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Report Highlights:

New Zealand fluid milk production for 2026 market year (MY) is forecast to remain stable at 21.9 million metric tons, reflecting the current favorable economic environment for the dairy sector. This production outcome reflects strong farmgate returns that are expected to support higher milk output, as well as continued investment in productivity improvements, new agtech innovations, and on-farm infrastructure. Constrained by New Zealand's small population, dairy processors remain heavily export-oriented, targeting global markets for growth. Whole milk powder (WMP) continues to be the leading export category by volume. However, a notable production shift continues with year-to-date exports of cheese, butter, anhydrous milk fat (AMF), and most specialty dairy products are up between 10 and 20 percent compared to the same period last year.

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Executive Summary

New Zealand fluid milk production for 2026 market year (MY)is forecast to remain stable at21.9 million metric tons (MMT), reflecting the current favorable economic environment for the dairy sector. The production outcome reflects strong farm-gate returns expected to support higher milk output, as well as continued investment in productivity improvements, innovation, and on-farm infrastructure.

Milk production in 2026 is influenced by the following factors:

- Record farm-gate milk price
- Retention of cows in milk production
- Increased imports of supplemental feed and fertilizer
- High likelihood of La Niña weather pattern

FAS/Wellington has raised its 2025 milk production forecast to 22.0 MMT, which would represent the highest production level since MY 2018. Favorable economic conditions, combined with a positive spring production outlook, are expected to support this forecast. At the conclusion of their fiscal years ending June 30, 2025, New Zealand's largest dairy processor and several major farming entities reported substantial profit increases. These results led to some of the highest dividend payouts in more than a decade, adding to the economic tailwinds.

Whole milk powder (WMP) continues to be the leading export category by volume. However, a notable production shift is underway with WMP's share of total export volume declining from 45 percent in 2019 to 38 percent in 2025, as processors direct milk volumes toward higher value fresh and specialty products.

Domestic dairy consumption remains flat, constrained by New Zealand's population of just over 5.3 million. As a result, dairy processors remain heavily export oriented, targeting global markets for growth.

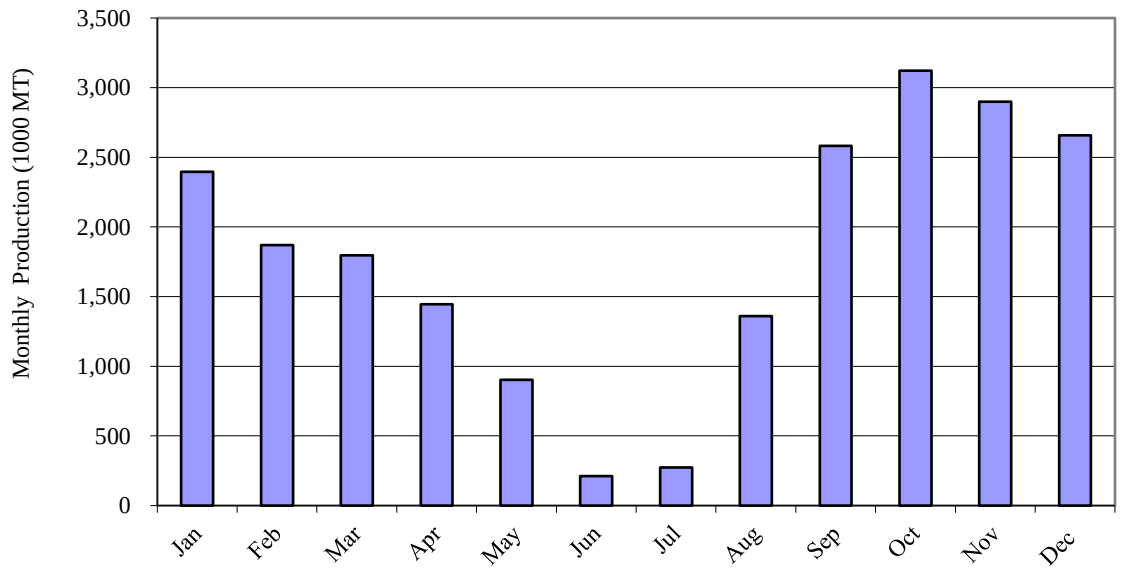
From January through August 2025, total dairy export volumes increased by 2.8 percent compared to the same period in 2024. China remains New Zealand's largest dairy market, accounting for about 35 percent of total export volume. Year-to-date shipments of cheese, butter, anhydrous milk fat (AMF), and most specialty dairy products are up between 10 and 20 percent compared to the same period last year

Note: The GAIN Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ$ 1.00 = US$ 0.58. PS&D data for fluid milk is reported in 1,000 metric tons and not in liters. Calculation is based on one liter of cow's milk weighing 1.032 kg.

Background

New Zealand is the world's seventh-largest producer of cow's milk and a significant player in global dairy trade. Approximately 95 percent of the country's milk production is exported, either as fluid milk or in processed dairy product forms. In 2024, dairy exports were valued at NZ$23.8 billion (US$13.8 billion), representing 34 percent of New Zealand's total merchandise exports and an estimated 5.6 percent of national GDP. The sector supports around 49,000 jobs across farming, processing, and logistics. New Zealand's dairy system is predominantly pasture-based, although most farms also utilize imported feed and forage crops to supplement nutrition, especially during periods of low pasture growth. Supplemental feeding is typically delivered via in-shed systems or feed pads to maintain milk yields and animal condition. Given the country's temperate climate and pasture seasonality, most calving occurs between late July and September, leading to a high seasonal milk production profile, resulting in about 40 percent of annual production occurring in the fourth quarter of the MY.

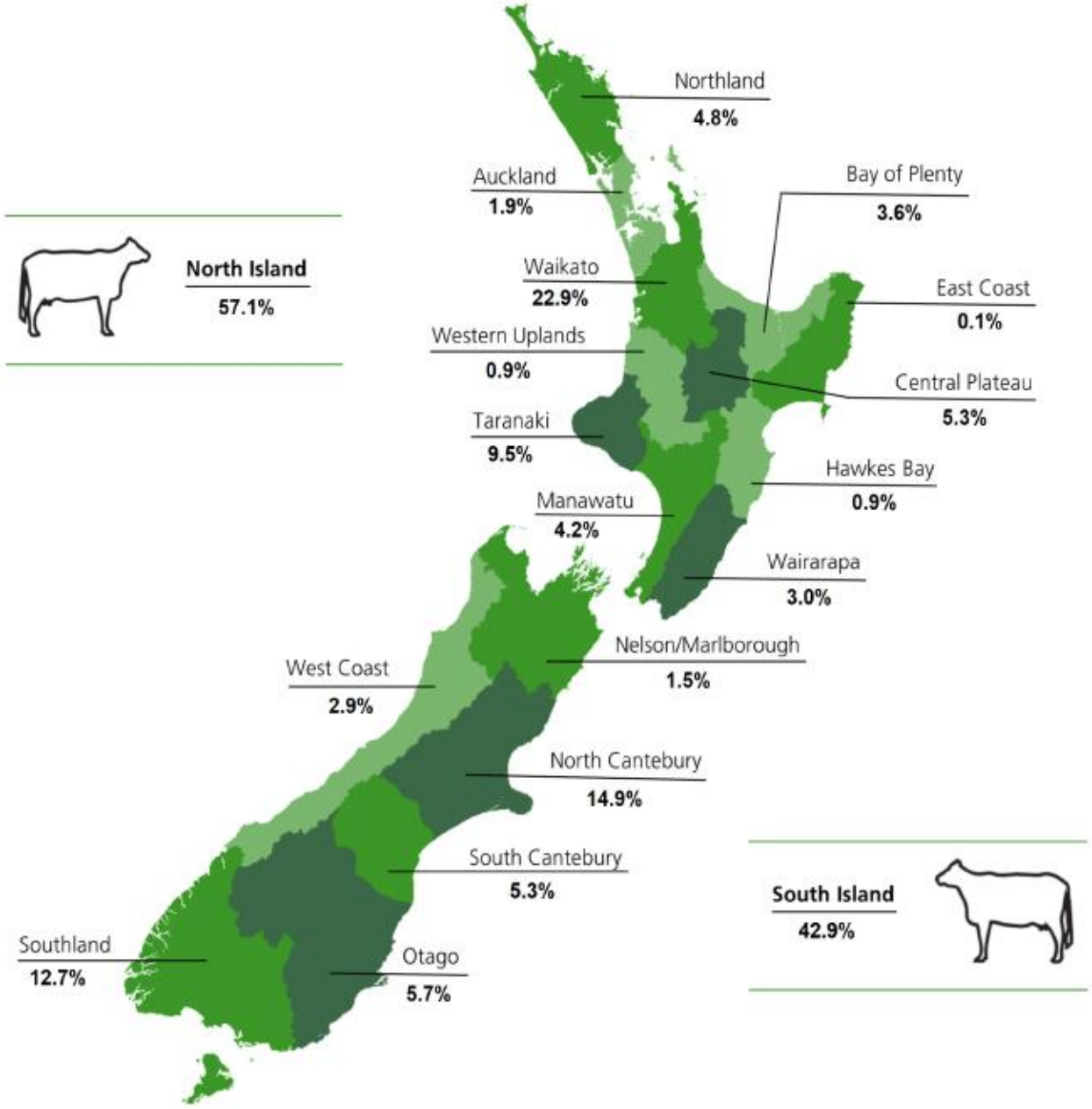
Figure 1: New Zealand Average Monthly Fluid Milk Production



Source: New Zealand's Exchange (NZX)

Figure 2 shows the regional distribution of the national dairy herd, which is situated largely in areas with easier topography and fertile agricultural land, such as Waikato, Taranaki, Canterbury, and Southland.

