy or timeliness of the information.

**Acknowledgement**

Dairy Australia acknowledges the funding from levy payers and contribution by Commonwealth Government.

© Dairy Australia Limited 2025. All rights reserved.