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Report Highlights:

Australia's milk production in 2025 is estimated to decline to 8.6 million metric tons (MMT), following a significant 2.3 percent increase in 2024. The growth experienced in 2024 has stalled, primarily due to very dry conditions across southwest Victoria and South Australia. However, the impact of the production decline is being partially offset by continued strong farmgate milk prices and lower feed grain costs. Domestic fluid milk consumption in 2025 is expected to decrease by 0.4 percent, reflecting a return to the long-term downward trend after a modest rise in 2024. Factory-use milk consumption is projected to fall by 1.2 percent, largely driven by the anticipated decline in milk production. As a result, the volume of manufactured dairy products is also expected to decrease slightly. Exports of fluid milk and cheese are projected to increase in 2025. In contrast, butter exports are expected to remain flat, while shipments of skim milk powder (SMP) and whole milk powder (WMP) are anticipated to decline.

EXECUTIVE SUMMARY

Australia's milk production in 2025 is estimated to decline by less than one percent to 8.6 million metric tons (MMT), following a notable 2.4 percent increase in 2024—the first significant rise since 2020. The upward momentum seen in 2024 has stalled, primarily due to very dry conditions across southwest Victoria and South Australia, which began in 2024 and have persisted through the first four months of 2025. The modest decline in production is being cushioned by continued strong farmgate milk prices and lower feed grain costs.

Domestic fluid milk consumption in 2025 is projected to decrease by 0.4 percent to 2.435 MMT. Although this marks a decline after a slight increase in 2024, it reflects a return to the longer-term trend of declining consumption. Australia's recent population growth, which is now beginning to moderate, is expected to temper the rate of decline, which has averaged around one percent annually. However, per capita consumption continues to fall at a rate of approximately two percent per year.

In 2024, consumer preferences continued to shift back toward full-fat milk, a trend that began in 2023, while demand for Ultra-High Temperature (UHT) and reduced-fat milk declined. Flavored milk consumption remained flat, and no-fat milk saw a slight decrease. Factory-use milk consumption in 2025 is expected to decline by 1.2 percent to 5.988 MMT, mainly due to the overall reduction in milk production.

With a small decline in factory-use milk consumption estimated for 2025, the production of manufactured products is expected to also decline marginally from the prior year. Cheese and skim milk powder (SMP) production is estimated to decline slightly while butter and whole milk powder (WMP) expected to remain steady, albeit at historically low levels. Dairy processors are expected to continue prioritizing cheese production to maximize economic returns, with approximately 53 percent of factory-use milk allocated to cheese manufacturing.

Fluid milk exports are estimated to increase by 9.5 percent in 2025, following consecutive declines from 2022 to 2024, supported by signs of strengthening demand to China and Malaysia early in the year. Cheese exports are also expected to rise, building on strong export momentum in the first quarter of 2025. By contrast, SMP and WMP exports are projected to ease, after elevated levels in 2024 driven by weak export volumes in 2023. Butter exports are expected to remain stable. Export volumes across all major dairy commodities were subdued in 2023 due to reduced international competitiveness, as high farmgate prices—driven by strong competition for milk by dairy processors—exceeded global parity. Improved global prices in 2024, along with carryover supply from the previous year, contributed to elevated exports for 2024, with 2025 expected to reflect a return to more balanced conditions.

Cheese imports are projected to increase in 2025 to support the expected rise in exports, despite a slight decline in domestic production. Imports of WMP are also expected to rise, while butter and SMP import volumes are anticipated to remain stable.

TARIFFS

Overall, the tariff changes enacted across world markets since early April 2025 are not expected to significantly alter global dairy trade flows. As a result, any impact on Australia's dairy trade is anticipated to be negligible. Most Australian dairy product exports are directed to Asia, primarily China, but also of significant importance is Japan for Australian cheese exports.

For many years, New Zealand has been China's primary source of dairy imports, with Australia serving as a key secondary supplier. In contrast, China imports relatively small volumes of dairy products from the United States, and the U.S. imports virtually no dairy products from China. Although Australia exports modest quantities of cheese and butter to the U.S.—which are now subject to a baseline 10 percent import tariff as at this report publish date—some of this trade is expected to continue, while alternate markets may be sought for any displaced volumes. Meanwhile, the U.S. exports substantial volumes of cheese to Australia, and no retaliatory tariffs have been imposed by Australia.

FLUID MILK

Production

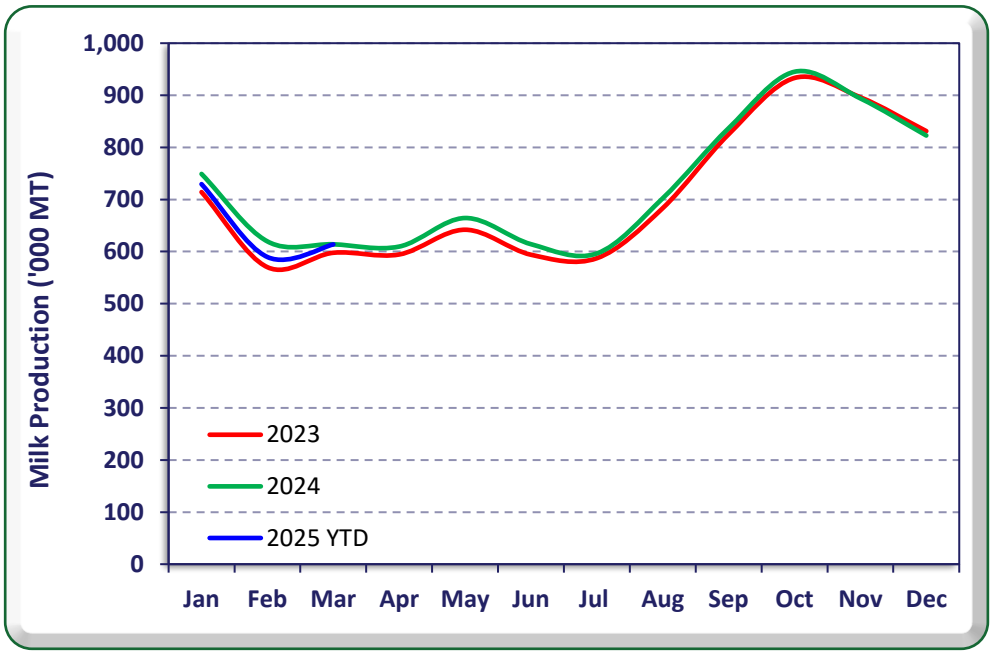
2025 Milk Production Estimate

FAS/Canberra has revised its estimate for Australia's 2025 milk production down by 2.3 percent to 8.6 MMT, compared to the previous forecast of 8.8 MMT. This represents a modest 0.8 percent decline from 2024. The growth seen in 2024 has been interrupted primarily due to persistent dry conditions in southwest Victoria and South Australia, which began in 2024 and have continued into the first four months of 2025. Despite these challenging conditions in regions that typically account for around 28 percent of national milk production, the decline has been limited. Contributing factors include strong farmgate milk prices, favorable late spring 2024 rainfall supporting hay and silage production, and lower feed grain prices.

Milk production in Australia is highly seasonal. Most dairy farmers, particularly in the southern states, calve their herds leading into spring when temperate regions offer optimal grass quantity and quality. Production typically peaks in October and gradually declines thereafter. The volume of milk produced at the peak often sets the tone for output over the remainder of the lactation cycle. From October to December 2024, milk production was 2.5 percent higher than the same period in 2023. However, milk production in March 2025 was equal to that with March 2024 (see Figure 1) indicating scope to recover from the significantly lower milk production in January and February 2025 relative to the same time in the previous year.

Key drivers for milk production for the remainder of 2025 will be milk prices, spring rainfall during peak pasture growth months, and feed grain costs. Should spring 2025 bring continued dry conditions—especially in regions already affected—milk production may fall short of current estimates.

Figure 1 – Australian Milk Production – Jan 2023 to Mar 2025



Source: *Dairy Australia*

Strong Milk Price Support

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts a strengthening milk price for 2025/26, which is 26 percent above the previous 10-year average (see Figure 2). The current high price for milk and the previous two seasons of record farm gate milk prices would typically support growth in milk production. Instead, they have helped mitigate the decline driven by ongoing dry conditions in southwest Victoria and South Australia.