Figure 2: Regional Distribution of Dairy Cows



Source: New Zealand Dairy Statistics, LIC and DairyNZ

Fluid Milk Production

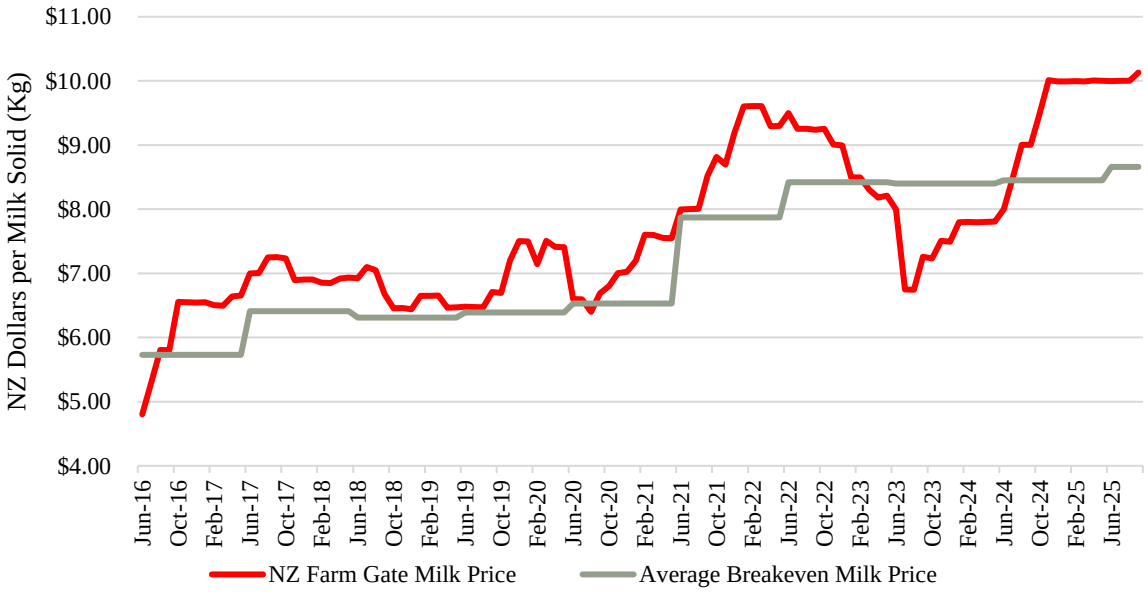
Table 1: Production, Supply and Distribution – Dairy, Milk, Fluid

Dairy, Milk, Fluid	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	4700	4700	4700	4740	0	4720
Cows Milk Production (1000 MT)	21640	21640	21850	22000	0	21900
Other Milk Production (1000 MT)	0	0	0	0	0	0
Total Production (1000 MT)	21640	21640	21850	22000	0	21900
Other Imports (1000 MT)	3	3	3	3	0	3
Total Imports (1000 MT)	3	3	3	3	0	3
Total Supply (1000 MT)	21643	21643	21853	22003	0	21903
Other Exports (1000 MT)	246	246	250	255	0	255
Total Exports (1000 MT)	246	246	250	255	0	255
Fluid Use Dom. Consum. (1000 MT)	535	535	535	535	0	535
Factory Use Consum. (1000 MT)	20752	20752	20958	21103	0	21003
Feed Use Dom. Consum. (1000 MT)	110	110	110	110	0	110
Total Dom. Consumption (1000 MT)	21397	21397	21603	21748	0	21648
Total Distribution (1000 MT)	21643	21643	21853	22003	0	21903
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington forecasts New Zealand milk production in 2026 at 21.9 million metric tons (MMT). This forecast reflects the current favorable economic environment for the dairy sector in addition to the potential of a La Niña weather pattern in the 2026 market year (MY). Over the coming year, strong farm-gate returns are expected to support higher milk output, as well as continued investment in productivity improvements, innovation, and on-farm infrastructure. Industry contacts report that many farmers are using the present tailwinds to reduce debt and strengthen their operations in preparation for potential future volatility in global markets. Further details on market year 2026's outlook for milk production are provided as follows.

Figure 3: Farm Gate Milk Price and Average Breakeven Milk Price



Source: DairyNZ and CLAL

--Record Farm Gate Milk Price Supports Higher Milk Yields

Production is forecast to rise compared to recent years as New Zealand dairy farmers respond to strong milk price expectations. The current farmgate milk price (FGMP) is above NZ$10 (US$5.80) per kilogram of milk solids (KgMS). Forecasts indicate prices will remain within the NZ$9 to NZ$11 KgMS range (US$5.22 to US$6.38 Kg MS), well above the average break-even milk price of NZ$8.66 KgMS (US$5.02), as reported by DairyNZ (see Figure 3). These favorable margins are providing farmers with confidence to maintain or expand production.

The economic tailwinds are encouraging dairy farmers to:

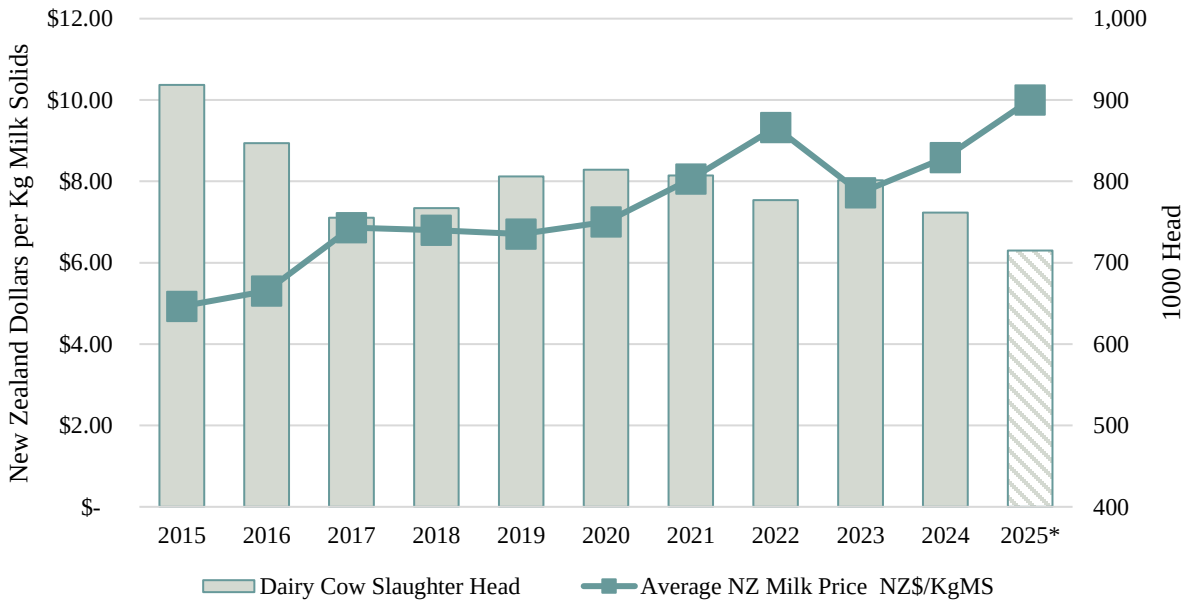
- Retain cows in milk production rather than cull for slaughter,
- Increase imports of supplementary feed,
- Purchase additional fertilizer to boost pasture growth.

Together, these actions are expected to support higher yields and sustain production growth into the 2026 marketing year. Explained further:

- **Retention of Cows in Milk Production:**

Industry feedback from both farmers and processors indicates that higher farm-gate milk prices are incentivizing farmers to retain more cows in milk production rather than culling them for slaughter. This retention is expected to support higher milk production in the 2026 marketing year.

Figure 4: Annual Dairy Cow Slaughter and Average Milk Price



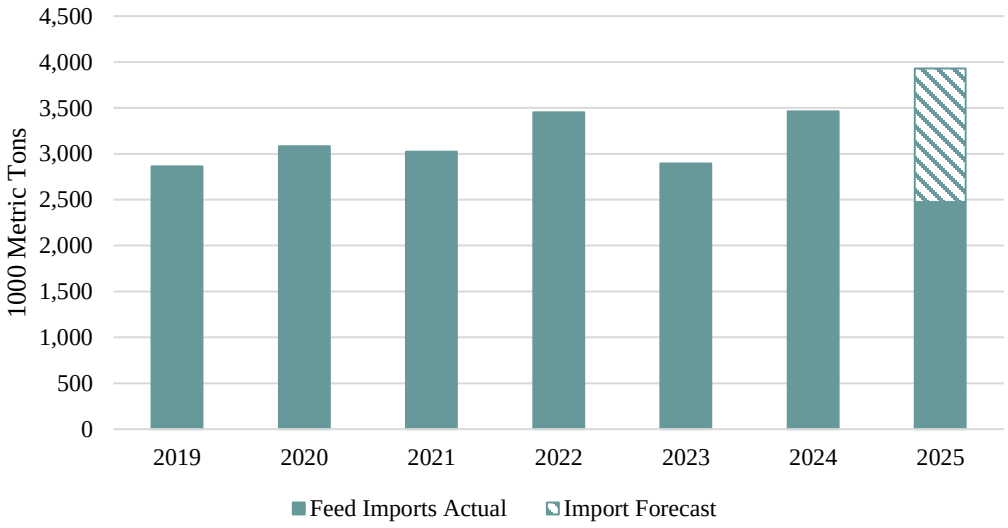
Source: Statistics New Zealand, FAS/Wellington *Forecast

As shown in Figure 4, rising average milk prices in recent years have been associated with lower dairy cow slaughter. From January through August 2025, dairy cow slaughter is tracking 66,028 head below the six-year average of 670,000 head. Historically, approximately 85 percent of annual dairy cow slaughter occurs during this period, with the majority taking place in the New Zealand fall when cows are dried off ahead of winter. FAS/Wellington expects dairy cow slaughter to be 36,000 head less than the 2024 marketing year.