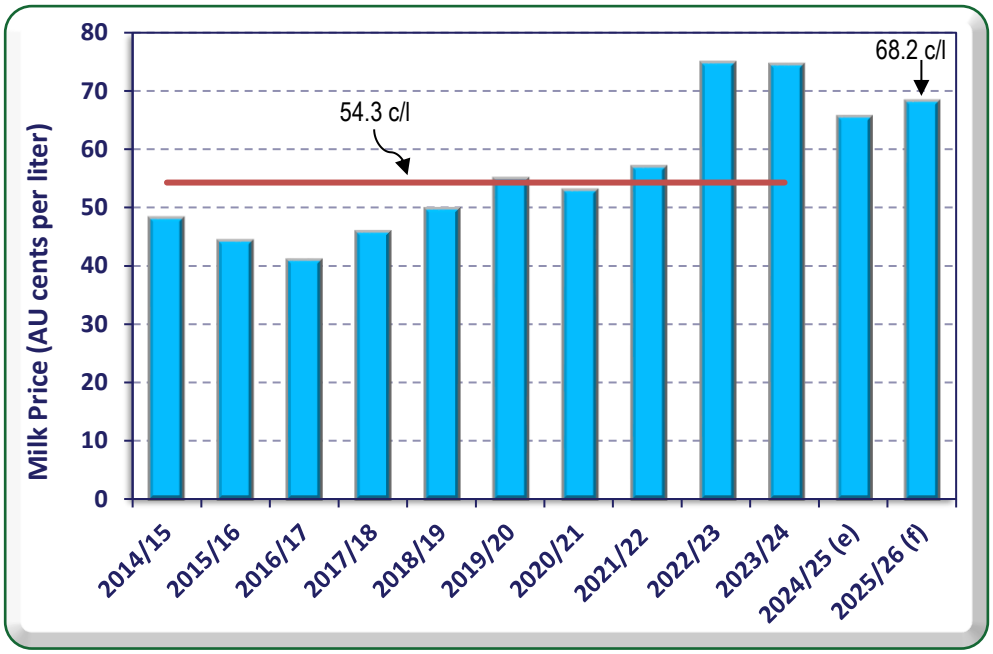
Record milk prices for 2022/23 and 2023/24 supported a 2.4 percent growth in milk production from 2023 to 2024 and there was an expectation that this trend would continue into 2025. This is after multiple years of downward trending milk production. The previous declining milk production trend was in part driven by:

- COVID-19 impacts which reduced labor availability, and for some producers this necessitated the need to scale back their herd size
- Competition from the beef industry which had record high prices in 2021 that attracted some dairy farmers to scale back their dairy herd and retain dairy beef calves to rear for beef production

- Elevated farm prices which brought forward retirement plans and some of the dairy farms sold were converted to beef production
- Multi-year drought impacts from 2017 to 2019 across the majority of the dairy producing regions

While many of these challenges have eased, the current dry spell in southwest Victoria and South Australia has disrupted recovery in milk production.

Figure 2 – Farm Gate Milk Price – Recent History and Forecast



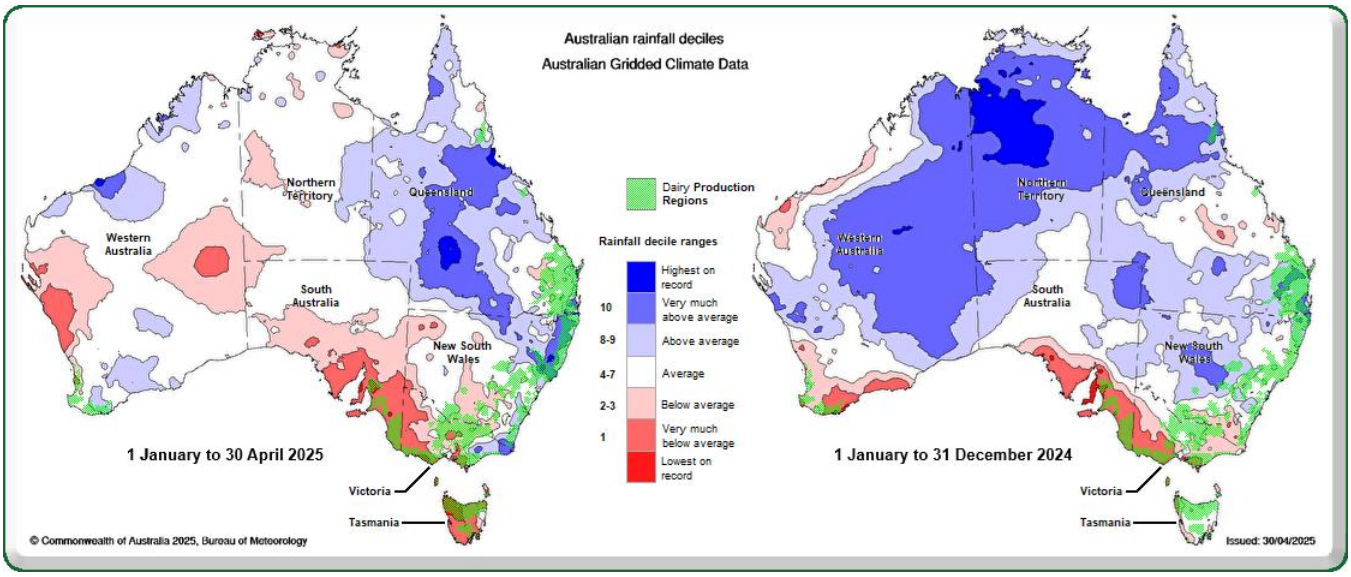
Source: *Australian Bureau of Agricultural and Resource Economics and Sciences*
Note: *(e) = estimate, (f) = forecast*

Seasonal Conditions for 2025

Rainfall in early 2025 has varied across dairy-producing regions. However, the core production zones—southwest Victoria, northern Victoria, South Australia, and Tasmania, which together contribute around 57 percent of national output—have experienced below-average rainfall (see Figure 3). Some autumn rainfall has occurred, but not enough to ensure robust pasture growth heading into winter. If additional rain arrives soon, warmer-than-usual temperatures may still support pasture recovery.

Southwest Victoria and South Australia remain the most affected, with well-below-average rainfall throughout 2024 and into 2025. Reports suggest dwindling fodder reserves, forcing producers to source hay and silage from other regions like northern Victoria and Gippsland, which has driven up prices. If dry conditions persist, the capacity for pasture recovery will be further compromised, potentially affecting both 2025 and 2026 milk production due to the need for extensive pasture renovation.

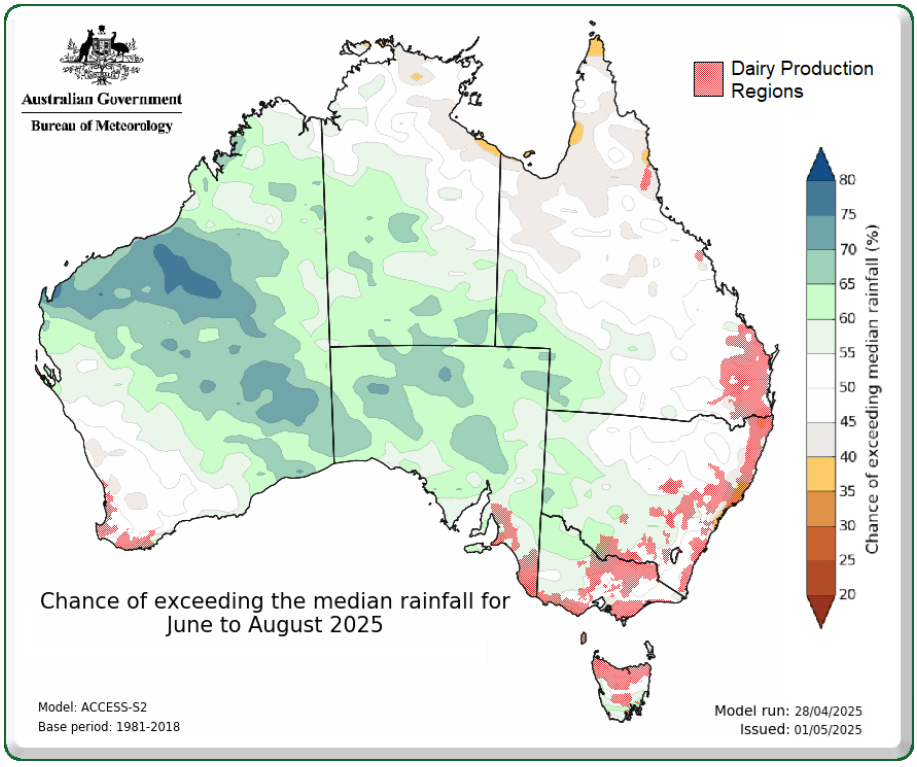
Figure 3 – Australia Rainfall Decile Maps – Jan to Apr 2025 and Jan to Dec 2024



Source: Australian Bureau of Meteorology / Dairy Australia

The Australian Bureau of Meteorology (BOM) forecasts a near-average chance of exceeding median rainfall from June to August 2025 across most dairying regions (see Figure 4). If realized, this would support pasture production during the winter months and contribute to preventing a slide in milk production from the 2025 estimate.

Figure 4 – Australia Rainfall Forecast Map – Jun to Aug 2025



Source: Australian Bureau of Meteorology / Dairy Australia

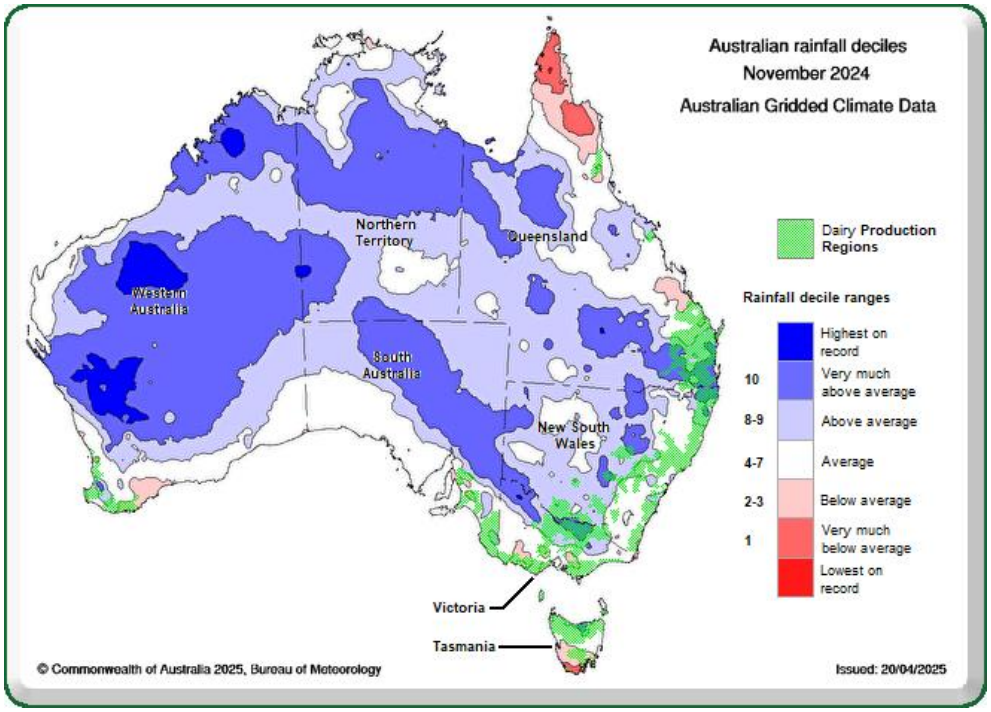
Fodder from late Spring 2024 Supports 2025 Output

Despite the dry conditions in 2024, parts of southwest Victoria and South Australia received beneficial late spring rainfall (see Figure 5), enabling substantial hay and silage production. Although total fodder volumes were below average, many farmers were able to carry this supply into 2025.

In addition, favorable seasons from 2020 to 2023 allowed farmers in these regions to build above-average silage reserves. Combined with increased feed grain use in 2024 and 2025, this has helped cushion the impact of pasture shortages on milk production.

This, in conjunction with industry sources reporting a general increase in feed grain use in these affected regions, has limited the decline in milk production in 2025. This pattern is expected to continue into 2025. However, there has also been a general rise in demand for fodder which is not only impacting prices in these regions but also other adjoining dairy farming regions. If dry conditions persist, a fodder shortfall could limit milk production in late 2025 and 2026.

Figure 5 – Australia Rainfall Decile Map – Nov 2024



Source: Australian Bureau of Meteorology / Dairy Australia

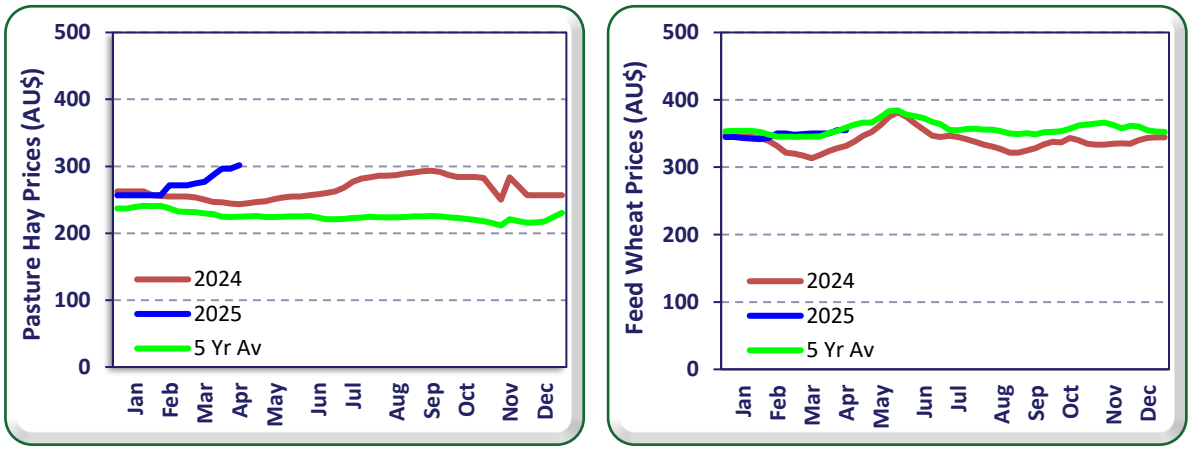
Lower Feed Grain Prices Support Milk production in 2025

Hay prices in early 2025 have increased sharply across Victoria and now sit well above the five-year average (see Figure 6). Concerns about continued dry conditions have led to higher demand, and supply remains tight.

Hay availability in southwest Victoria and South Australia has been supported by frost-damaged or moisture-stressed cereal crops from northern regions that were instead cut for hay in 2024. Much of this has been redirected to dairy producers in affected areas.

Despite regional challenges, national grain production in 2024 was well above average. Feed wheat prices in Victoria are currently near the five-year average and slightly above 2024 levels (see Figure 6), providing dairy farmers with stable, affordable grain supplies for 2025.

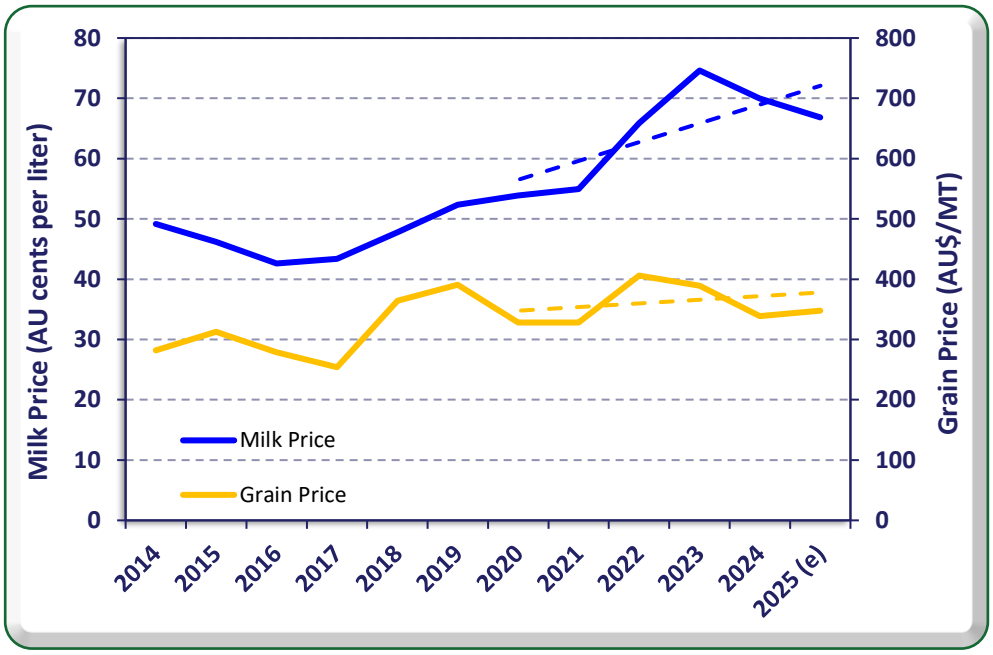
Figure 6 – Pasture Hay and Feed Wheat Price Trends in Victorian Dairying Regions



Source: Dairy Australia

A key factor that has evolved since 2020, which strongly favors dairy farmers, is that milk prices have risen strongly while domestic grain prices have moderately trended upwards (see Figure 7). This strongly widening gap between milk and grain prices has strongly supported the economics of increased grain feeding levels. This trend has supported increasing per cow milk production. It has also been a key factor in minimizing the decline in milk production associated with far lower pasture production due to well below average rainfall experienced in southwest Victoria and South Australia. Nonetheless, pasture and stored fodder remain essential to balanced dairy cow nutrition. The spike in hay prices underscores the urgency of improved seasonal conditions to rebuild fodder reserves and sustain milk output in late 2025 and beyond.