- **Increased Imports of Supplemental Feed and Fertilizer**

Elevated milk production in 2026 is expected to be supported by increased imports of supplemental feed and fertilizer (see Figures 5 and 6). In 2023, both categories saw a substantial decline, which Post reported was largely the result of financial constraints on farmers due to high interest rates on debt. This led to reduced feed purchases and deferred maintenance fertilizer applications.

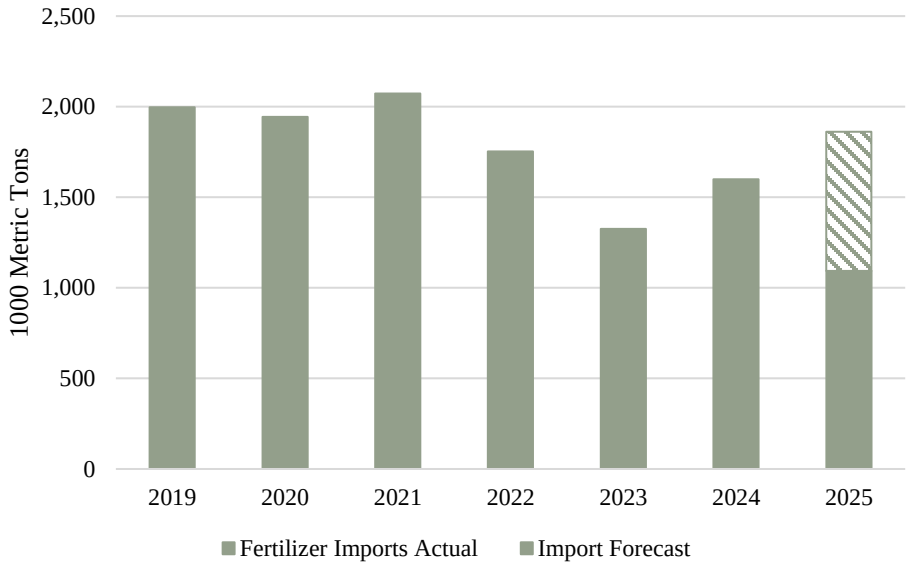
Figure 5: New Zealand Feed Imports



Source: Trade Data Monitor LLC, FAS/Wellington

The primary imported feed source for the New Zealand dairy sector is palm kernel expeller (PKE), which accounts for approximately 54 percent of total feed imports. Over the past six years, PKE imports have averaged 1.8 MMT annually. From January through August 2025, PKE imports were 35 percent higher than during the same period in 2024. Based on current trends, FAS/Wellington forecasts that total PKE imports could exceed 2.6 MMT in 2025 MY. If realized, this increase in PKE as well as soybean meal and dried distillers grain availability would be expected to support higher milk production into the 2026 marketing year, given that much of the national milking season extends into that period.

Figure 6: New Zealand Fertilizer Imports



Source: Trade Data Monitor LLC, FAS/Wellington

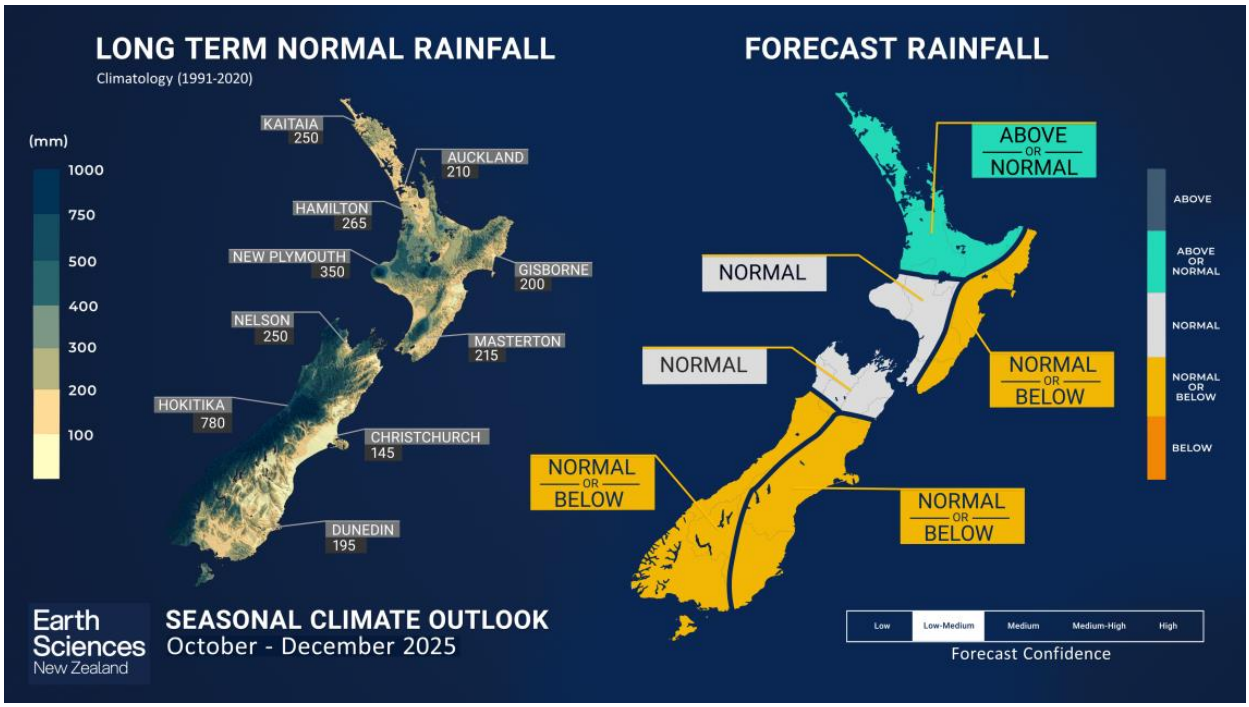
Fertilizer imports rebounded in 2025, supporting the outlook for strong pasture growth and milk production in 2026. In 2023, fertilizer use dropped sharply as farmers delayed or reduced applications due to financial pressures from high interest rates and elevated input costs. This contributed to weaker pasture yields and constrained milk output. In contrast, stronger cash flow from high farm-gate milk prices in 2025 is enabling farmers to reinvest in fertilizer to optimize pasture performance.

New Zealand's most significant imported fertilizers are urea, diammonium phosphate (DAP), and phosphate rock, which is further processed domestically for on-farm use. From January through August 2025, total fertilizer imports were 9 percent higher compared to the same period of 2024, with phosphate rock showing the largest year-on-year increase at 48 percent. Phosphate is a critical nutrient for sustaining long-term pasture productivity in the dairy sector. Industry commentary suggests that total 2025 fertilizer imports could return to, or potentially exceed, the long-term average. If realized, this would enhance soil fertility and pasture availability heading into the 2026 marketing year, reinforcing higher milk yields through improved feed from grazed pasture.

--High Likelihood of La Niña Weather Pattern0

Earth Sciences New Zealand (formerly the National Institute of Water and Atmospheric Research, NIWA) reported in its most recent Seasonal Climate Outlook that data indicate a high likelihood (around 60 percent) that La Niña conditions will develop before the end of 2025. During a typical La Niña summer in New Zealand, wetter-than-average conditions are experienced in northern areas of the North Island, while the lower and western South Island generally receives reduced rainfall (see Figure 7).

Figure 7: Seasonal Climate Outlook October - December 2025



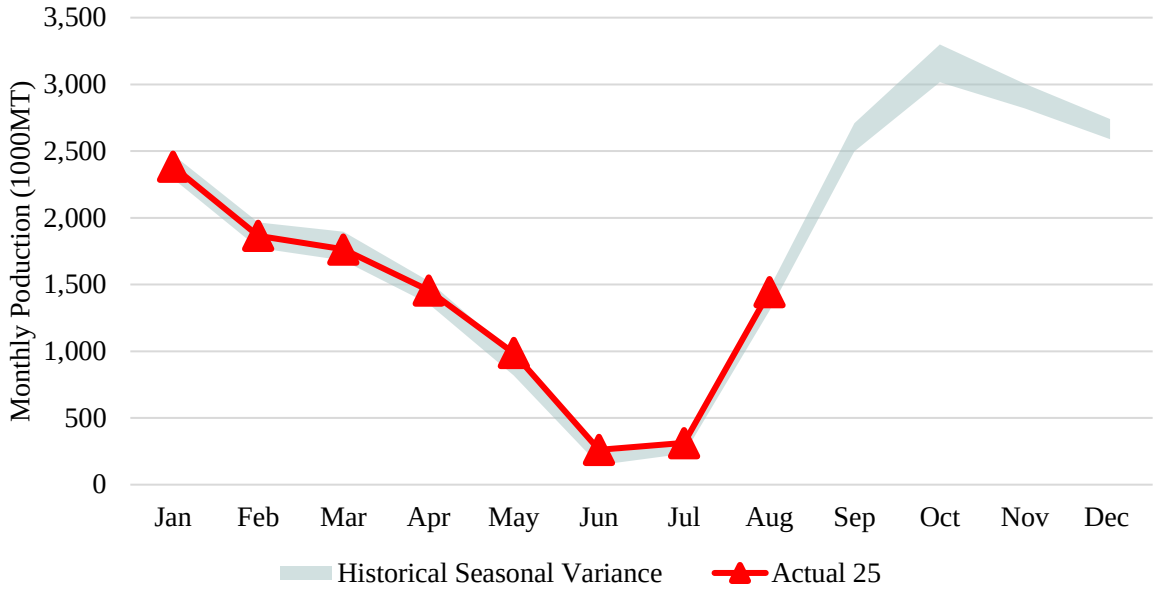
Source: Earth Sciences New Zealand

The last La Niña summer occurred in December 2021, when weather conditions were generally favorable for milk production due to improved pasture growth in major dairy regions. However, if La Niña conditions persist into the fall season (March–May), historical patterns suggest lower rainfall in the upper and central North Island as well as in the lower South Island. Such conditions could negatively affect pasture availability and have an adverse impact on milk production in 2026.