Figure 7 – Milk and Grain Price Trends – 2014 to 2025



Source: *Australian Bureau of Agricultural and Resource Economics and Sciences*
Dairy Australia
Note: *(e) = estimate*

2024 Milk Production Estimate

FAS/Canberra has revised its 2024 milk production estimate slightly downward to 8.67 MMT, from the previous estimate of 8.70 MMT. This revision reflects full-year production data published by Dairy Australia. The small downward adjustment is attributed to dry conditions that persisted through the spring period in southwest Victoria and South Australia, negatively affecting milk production in the final quarter of 2024.

Consumption

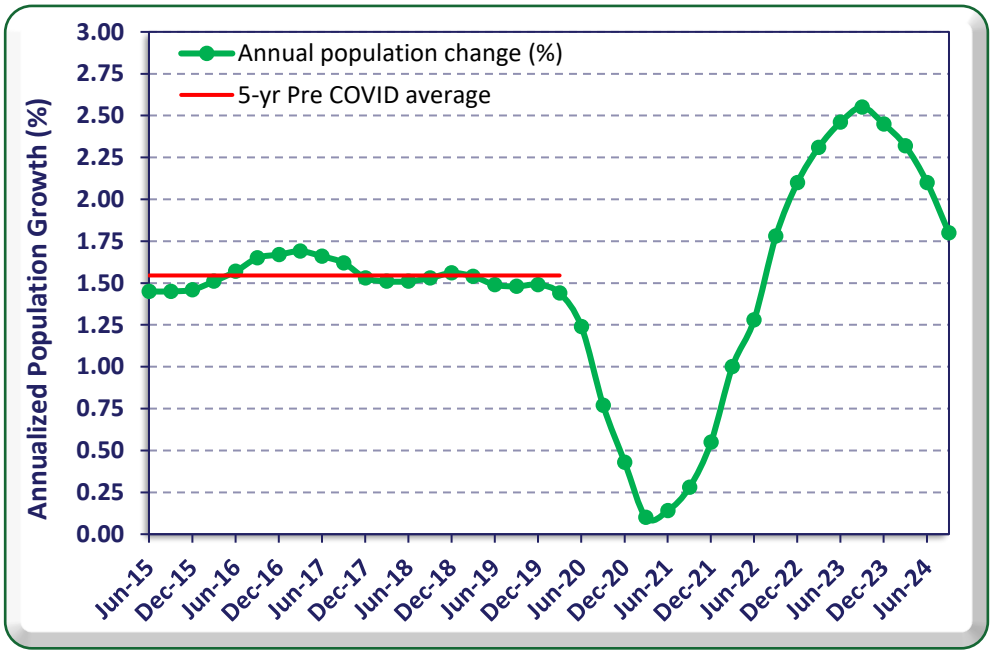
2025 Milk Consumption Estimate

FAS/Canberra estimates that fluid milk consumption will decrease by 0.4 percent in 2025, falling to 2.435 MMT from 2.444 MMT in 2024. This represents a return to the longer-term trend following a marginal increase in consumption recorded in 2024. While per capita milk consumption continues to decline, the recent surge in Australia's population—driven by elevated immigration—is expected to temper the overall rate of decline in 2025, slowing it from the historical average of around one percent per annum.

Australia's population growth has recently outpaced its pre-COVID-19 average of just over 1.5 percent annually. Growth peaked at 2.6 percent in late 2022, prompting the federal government to introduce

measures aimed at moderating immigration. As a result, the annualized growth rate declined to 1.8 percent by the third quarter of 2024 (see Figure 8). Although this rate is falling, it remains above historical norms and is expected to contribute to supporting aggregate milk consumption in 2025. Accordingly, while FAS/Canberra estimates a decline in milk consumption, it is expected to occur at a slower pace than in previous years.

Figure 8 – Australian Population Growth Trend

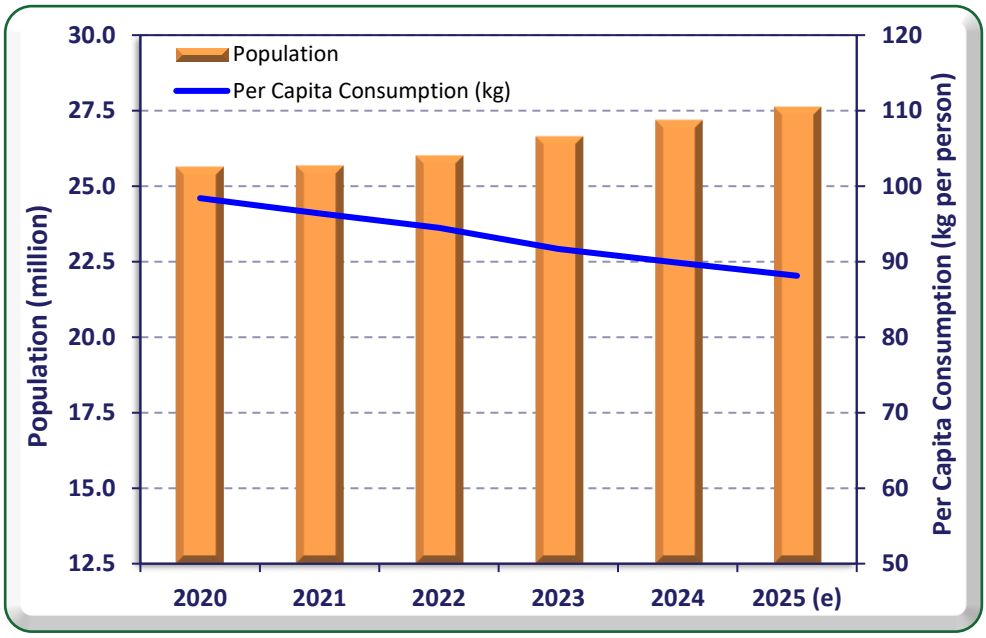


Source: Australian Bureau of Statistics

Over the past five years, per capita milk consumption in Australia has consistently declined at an average rate of around two percent annually (see Figure 9). After factoring in the expected moderation in population growth for 2025, per capita consumption is expected to continue its two-percent annual decline, in line with the recent trend.

Dairy Australia reported that fluid milk consumption for January and February 2025 was 5.3 percent below the same period in 2024. While this represents a substantial variance, Dairy Australia regularly revises its data, and thus these early results may be interpreted with some caution.

Figure 9 – Population and Per Capita Consumption Trend



Source: Australian Bureau of Statistics / Dairy Australia

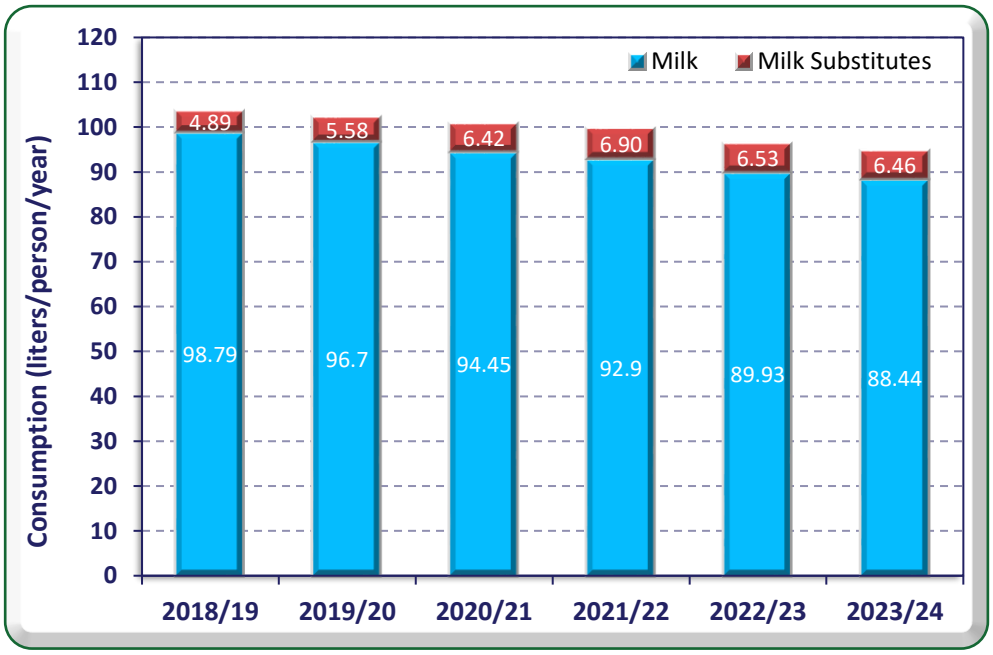
2024 Milk Consumption Estimate

Fluid milk consumption in 2024 recorded a marginal increase of 0.03 percent—the first annual rise in many years—contrasting with the typical average annual decline of approximately one percent. This slight uptick was primarily attributed to a spike in Australia's population growth during 2023 (see Figure 8), which supported higher overall milk consumption in 2024.

Throughout 2024, Australian consumers continued to shift their preferences toward full-fat milk, which accounted for 59.2 percent of total fluid milk consumption. This came at the expense of Ultra-High Temperature (UHT) milk, which declined to 10.5 percent, and reduced-fat milk, which fell to 18.4 percent. These trends were consistent with those observed in 2023. Meanwhile, flavored milk consumption remained steady at 10.1 percent, and no-fat milk consumption saw a slight decline to 1.8 percent.

In Australia, per capita consumption of milk substitute products—primarily soy, almond, oat, and rice milk—experienced strong growth over several years. However, this trend peaked in 2021/22 and has since declined somewhat. Currently, milk substitutes account for approximately seven percent of total per capita milk consumption, including both dairy and non-dairy alternatives (see Figure 10). Given their relatively small share and their recent declining trend, milk substitutes are not considered a major factor in the recent decline in per capita dairy milk consumption.

Figure 10 –Milk and Milk Substitute Consumption Trend



Source: Australian Bureau of Statistics / Dairy Australia

2025 Milk Factory Consumption

Factory use of milk in 2025 is estimated at 5.988 MMT, representing a 1.3 percent decline from 6.064 MMT in 2024. This decrease is primarily attributed to the estimated reduction in overall milk production for the year. Contributing slightly to the reduction are an expected modest increase in fluid milk exports and a minor decline in domestic fresh milk consumption.

2024 Milk Factory Consumption

Factory milk consumption in 2024 reached 6.064 MMT, reflecting a 4.1 percent increase over the previous year. This significant growth was largely driven by increased milk production, coupled with a reduction in fresh milk exports, which left more milk available for domestic processing.

Trade

Exports

2025 Milk Fluid Exports

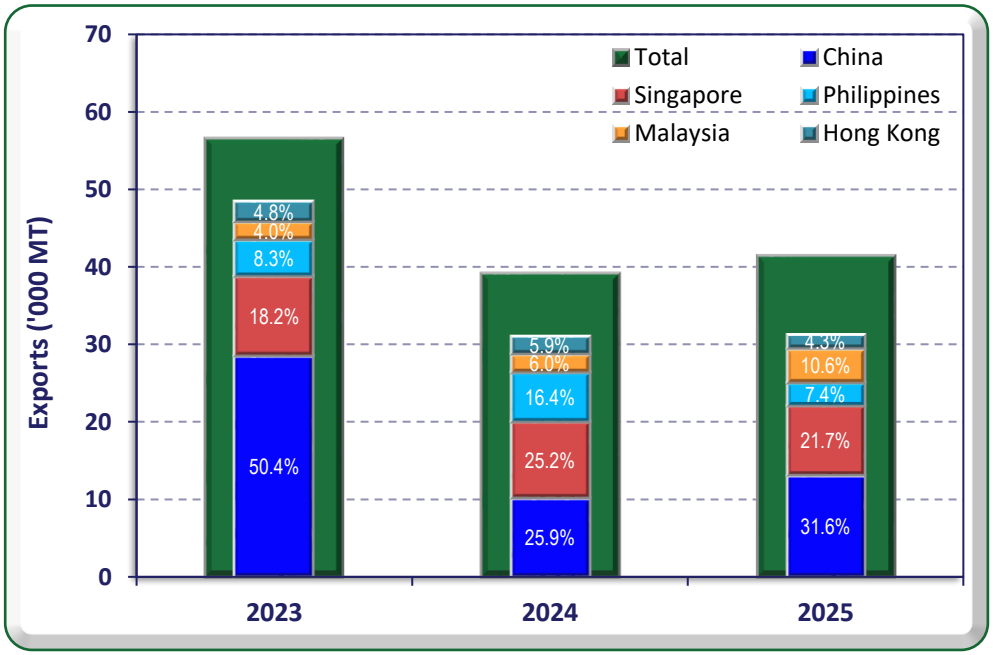
Following a period of rapid growth in fluid milk exports from 2010 to 2021, Australian exports declined significantly between 2022 and 2024. However, FAS/Canberra anticipates a reversal of this downward trend in 2025, with exports expected to increase by 9.5 percent to 185,000 metric tons (MT). This anticipated growth is largely driven by signs of renewed demand from key markets such as China and Malaysia.

In the first quarter of 2025, exports totaled 41,400 MT—an increase of 5.7 percent compared to the same period in 2024. While Australia exports fluid milk to over 40 countries, the top five destinations typically account for more than 75 percent of total shipments. China, once the dominant market for Australian fluid milk, saw a sharp decline in import volumes after 2022. By the first quarter of 2024, its share had dropped to roughly one-quarter of total exports—similar to Singapore's share during the same period (see Figure 11). These proportions remained largely unchanged in the full-year results for 2024.

In early 2025, exports to China and Malaysia experienced notable increases in volume. However, exports to Malaysia subsequently softened slightly, and shipments to the Philippines saw a significant decline.

Over the years, China has expanded its domestic dairy herd and milk production to the extent that the industry is now rationalizing its milk production (Dairy and Products Semi-Annual – Beijing China May 21, 2025). This has led to a sharp drop in farmgate milk prices and some industry consolidation, despite government efforts to stabilize the sector. Given these dynamics, a full recovery of Australian fluid milk exports to previous levels in the Chinese market is not expected in the near term.

Figure 11 – Major Milk Fluid Exports – Jan-Mar 2023 to 2025



Source: *Australian Bureau of Statistics*

2024 Milk Fluid Exports

According to final trade data from the Australian Bureau of Statistics, Australia's fluid milk exports in 2024 totaled 169,000 MT—a 19 percent decline from 2023 and a dramatic 58 percent drop from the

2021 peak of 402,400 MT. The 2024 volume represents the lowest level recorded in over a decade. This steep decline is primarily attributed to reduced demand from China.

Imports

Australia's fluid milk imports are estimated to remain relatively stable at a low level of 8,000 MT in 2025. This represents a slight decline compared to 2024. The modest reduction is attributed to a slower pace of imports recorded during the first quarter of 2025.

Table 1 - Production, Supply, and Distribution of Dairy, Milk, Fluid

Dairy, Milk, Fluid	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	1270	1290	1280	1330	1285	1315
Cows Milk Production (1000 MT)	8467	8469	8700	8668	8800	8600
Other Milk Production (1000 MT)	0	0	0	0	0	0
Total Production (1000 MT)	8467	8469	8700	8668	8800	8600
Other Imports (1000 MT)	7	7	9	9	10	8
Total Imports (1000 MT)	7	7	9	9	10	8
Total Supply (1000 MT)	8474	8476	8709	8677	8810	8608
Other Exports (1000 MT)	207	207	160	169	140	185
Total Exports (1000 MT)	207	207	160	169	140	185
Fluid Use Dom. Consum. (1000 MT)	2440	2443	2460	2444	2470	2435
Factory Use Consum. (1000 MT)	5827	5826	6089	6064	6200	5988
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	8267	8269	8549	8508	8670	8423
Total Distribution (1000 MT)	8474	8476	8709	8677	8810	8608
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

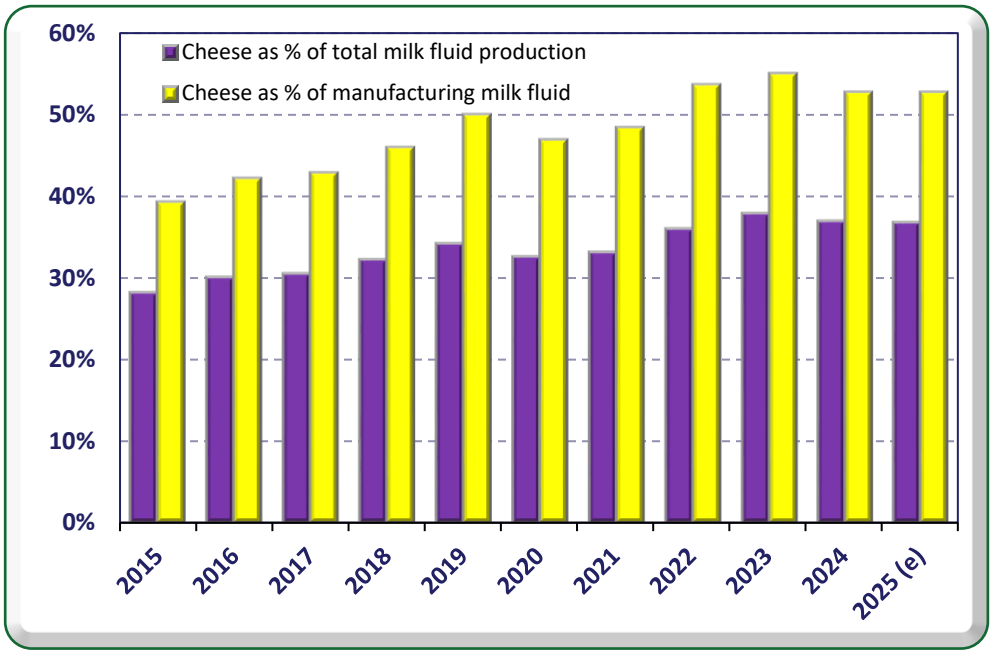
CHEESE

Production

2025 Cheese Production

FAS/Canberra estimates cheese production in 2025 at 395,000 MT, a five percent increase compared to the previous forecast (issued six months earlier). Australian dairy processors have continued to prioritize cheese production over the past decade, In 2025, cheese is expected to utilize 37 percent of the total national milk pool and 53 percent of the manufacturing milk pool—up from 28 percent and 39 percent, respectively, in 2015 (see Figure 12).