2025

FAS/Wellington has raised its 2025 milk production forecast to 22.0 MMT, up from the USDA official estimate of 21.85 MMT. If realized, this would represent the highest production level since MY 2018. From January through August 2025, milk collections were the second highest in the past decade, just below 2021 levels. However, unlike 2021, when the FGMP was approximately NZ$2.00 KgMS lower, the current strong price environment is encouraging farmers to maximize production.

Figure 8: Monthly Milk Production 2025



Source: New Zealand Exchange (NZX)

FAS/Wellington anticipates milk production will remain strong over the final four months of the marketing year, during which more than 50 percent of annual milk output is typically collected. Favorable economic conditions, combined with a positive spring production outlook, are expected to support this forecast.

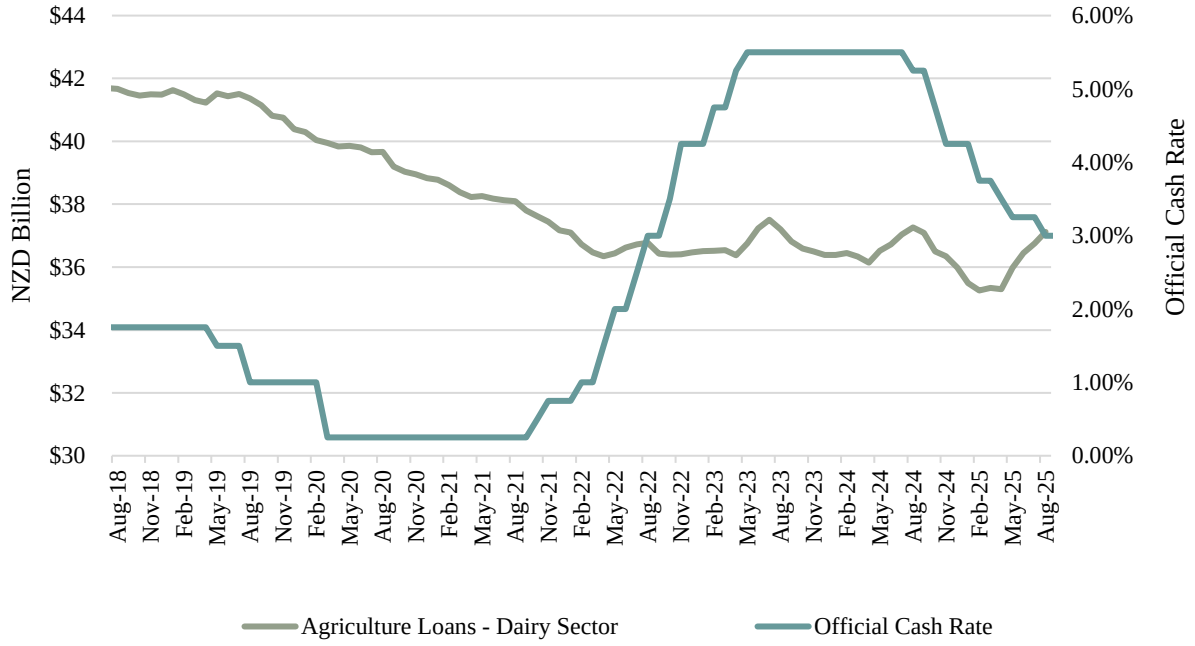
--Easing Interest Rates on Debt

In previous reporting, FAS/Wellington highlighted the impact that high interest rates and debt servicing costs had on New Zealand's agricultural sector (Figure 9). According to DairyNZ, in the 2023 marketing year, interest expenses accounted for 19.3 percent of the dairy industry's cost of production per kilogram of milk solids (KgMS). By 2025, this had declined to 13.8 percent. The reduction reflects multiple downward adjustments to the Official Cash Rate (OCR), New Zealand's equivalent to the federal funds rate by the Reserve Bank of New Zealand (RBNZ).

In 2023, Post reported that elevated interest rates were a key driver of on-farm inflation, as the dairy sector carries the highest level of lending among New Zealand's primary industries, with approximately

80 percent of term liabilities held at floating interest rates. High borrowing costs at that time constrained spending on farm improvements, capital investment, and fertilizer application.

Figure 9: New Zealand Interest Rates and Farm Debt



Source: Reserve Bank of New Zealand

As shown in Figure 9, following OCR reductions in 2024, total dairy sector debt decreased by nearly NZ$2 billion (US$1.16 billion). However, as the OCR continued to decline and farm-gate milk prices strengthened, lending to dairy farmers began to rise again. This trend reflects renewed confidence in the sector, with farmers increasing reinvestment in productivity, innovation, and, in some regions, moderate expansion of operations. The easing of debt pressures and lower borrowing costs have directly supported higher on-farm investment and input use in 2025, contributing to the stronger milk production observed during the year.

--Economic Tailwinds for Dairy Sector:

The strong FGMP has contributed to significant profitability across the industry. At the conclusion of their fiscal years ending June 30, 2025, New Zealand's largest dairy processor and several major farming entities reported substantial profit increases. These results led to some of the highest dividend payouts in more than a decade.

On August 22, 2025, Fonterra Co-operative Group Ltd. announced the sale of its global consumer and associated products businesses to French multinational dairy company Lactalis. Following the transaction, Fonterra indicated its intention to distribute a tax-free capital return of NZ$2.00 per share to its farmer shareholders. Fonterra accounts for approximately 77 percent of New Zealand's national milk production, and the New Zealand Companies Register reports more than 1.6 billion issued shares. As a

result, the distribution is expected to provide a financial boost of over NZ$3.2 billion (US$1.86 billion) to producers, rural communities and the wider economy. The table below provides an indicative breakdown of the capital return in proportion to different parts of the dairy sector and economy.

Table 2: Tax Free Capital Return from Lactalis Sale

		Value (NZD)	
Fonterra Tax Free Capital Return	$2/share	$3.2 billion	Tax Fre Capital Return in Proportion
Total 2025 Milk Receipts Estimate	$10/Kg of Milk Solid	$19.3 billion	16.68%
Estimated Dairy Industry Debt	August-25	$37.1 billion	8.7%
New Zealand GDP	June-25	$435 billion	0.74%

Source: Fonterra, Reserve Bank of New Zealand and FAS/Wellington

Fluid Milk Exports

FAS/Wellington forecasts fluid milk exports to remain stable in 2026 at 255,000 MT. This is consistent with the revised 2025 estimate, which is slightly higher than the USDA official estimate. China continues to be the largest importer of fluid milk, taking three-quarters of total exports.

Fluid Milk Domestic Consumption

New Zealand's domestic dairy consumption remains relatively stable, with limited growth potential due to the country's modest population size of approximately 5.3 million. The domestic market for fluid consumption accounts for about two percent of the nation's total dairy production, as the remaining volumes are directed towards processing and exports to international markets. The domestic market's limited size underscores the importance of maintaining and expanding access to global markets for the continued success of the industry.

FAS/Wellington estimates 2026 factory use consumption at 21 MMT. With 2025 factory use consumption at 21.1 MMT, higher than the USDA official figure as result of greater estimated fluid milk production.

Industry and Policy

--Current Government Coalition

The dairy sector is experiencing a pause in regulatory pressure. The previous Labour-led government had introduced a range of environmental reforms, including freshwater regulations, nitrogen caps, and had planned to price agricultural greenhouse gas emissions by 2025. However, the new centre-right coalition government has proceeded with a more cautious approach, with plans to delay or revise some measures. While uncertainty around long-term environmental compliance remains, the short-term impact is reduced regulatory burden and improved planning confidence for farmers.

--Highly Pathogenic Avian Influenza (HPAI)

While HPAI has significantly impacted dairy sectors in other countries particularly in North America, New Zealand has reported only one isolated case to date, which occurred at an egg farm in the South Island. In late April 2025, the Minister for Biosecurity announced that the outbreak had been successfully eradicated following prompt identification and containment measures. New Zealand's stringent biosecurity systems and geographic isolation continue to play a critical role in preventing the incursion of HPAI into the broader agricultural sector. Nevertheless, this risk remains a priority. At the December release of the Ministry for Primary Industries' (MPI) Situation and Outlook for Primary Industries, the Director-General of MPI emphasized the significant threat HPAI poses to New Zealand agriculture. The industry remains highly vigilant, with ongoing surveillance and contingency planning in place. As part of these efforts, MPI has noted: "We are closely monitoring updates from both the United States Department of Agriculture (USDA) and the Centre for Disease Control and Prevention (CDC), as well as keeping in regular contact with the U.S. Chief Veterinary Officer. Our industry and scientific communities have close linkages with colleagues in the U.S."