Figure 12 – Trend in Milk Consumption for Cheese Production



Source: Dairy Australia / FAS/Canberra

For more than a decade, Australian cheese manufacturers have increasingly focused on producing higher-value cheese varieties, particularly non-cheddar types in recent years. Although Australia produces more cheese than it consumes, the industry's emphasis has been on maximizing value from available milk rather than meeting all segments of domestic cheese demand.

Given the relatively flat outlook for national milk production, other major manufactured dairy products—such as butter, whole milk powder, and skim milk powder—have been scaled back to historically low levels in order to support high levels of cheese production. Under these conditions, there is limited capacity to expand cheese output further.

To date, most cheese imports have consisted of lower-value varieties used primarily in the food service sector, such as those supplied to fast-food chains. However, with continued population growth, industry sources suggest that imports of higher-value cheese products are expected to gradually increase to meet rising demand.

2024 Cheese Production

FAS/Canberra estimates cheese production in 2024 at 400,000 MT, a 1.3 percent increase over the 2023 estimate. However, Dairy Australia's voluntary reporting data for 2024 remains incomplete, with the organization advising that its data collection process is currently under review.

From January to September 2024, available Dairy Australia data shows that cheese production was 10.5 percent lower than during the same period in 2023—even though milk production rose by 3.4 percent over the same timeframe. Notably, there was no significant increase in fluid milk exports or consumption during this period that would account for the reduced supply of milk for cheese production.

In addition, Dairy Australia's voluntarily reported data on other manufactured dairy products—such as butter, butteroil, skim milk powder, and whole milk powder—does not indicate any substantial shift of milk from cheese production toward these categories.

Consumption

2025 Cheese Consumption

FAS/Canberra estimates cheese consumption in Australia will reach 350,000 MT in 2025, representing a 1.4 percent increase over the 2024 estimate of 345,000 MT. This growth is primarily attributed to continued population expansion. If realized, this would mark the highest level of cheese consumption on record, extending a trend of consecutive annual records that began in 2022.

2024 Cheese Consumption

Cheese consumption in 2024 is estimated at 345,000 MT, an increase of 1.5 percent (or 5,000 MT) compared to 2023. As with the 2025 estimate, this growth is largely driven by Australia's rising population.

Trade

Exports

2025 Cheese Exports

FAS/Canberra estimates Australian cheese exports in 2025 at 175,000 MT, reflecting a significant 16.6 percent increase over the previous forecast of 150,000 MT and a 4.8 percent rise (10,000 MT) compared to actual exports in 2024. This upward revision is primarily driven by strong export performance in the first quarter of 2025.

In the first three months of 2025, cheese exports totaled 45,476 MT, up 13.1 percent from 40,194 MT in the same period of 2024. While this pace is higher than the expected annual growth rate of 6.1 percent, exports are anticipated to slow slightly over the remainder of the year due to the anticipated decline in both total milk production and milk available for manufacturing.

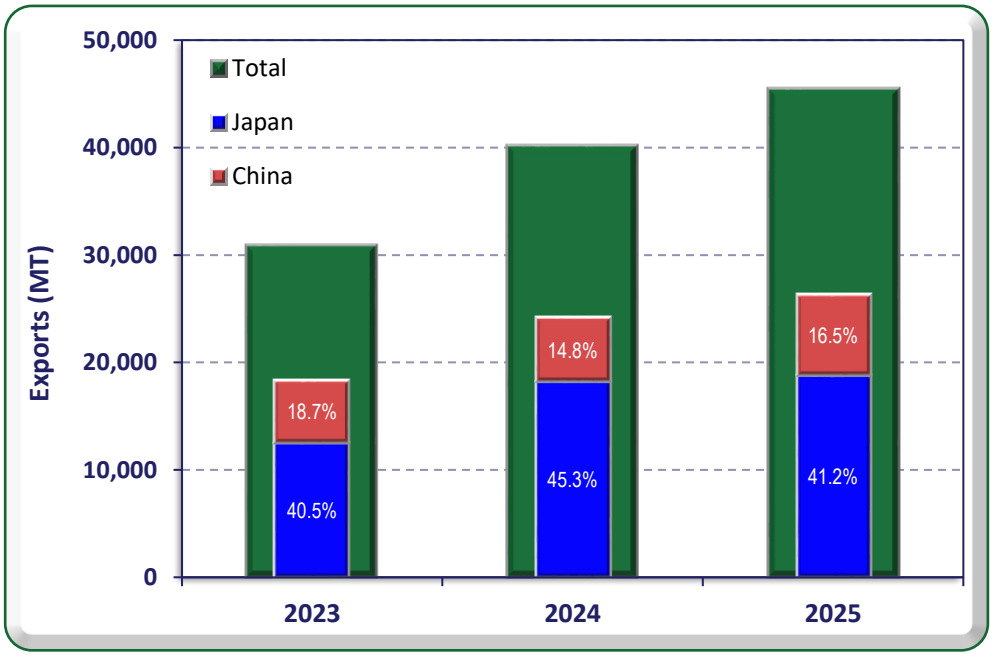
Australia's status as a net exporter of cheese underscores the strength of its dairy sector. Historically, Australia has exported over one-third of its cheese production. This share increased to over 40 percent in 2024 and is expected to be maintained in 2025. With limited potential for significant growth in milk supply, processors are expected to continue prioritizing cheese production, particularly high-value

varieties that support export competitiveness. Despite rising domestic demand from population growth, the shortfall in supply is likely to be offset by increased imports.

Japan has remained by far the largest market for Australian cheese for over a decade, followed by China. While China has significantly expanded its domestic dairy production—leading to oversupply and reduced farmgate milk prices—it continues to import substantial and growing volumes of Australian cheese.

In the first quarter of 2025, exports to Japan increased slightly, while shipments to China showed more pronounced growth (see Figure 13). Overall, exports to nearly all of Australia's top ten cheese markets rose during this period compared to the same quarter in 2024.

Figure 13 – Major Cheese Export Destinations – Jan to Mar 2023 to 2025



Source: Australian Bureau of Statistics

2024 Cheese Exports

According to finalized trade data from the Australian Bureau of Statistics, cheese exports in 2024 totaled 167,000 MT, marking a substantial 29 percent increase from 2023. The unusually low export volume in 2023 was due to record-high domestic milk prices, which exceeded international levels and rendered Australian cheese uncompetitive on the global market. The sharp rebound in 2024 was driven by rising global dairy prices and the need for domestic manufacturers to reduce unusually high inventory levels.

Imports

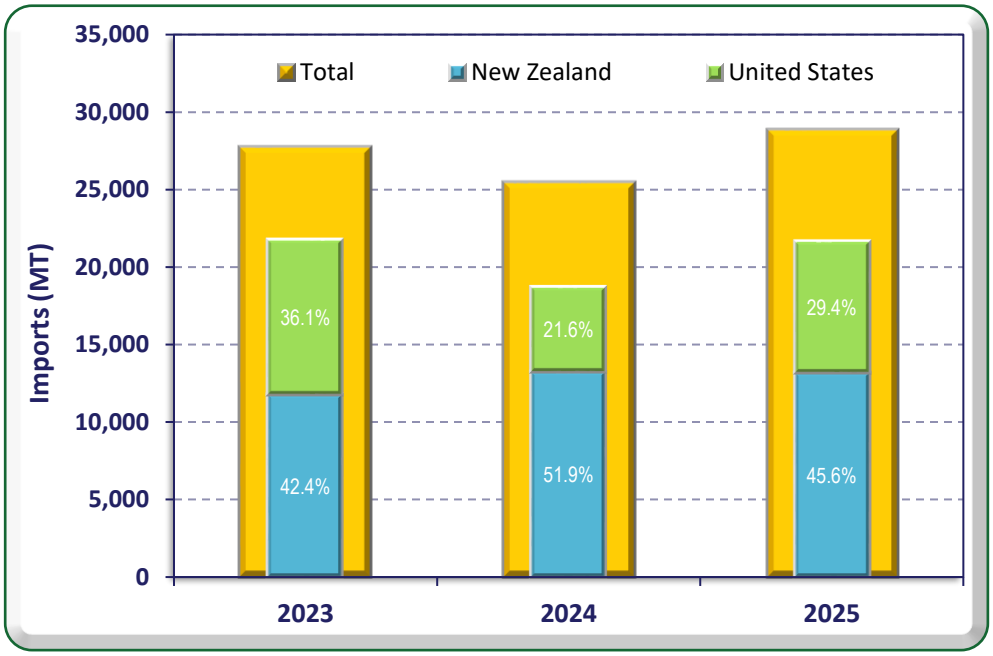
2025 Cheese Imports

FAS/Canberra estimates Australia's cheese imports at 110,000 MT for 2025, unchanged from the previous forecast. This represents a 9 percent increase from the 2024 total of 101,000 MT. If realized, the 2025 figure would mark the second-highest volume of cheese imports on record, trailing only the 2017 peak of 116,000 MT.

In the first quarter of 2025, imports reached 28,864 MT, a 13 percent increase over the same period in 2024. If this trend continues in line with the five-year average seasonal pattern, total imports for the year would reach slightly above 111,000 MT, aligning closely with the current annual estimate.

Historically, New Zealand has accounted for nearly half of all Australian cheese imports. The United States has been the second-largest source, contributing approximately one-quarter of total imports annually. In recent years, however, imports from the U.S. have shown notable growth (see Figure 14), contributing to the rising import volumes.

Figure 14 – Major Cheese Import Sources – Jan to Mar 2023 to 2025



Source: Australian Bureau of Statistics

2024 Cheese Imports

Australia imported 101,000 MT of cheese in 2024, marking only the third time that imports have exceeded the 100,000 MT threshold. This result closely aligns with FAS/Canberra's earlier forecast of 100,000 MT. However, it represents a 6.4 percent decline from 2023.

The high import volume in 2023 was largely driven by elevated domestic farmgate milk prices, which were well above world market levels. This reduced the competitiveness of locally produced cheese in both domestic and export markets, prompting retailers to increase imports of more cost-effective alternatives.

Table 2 - Production, Supply, and Distribution of Dairy, Cheese

Dairy, Cheese	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	97	97	136	131	131	120
Production (1000 MT)	425	395	435	400	440	395
Other Imports (1000 MT)	108	108	100	101	105	110
Total Imports (1000 MT)	108	108	100	101	105	110
Total Supply (1000 MT)	630	600	671	632	676	625
Other Exports (1000 MT)	129	129	160	167	165	175
Total Exports (1000 MT)	129	129	160	167	165	175
Human Dom. Consumption (1000 MT)	365	340	380	345	390	350
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	365	340	380	345	390	350
Total Use (1000 MT)	494	469	540	512	555	525
Ending Stocks (1000 MT)	136	131	131	120	121	100
Total Distribution (1000 MT)	630	600	671	632	676	625
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

BUTTER

Production

2025 Butter Production

FAS/Canberra estimates Australia's butter production in 2025 to remain steady at 55,000 MT, representing a downward revision of 5,000 MT from the previous forecast issued six months earlier. The revision is primarily attributed to ongoing dry conditions in southwestern Victoria and South Australia, which have led to lower-than-expected milk production.

The 2025 estimate aligns with production levels recorded over the past three years and continues to fall short of fully meeting domestic demand. This is a stark contrast to historical levels, when butter production regularly exceeded 100,000 MT for nearly three decades before 2018, peaking at 180,000 MT in 2000.

In recent years, Australian dairy processors have shifted their production focus toward higher-value cheese products, significantly reducing investment in butter, SMP, and WMP. Given the high capital

costs associated with reintroducing large-scale butter processing infrastructure, it is unlikely that production will expand in response to short-term fluctuations in global butter prices.

2024 Butter Production

FAS/Canberra estimates butter production for 2024 at 55,000 MT, an increase of 5,000 MT (10 percent) over 2023. According to Dairy Australia, production data for the first nine months of 2024 was approximately nine percent higher than the same period in the previous year—broadly consistent with the estimated annual increase.

Consumption

2025 Butter Consumption

FAS/Canberra estimates butter consumption in 2025 to rise slightly to 94,000 MT, up 1.1 percent from an estimated 93,000 MT in 2024. This modest increase is primarily driven by population growth, partially offset by a slight decline in per capita consumption.

The butter consumption figure includes butteroil and anhydrous milk fat (AMF), expressed in butter-equivalent terms. AMF is a concentrated, moisture-free form of butter used extensively in food manufacturing, particularly in bakery and confectionery applications. While butter is also used in food manufacturing, it is predominantly sold through retail outlets and used in the food service sector.

2024 Butter Consumption

FAS/Canberra's estimate for 2024 butter consumption is 93,000 MT, an increase of 1,000 MT from 2023. As with the 2025 estimate, the growth is attributed mainly to population expansion, tempered by a minor decrease in per capita butter consumption.

Trade

Exports

2025 Butter Exports

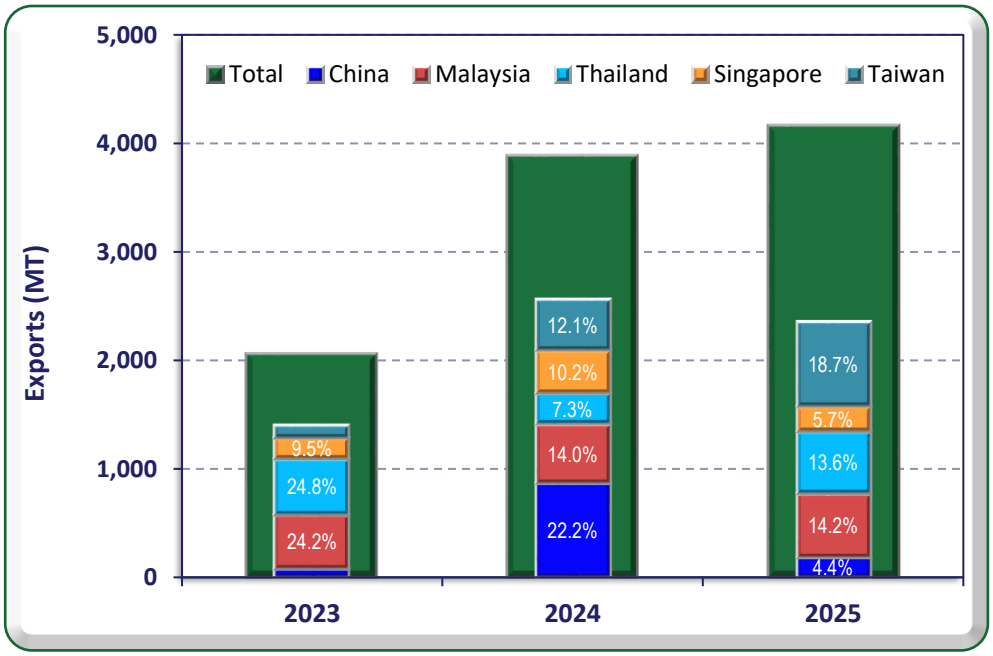
Butter exports in 2025 are estimated at 20,000 MT, representing a decrease of 1,000 MT from the previous year. As Australia is a net importer of butter, consuming significantly more than it produces, any substantial change in export volumes from these relatively low levels is unlikely.

Exports for the first quarter of 2025 were roughly in line with the same period in 2024. However, given the small overall trade volume, first-quarter exports have historically been volatile and are not a reliable indicator of full-year performance. Despite this, early 2025 trade data is broadly consistent with the current annual export estimate.

Australia exports butter to more than 30 countries, with the top five destinations—China, Malaysia, Thailand, Singapore, and Taiwan—typically accounting for 55 to 65 percent of total exports over the past five years. In the first quarter of 2025, exports to China saw a notable decline, but this was largely offset by significant increases in exports to Thailand and Taiwan (see Figure 15).

Exports to markets outside the top five also played a more prominent role early in 2025. Key emerging growth markets include Mexico, Indonesia, and Hong Kong. Notably, trade with Mexico began increasing in mid-2024 and has continued its upward trajectory into 2025.

Figure 15 – Change in Butter Exports – Jan to Mar 2023 to 2025



Source: *Australian Bureau of Statistics*

2024 Butter Exports

According to Australian trade data, butter exports in 2024 reached 21,000 MT, a significant increase from 9,000 MT in 2023. This jump mirrors trends observed in cheese exports and is largely attributed to record-high Australian farmgate milk prices in 2023, which reduced manufactured dairy products competitiveness on global markets. As milk prices normalized in 2024, exports rebounded from the prior year's unusually low base.