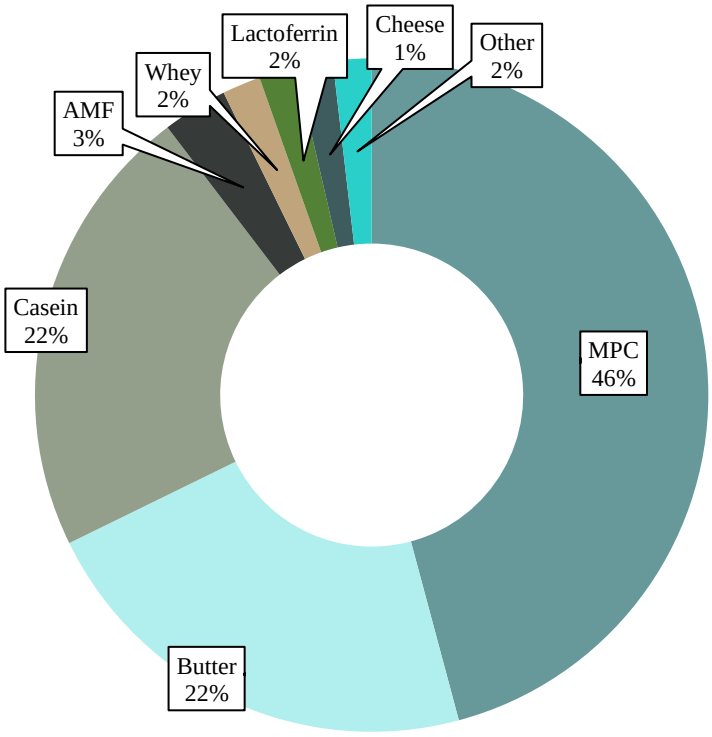
--Tariffs on Dairy Exports

New Zealand's dairy sector benefits from relatively low tariff barriers in key export markets due to an extensive network of free trade agreements (FTAs). These include comprehensive agreements with China, the European Union, the United Kingdom, and regional partners through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). While these agreements have improved market access and reduced tariff burdens over time, some barriers remain. For example, despite the EU–New Zealand FTA that entered into force in 2024, in-quota access for key products such as butter and cheese remains tightly constrained, and above-quota tariffs are still prohibitive. Unlike some agricultural exporters, New Zealand does not receive direct government subsidies, making tariff reductions critical to maintaining competitive parity.

New Zealand does not have a bilateral FTA with the United States. As a result, dairy exports from New Zealand to the U.S. are subject to Most Favored Nation (MFN) tariff rates under World Trade Organization (WTO) rules. MFN status ensures that New Zealand is treated no less favorably than any

other WTO member without a preferential agreement. As a result, most of the historical dairy trade with the United States has consisted of high-value specialty dairy products such as milk protein concentrates (MPC), anhydrous milk fat (AMF), butter, and caseinates (Figure 10).

Figure 10: Proportion of Dairy Product Exports to the United States by Total Value



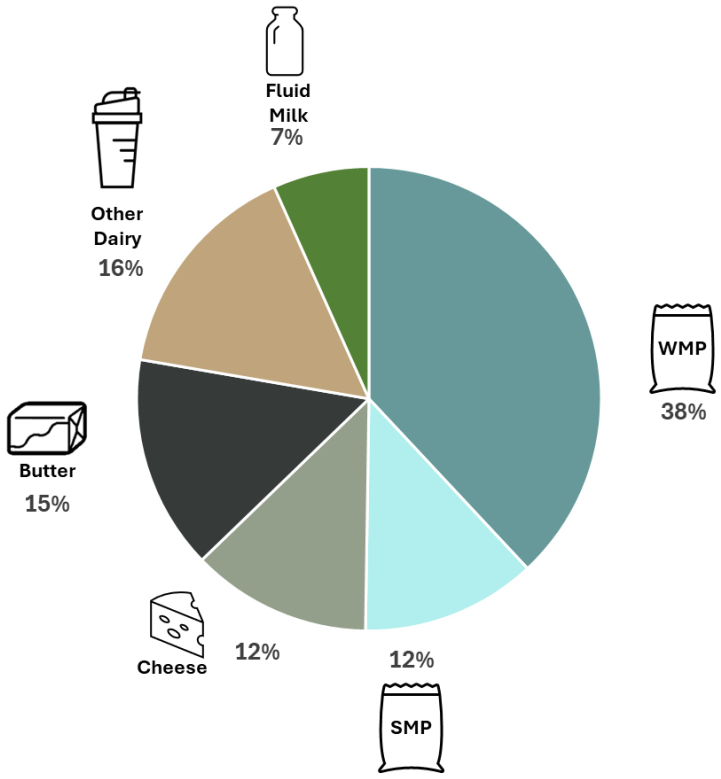
Source: Trade Data Monitor LLC

In April 2025, the United States implemented a blanket 10 percent tariff on imports from New Zealand. This rate was increased by an additional 5 percent in July 2025, bringing the total to 15 percent. The escalation generated significant industry uncertainty regarding potential impacts on New Zealand's agricultural exports, both to the United States and to other markets. However, in a recent parliamentary session on October 7, 2025, New Zealand's Minister of Finance noted when questioned on what was driving gross domestic product (GDP) growth that *"commodity prices are continuing to support rural incomes, and the direct impact of higher U.S. tariffs has been less than expected to date, notwithstanding the indirect effects of uncertainty."* As the additional 5 percent tariff for New Zealand has only been in place for the last three months, the true impact of this increased tariff on the economy, trade and primary sector is unclear.

Processing and Exports

New Zealand dairy processors have continued to invest in more energy-efficient plant upgrades in recent years, shifting away from coal-fired heat toward alternative energy sources such as wood chips, gas, and electricity. In parallel, milk companies are increasingly redirecting processing capacity from milk drying for powder production toward a broader range of fresh and higher-value products, including butter, cheese, and cream. This structural shift is reflected in export data where whole milk powder (WMP) has declined from 47 percent of total dairy export volumes in 2018 to 38 percent currently of total export volumes (see Figure 11). At the same time, processing capability has expanded for more specialized and high value products such as infant formula (IMF), protein concentrates (WPC, WPI, MPC), lactoferrin, caseinates, creams, butter, and cheeses.

Figure 11: 2025 Proportion of New Zealand Dairy Exports January to August

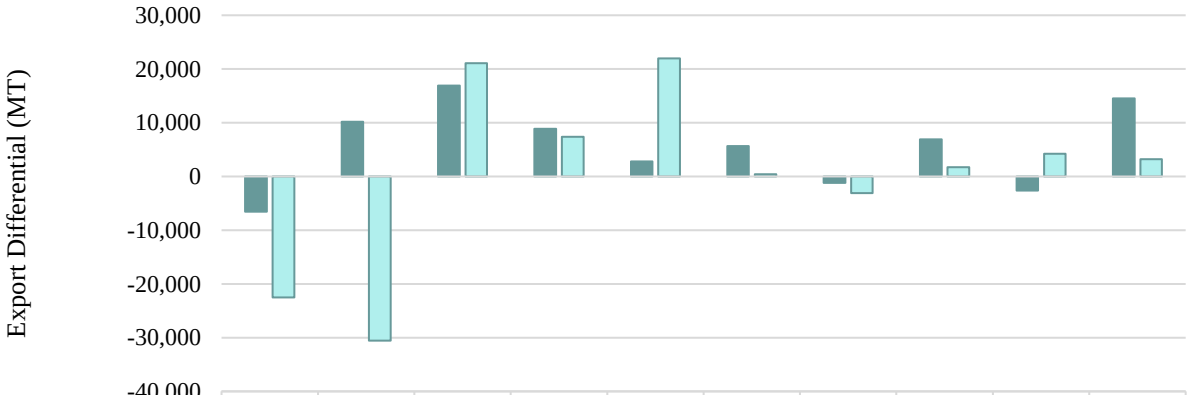


Source: Trade Data Monitor LLC

Approximately 95 percent of New Zealand's dairy production is exported. From January through August 2025, total dairy export volumes increased by 2.8 percent compared to the same period in 2024. China remains New Zealand's largest dairy market, accounting for about 35 percent of total export volume. Year-to-date shipments of cheese, butter, anhydrous milk fat (AMF), and most specialty dairy products are up between 10 and 20 percent compared with the same period last year (see Figure 12).

In contrast, exports of whole milk powder (WMP) and skim milk powder (SMP) have declined slightly, reflecting shifts in both processing priorities and international demand patterns. These developments are discussed in further detail in the following sections.

Figure 12: New Zealand Dairy Exports in Jan-Aug 2024 vs 2025

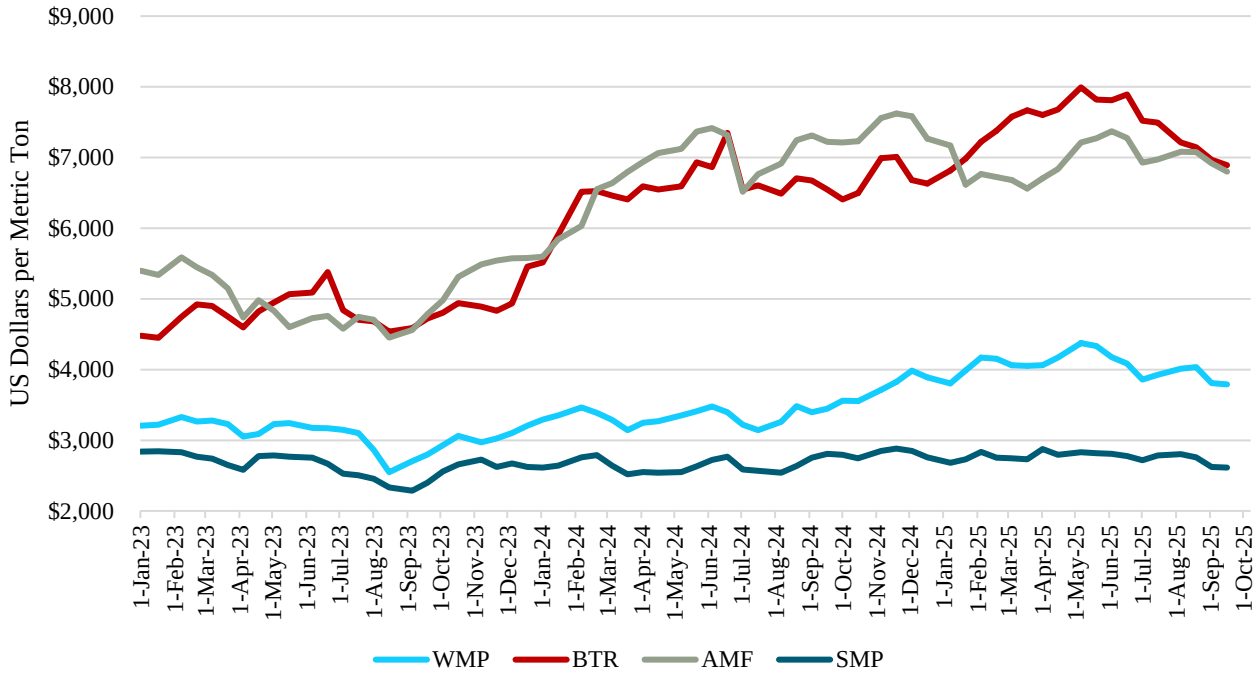


	Whole Milk Powder	Skim Milk Powder	Cheese	Butter	AMF	IMF	Whey	MPC	Casein	Cream
China	-6,545	10,189	16,889	8,858	2,781	5,673	-1,215	6,933	-2,607	14,531
Rest of the World	-22,528	-30,533	21,106	7,380	21,992	420	-3,106	1,712	4,203	3,217

Source: Trade Data Monitor LLC

Global Dairy Trade (GDT) is the primary derivative trading platform New Zealand processors use for trading large volume for core dairy commodities and reference for price discovery. The GDT price index's most recent peak was in May 2025 at US$1,344 metric ton (MT), as butter trade prices peaked. Since then, the price index has eased, although farm gate milk pricing remains strong.

Figure 13: Global Dairy Trade Prices (US$ per Ton)



Source: Global Dairy Trade

As discussed, farm-gate milk prices in New Zealand have remained firm, supported by the sustained strength in value-added products such as cheese, butter and other products. Cheese exports have continued to perform particularly well, with strong import demand from China, Japan, South Korea and Southeast Asia. The positive trend in higher-value processed dairy products has offset the lower prices of whole milk powder (WMP) and skim milk powder (SMP), reinforcing the sector's gradual shift toward diversified, higher-margin product lines.

Whole Milk Power (WMP)

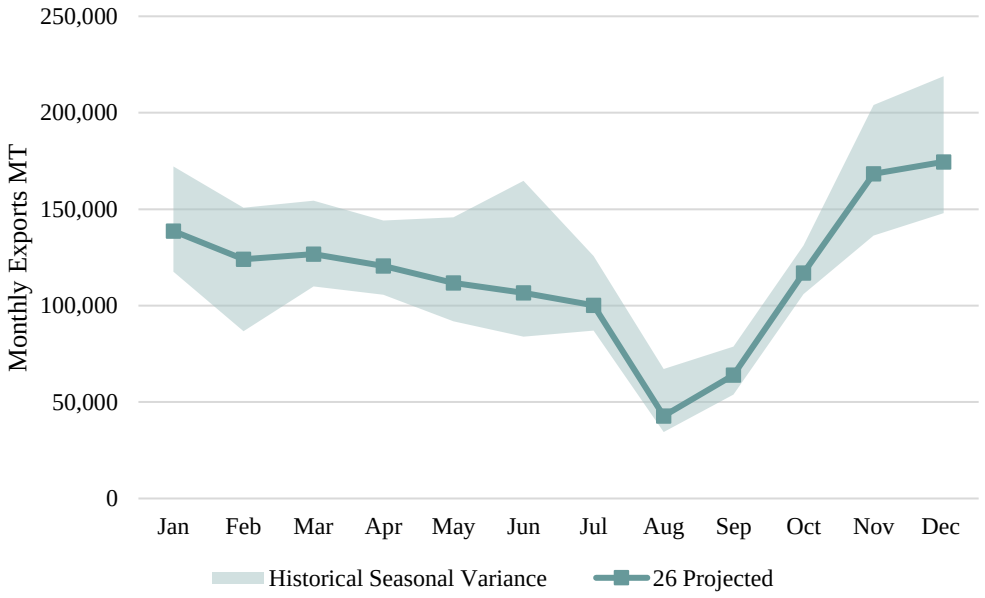
Table 3: Production, Supply and Distribution – Dairy, Dry Whole Milk Powder

Dairy, Dry Whole Milk Powder	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	220	220	250	250	0	278
Production (1000 MT)	1420	1420	1420	1425	0	1410
Other Imports (1000 MT)	1	1	1	1	0	1
Total Imports (1000 MT)	1	1	1	1	0	1
Total Supply (1000 MT)	1641	1641	1671	1676	0	1689
Other Exports (1000 MT)	1373	1373	1400	1380	0	1395
Total Exports (1000 MT)	1373	1373	1400	1380	0	1395
Human Dom. Consumption (1000 MT)	2	2	2	2	0	2
Other Use, Losses (1000 MT)	16	16	16	16	0	16
Total Dom. Consumption (1000 MT)	18	18	18	18	0	18
Total Use (1000 MT)	1391	1391	1418	1398	0	1413
Ending Stocks (1000 MT)	250	250	253	278	0	276
Total Distribution (1000 MT)	1641	1641	1671	1676	0	1689
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington forecasts New Zealand's whole milk powder (WMP) production at 1.41 million MMT in the 2026 MY, a modest decline from the ten-year average of 1.45 MMT. This reflects the ongoing shift of milk volumes toward higher-value dairy products and specialty ingredients, such as cheese, butter, and protein concentrates. Nevertheless, strong forecast milk production will continue to support WMP manufacturing, particularly during the spring peak when processing capacity is fully utilized.

Figure 14: WMP Export Scenario for 2026



Source: Trade Data Monitor LLC and FAS/Wellington

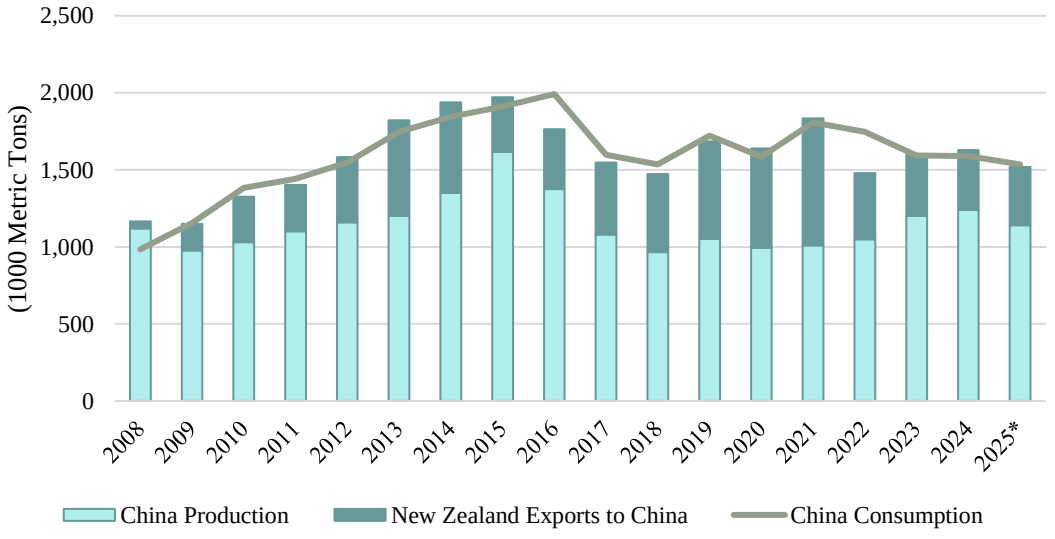
WMP exports for 2026 are forecast at 1.395 MMT, a slight increase over the average for the past four years but consistent with the sector's typical export capacity (Figure 14). Industry feedback indicates that processors are maintaining a balanced approach, prioritizing high-return product diversification while still leveraging WMP as a key channel for managing seasonal milk surpluses. The outlook for strong milk prices and favorable operating margins is expected to sustain milk production, with higher volume months continuing to direct surpluses to WMP production for export. In addition to exports from carry-over stocks from the prior season's anticipated high spring production.

2025

FAS/Wellington revised WMP production up slightly to 1.425 MMT from the USDA official estimate of 1.42 MMT, reflecting anticipated high milk production in 2025. As mentioned, WMP production typically ramps up in the last quarter of the MY in New Zealand, as pasture production increases in the spring and dairy cow production peaks following calving.

WMP exports for 2025 are revised down slightly to 1.38 MMT compared to the USDA official estimate. This situation follows slower April and May exports from New Zealand for WMP, at a time when the GDT index prices for WMP and other dairy prices peaked. New Zealand remains a key exporter to China to fill the gap between domestic production and consumption (Figure 15). January to August 2025 WMP export volumes are up 3.3 percent, compared to 2024. During this same period, exports to China declined by 2.6 percent and declined 52 percent to Algeria also. While exports to Indonesia and the United Arab Emirates increased by 17 percent, and 5.7 percent, respectively.

Figure 15: China Whole Milk Powder Market



Source: Trade Data Monitor LLC, *USDA Official PSD Forecast

Skim Milk Power (SMP)

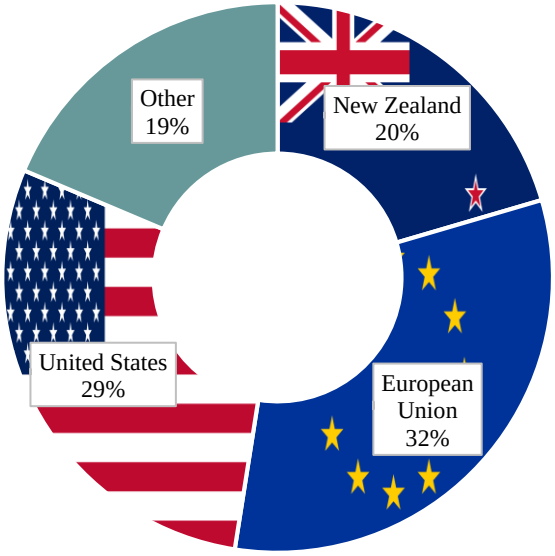
Table 4: Production, Supply and Distribution - Dairy, Milk, Nonfat Dry

Dairy, Milk, Nonfat Dry	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	68	68	60	60	0	80
Production (1000 MT)	440	440	455	455	0	455
Other Imports (1000 MT)	3	3	3	5	0	5
Total Imports (1000 MT)	3	3	3	5	0	5
Total Supply (1000 MT)	511	511	518	520	0	535
Other Exports (1000 MT)	441	441	460	430	0	445
Total Exports (1000 MT)	441	441	460	430	0	445
Human Dom. Consumption (1000 MT)	10	10	8	10	0	10
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	10	10	8	10	0	10
Total Use (1000 MT)	451	451	468	440	0	455
Ending Stocks (1000 MT)	60	60	50	80	0	85
Total Distribution (1000 MT)	511	511	518	520	0	535
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington forecasts dairy non-fat dry or skim milk powder (SMP) production to remain relatively stable at 455,000 MT. This is the result of increasing production volumes by New Zealand dairy manufacturers of dairy fat and cream processing products, which SMP is a byproduct of.

Figure 16: World Skim Milk Power Exporters



Source: Foreign Agricultural Service, Official USDA Estimates

FAS/Wellington forecasts SMP exports at 445,000 MT in 2026, consistent with recent years since the industry increased cream and dairy fat production. SMP remains a critical ingredient for downstream

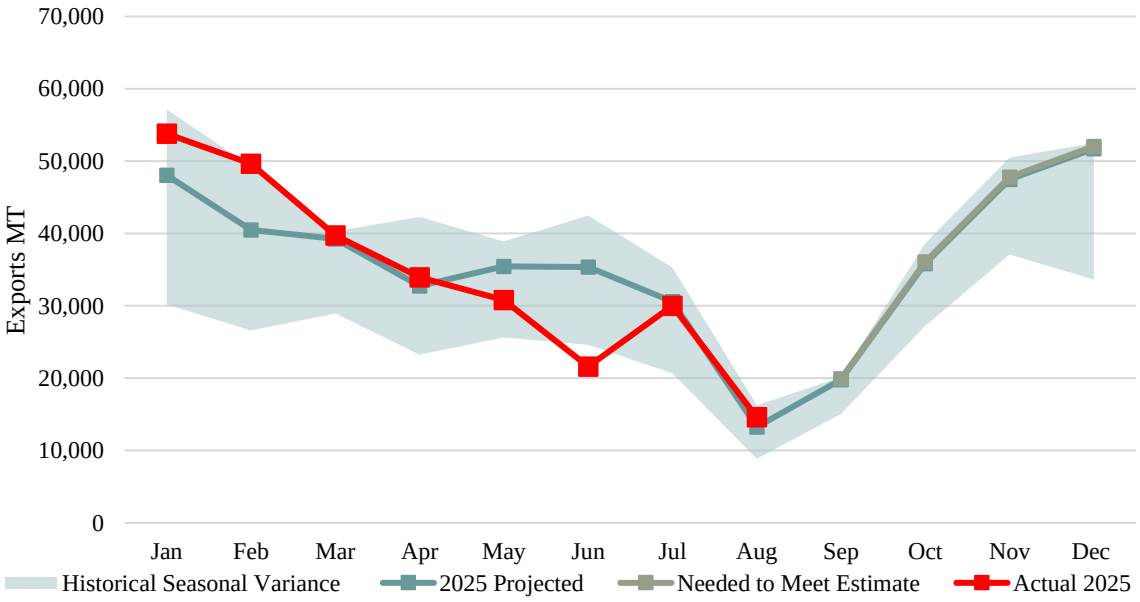
food manufacturing, including beverage, bakery, and reconstituted dairy applications. China and Indonesia remain the largest destinations for New Zealand SMP, followed by the Philippines and Malaysia. New Zealand is the third-largest global exporter of SMP, after the European Union and the United States (Figure 16).

2025

FAS/Wellington maintains the USDA Official estimate for SMP production at 455,000 MT, supported by higher milk volumes and strong dairy fat processing demand. Industry feedback suggests that more SMP is also being diverted to domestic use in the manufacture of higher-value specialty products, such as infant milk formula and protein ingredients

Exports in 2025 MY have been revised down to 430,000 MT from the USDA Official forecast. This revision follows a sharp decline in exports during May and June 2025 (Figure 17), coinciding with a period of elevated SMP exports from both the United States and the European Union, which increased global supply and exerted downward pressure on prices. New Zealand SMP exports from January to August 2025 are currently 7 percent behind the same period last year. However, exports to China are up nearly 11 percent. China remains the leading market, representing 40 percent of total SMP exports, followed by Indonesia (16 percent), the Philippines (7 percent), and Malaysia (6 percent).

Figure 17: Skim Milk Powder Exports 2025



Source: Trade Data Monitor LLC

Cheese

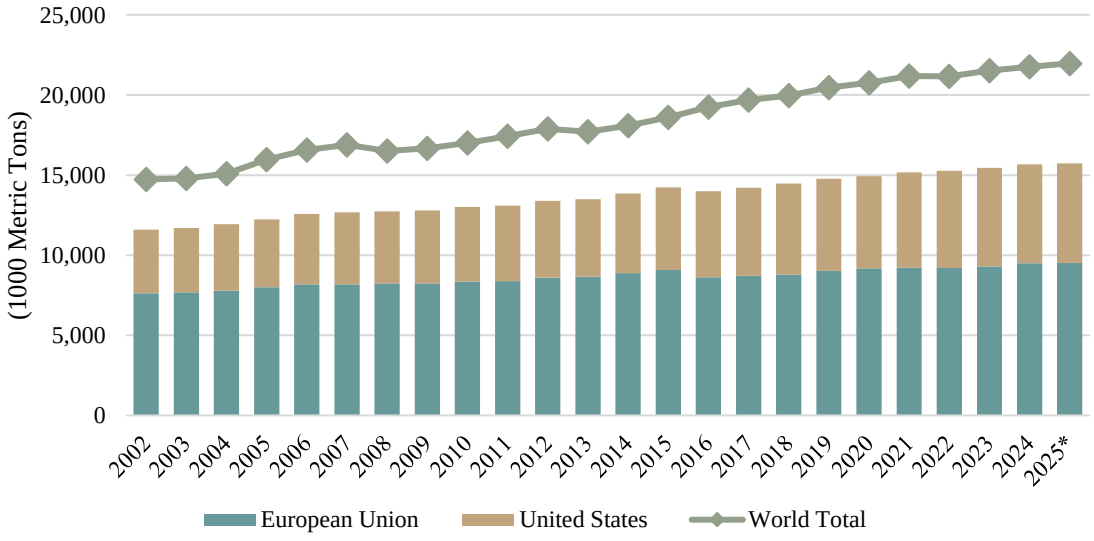
Table 5: Production, Supply and Distribution – Dairy, Cheese

Dairy, Cheese	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	70	70	75	75	0	45
Production (1000 MT)	410	410	425	425	0	430
Other Imports (1000 MT)	9	9	9	10	0	10
Total Imports (1000 MT)	9	9	9	10	0	10
Total Supply (1000 MT)	489	489	509	510	0	485
Other Exports (1000 MT)	374	374	425	425	0	430
Total Exports (1000 MT)	374	374	425	425	0	430
Human Dom. Consumption (1000 MT)	40	40	40	40	0	40
Total Dom. Consumption (1000 MT)	40	40	40	40	0	40
Total Use (1000 MT)	414	414	465	465	0	470
Ending Stocks (1000 MT)	75	75	44	45	0	15
Total Distribution (1000 MT)	489	489	509	510	0	485
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington forecasts cheese production to increase slightly to 430,000 MT in 2026. If realized, this would mark New Zealand's highest recorded cheese output. Growth is being driven by strong international demand and favorable profit margins for major cheese categories, including cheddar, mozzarella, and processed cheese products. In recent years, processors have expanded capacity for higher-value specialty and functional cheeses, particularly for food service and business-to-business markets, which continue to deliver better returns than commodity powders.

Figure 18: Global Cheese Consumption



Source: Foreign Agricultural Service, Official USDA Estimates

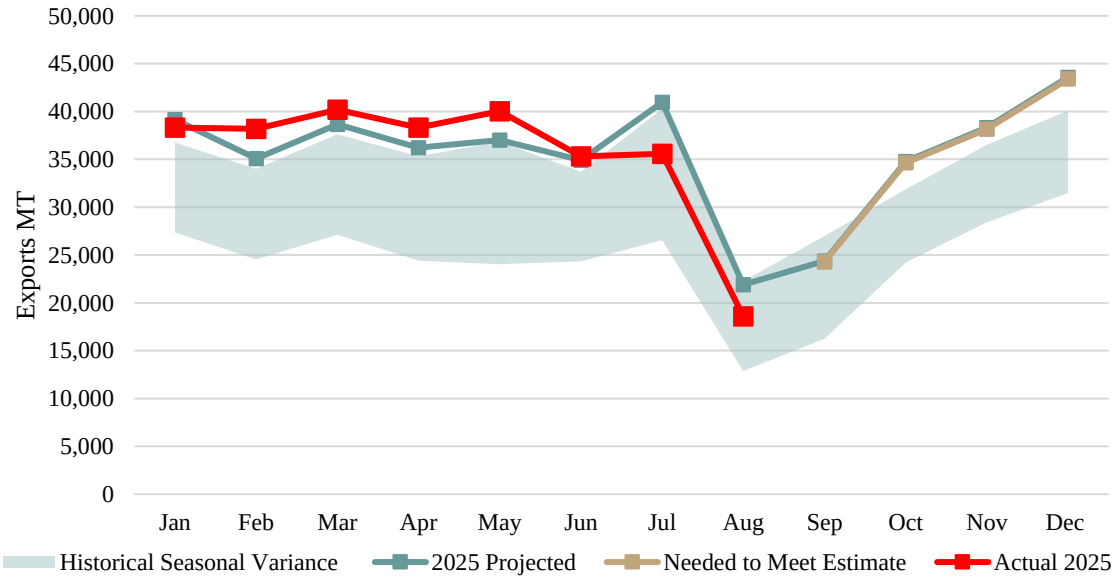
According to USDA Production, Supply, and Distribution (PSD) data, New Zealand ranks as the ninth-largest cheese producer globally, yet it is the third-largest cheese exporter, behind only the United States and the European Union. Global cheese consumption continues to rise at nearly 2 percent annually (Figure 18).

FAS/Wellington forecasts cheese exports in 2026 to continue to grow in the outgoing year and reach a record level of 430,000 MT. This is supported by increased domestic processing capacity, strong international demand, and favorable margins.

2025

FAS/Wellington maintains the USDA Official estimate for cheese production at 425,000 MT. Exports are currently 15 percent higher in January to August 2025 compared to the same period last year. As such, Post maintains the current forecast for cheese exports at 425,00 MT, as exports to date have remained strong in the current MY (Figure 19).

Figure 19: Cheese Exports 2025



Source: Trade Data Monitor LLC

China continues to be New Zealand's largest cheese customer, accounting for 30 percent of total exports, with volumes 25 percent higher from January to August 2025 compared to the same period in 2024. Japan remains the second-largest market (16 percent of exports), with shipments up 21 percent year to date. Significant growth has experienced in the European Union market for New Zealand products; however, these volumes are still minimal at 2 percent of exports.

Butter and Anhydrous Milk Fat (AMF)

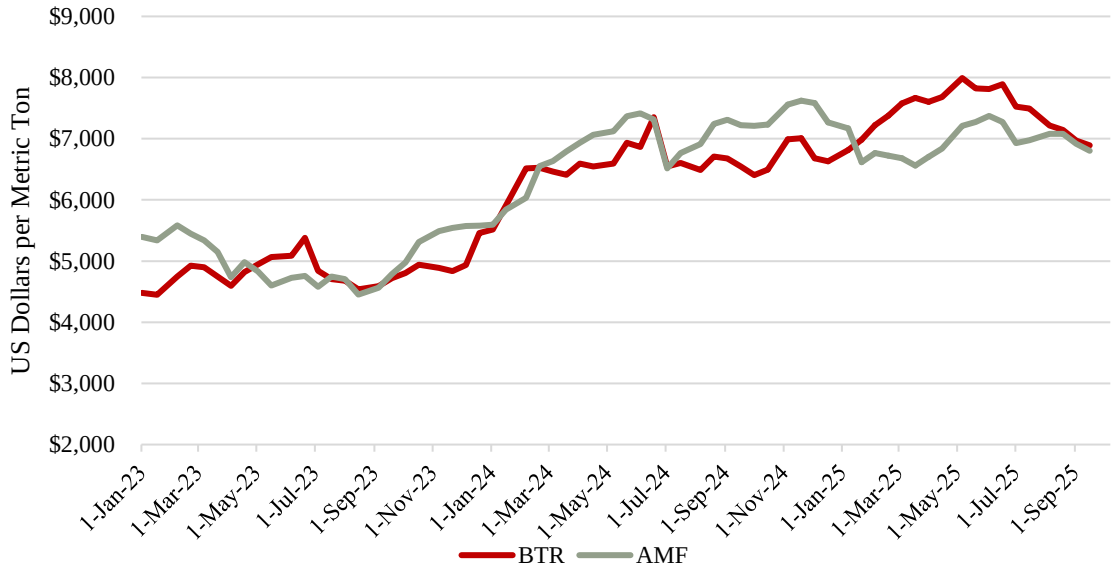
Table 6: Production, Supply and Distribution – Dairy, Butter

Dairy, Butter	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	38	38	52	52	0	31
Production (1000 MT)	515	515	525	525	0	525
Other Imports (1000 MT)	1	1	0	1	0	1
Total Imports (1000 MT)	1	1	0	1	0	1
Total Supply (1000 MT)	554	554	577	578	0	557
Other Exports (1000 MT)	470	470	500	515	0	515
Total Exports (1000 MT)	470	470	500	515	0	515
Domestic Consumption (1000 MT)	32	32	32	32	0	32
Total Use (1000 MT)	502	502	532	547	0	515
Ending Stocks (1000 MT)	52	52	45	31	0	10
Total Distribution (1000 MT)	554	554	577	578	0	557
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington forecasts the 2026 MY butter and anhydrous milk fat (AMF) production of 525,000 MT and exports at 515,000 MT. Butter and AMF have had favorable pricing on the GDT platform, as a result there has been an increase in processing capabilities in recent years (Figure 20). Therefore, with these increases in capabilities, industry feedback indicates that fluid milk production in the coming year will continue to be prioritized for further processing over dried into commodity milk powders.

Figure 20: Global Dairy Trade Prices Butter and AMF

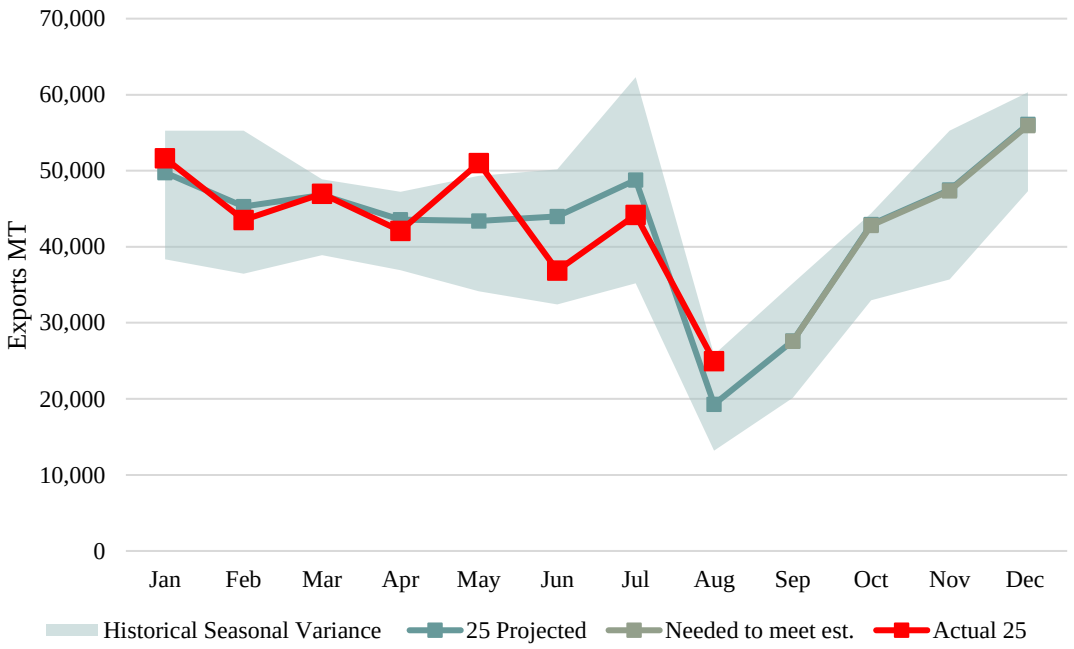


Source: NZX, Global Dairy Trade

2025

FAS/Wellington maintains the USDA Official estimate for butter and AMF production in 2025 MY at 525,000 MT. Post revises the export forecast up from the USDA Official figure to 515,000 MT to reflect strong demand for both butter and AMF at present (Figure 21). This is reflected in higher January to August 2025 exports for butter and AMF exports, which are up 10 percent and 17 percent, respectively, compared to last year. China continues to be the largest market for both, with year-to-date exports 14 percent higher than the same period last year. In addition, cream exports continue to strengthen to China by 15 percent and globally overall, with shipments up to the world up by 7 percent in January to August 2025 compared to last year.

Figure 21: Butter and AMF Exports 2025



Source: Trade Data Monitor LLC

Other Dairy Products

New Zealand milk processors have commented that with rising global demand and recent investments in specialty plant facilities, milk volumes will increasingly be shifted away from WMP production. This milk will go toward more specialty products such as IMF, milk protein concentrates, caseinates, whey, and lactoferrin. In the first eight months of 2025, exports for these products, combined, are currently tracking 10 percent higher compared to the same period last year. With growth in export volumes seen for all products to global markets. MPC export volumes to China have increased substantially, although the United States continues to be the largest market. In addition, strong demand for Lactoferrin in Australia continues to grow, with exports almost 4 times increased from January to August in 2025 from the previous year.

Imports

FAS/Wellington maintains modest forecasts for New Zealand's dairy imports in the 2025 MY. Imports remain limited relative to New Zealand's dominant export-oriented production model. However, small volumes of high value, specialty dairy products are regularly imported to meet niche consumer demand, particularly for branded cheeses, milk beverages, and ultra-high temperature (UHT) treated milk products that are not widely manufactured domestically. Most of these products originate from Australia, the European Union, and the United States.

Imports of processed cheese and certain cream products are also expected to remain steady, supported by food service demand in urban centers. While domestic production overwhelmingly satisfies consumer needs, supply chain flexibility and brand differentiation continue to support a small but consistent flow of imports.

New Zealand imports on average NZ$192 million (US$114 million) of lactose each year, which over 55 percent is sourced from the United States. This commodity import alone represents 1.3 percent of New Zealand's total imports by value from the United States. The purpose of these imports is primarily for use in the WMP production process.

Attachments:

No Attachments