Imports

2025 Butter Imports

FAS/Canberra estimates Australia's butter imports will remain relatively stable at 45,000 MT in 2025, representing a modest increase of 1,000 MT from the previous year. Imports for the first quarter of 2025

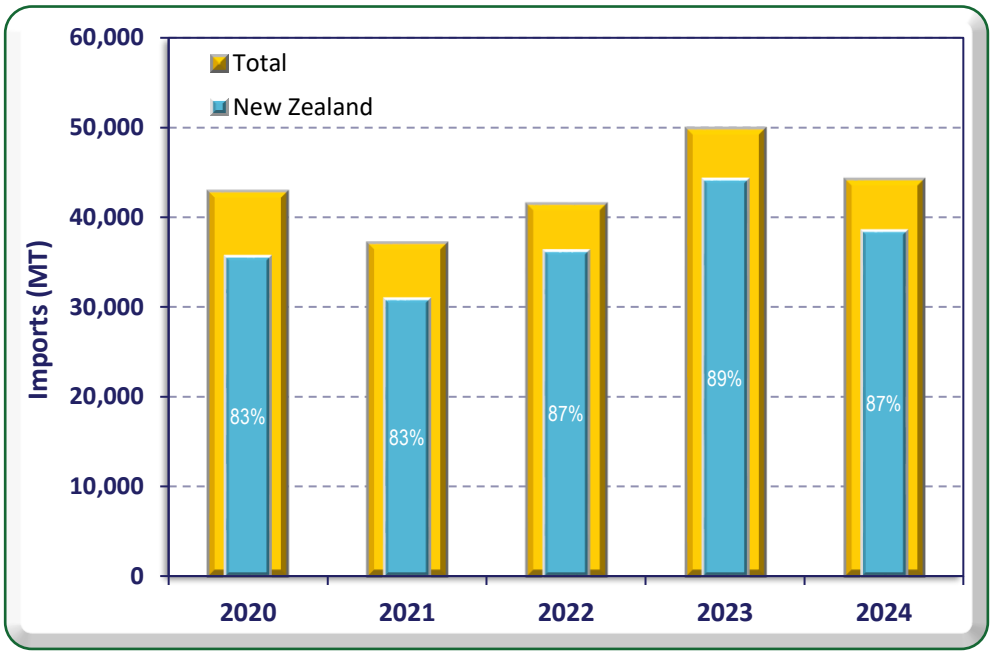
reached 8,000 MT, an 11 percent increase compared to the same period in 2024. While the percentage growth appears high, the actual increase was only 800 MT. FAS/Canberra anticipates that the pace of imports will moderate over the remaining nine months, bringing full-year volumes in line with those recorded in 2024.

Australia is a net importer of butter, and New Zealand remains by far the dominant supplier, consistently accounting for more than 85 percent of total imports in recent years. Due to the close proximity between the two countries, importers can respond quickly to shifts in domestic demand by adjusting volumes accordingly.

2024 Butter Imports

Final trade data shows that butter imports in 2024 totaled 44,000 MT, a decline of 6,000 MT (11 percent) from 2023. As previously noted, 2023 was marked by record-high farmgate milk prices in Australia, which reduced the global competitiveness of domestically produced butter. This led to an increase in imports, particularly from New Zealand. The 2024 decline in imports reflects a return to more typical levels seen in recent years (see Figure 16).

Figure 16 –Butter Imports Trends – 2020 to 2024



Source: *Australian Bureau of Statistics*

Table 3 - Production, Supply, and Distribution of Dairy, Butter

Dairy, Butter	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	57	57	56	56	35	41
Production (1000 MT)	50	50	55	55	60	55
Other Imports (1000 MT)	50	50	41	44	45	45
Total Imports (1000 MT)	50	50	41	44	45	45
Total Supply (1000 MT)	157	157	152	155	140	141
Other Exports (1000 MT)	9	9	22	21	15	20
Total Exports (1000 MT)	9	9	22	21	15	20
Domestic Consumption (1000 MT)	92	92	95	93	94	94
Total Use (1000 MT)	101	101	117	114	109	114
Ending Stocks (1000 MT)	56	56	35	41	31	27
Total Distribution (1000 MT)	157	157	152	155	140	141
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

SKIM MILK POWDER

Production

2025 Skim Milk Powder Production

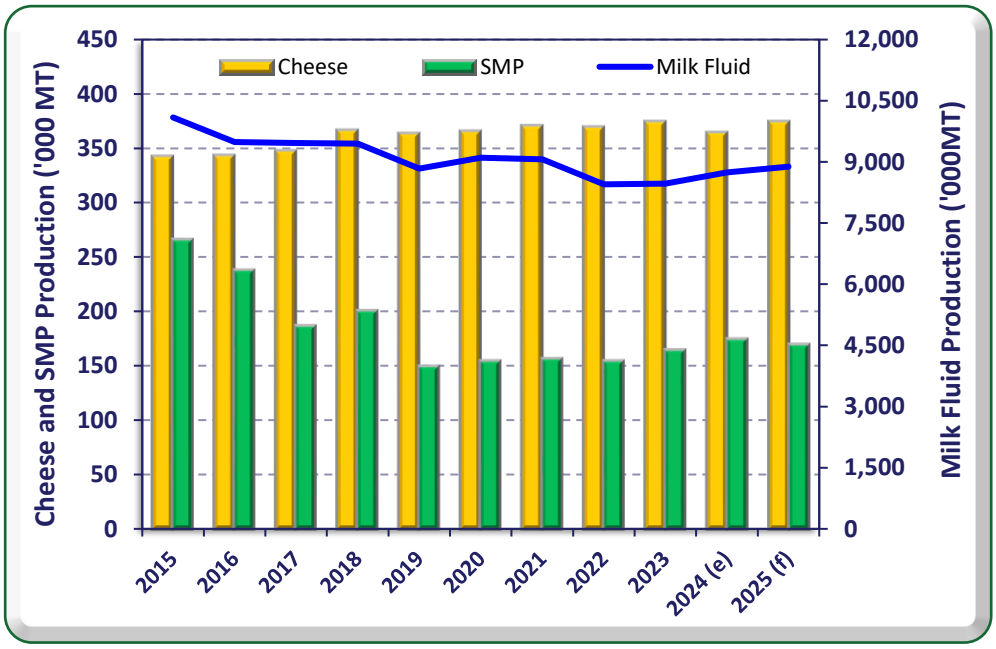
FAS/Canberra estimates SMP production in 2025 at 170,000 MT, a decline of 5,000 MT from the previous forecast six months earlier. This revision primarily reflects a downward adjustment in the overall milk production estimate for 2025. The volume of milk allocated for manufacturing is expected to be slightly lower than in 2024, contributing to the modest reduction in SMP production.

While total milk volume for manufacturing is important, the peak milk production period in spring (see Figure 1) plays a critical role in determining how much milk manufacturers allocate to milk powder production. This is due to capacity constraints in producing other dairy products during peak periods.

SMP and butter are typically produced through the same manufacturing process: the milk's fat content is initially reduced before drying to create SMP. According to industry reports, approximately one-quarter of the milk fat extracted during SMP production is used for cream, while the remaining three-quarters are further processed into butter. Manufacturers can adjust this fat distribution readily in response to changing market demands.

It is worth noting that SMP production, like butter, is now well below historical levels. For nearly a decade before 2019, production consistently exceeded 155,000 MT, peaking at 266,000 MT in 2015. The general decline in milk production in Australia has been accompanied by a reduction in SMP output; however, this relationship is not direct. The industry's strategic shift toward increasing cheese production (see Figure 17) has also contributed to the lower SMP production levels.

Figure 17 – Milk Fluid, SMP and Cheese Production Trends



Source: Dairy Australia / PSD Online

2024 Skim Milk Powder Production

FAS/Canberra estimates SMP production in 2024 at 175,000 MT, which is 10,000 MT (six percent) higher than in 2023. Dairy Australia's reported production data for the first nine months of 2024 shows a six percent increase compared to the same period in 2023. Since the final three months are the peak period for SMP production—and given the higher milk production during this peak in 2024 relative to 2023—a substantial increase in SMP production is anticipated for the full year.

Consumption

2025 Skim Milk Powder Consumption

FAS/Canberra estimates that SMP consumption in 2025 will remain stable at 25,000 MT, consistent with the previous year. Since Australia produces significantly more SMP than it consumes domestically, the moderate decline in production is not expected to impact consumption levels.

SMP is widely used across the food manufacturing sector as an additive in products such as baking goods, confectionery, prepared foods, snacks, and animal feeds. Additionally, SMP can be reconstituted to produce yogurts, dairy desserts, ice cream, and skim milk—particularly in countries lacking adequate refrigerated food supply chains.

The vast majority of SMP-containing end products are sold through retail and supermarket channels, with a smaller portion distributed via the food service sector. Given SMP's broad range of applications,

significant fluctuations in annual consumption are unlikely, with changes largely driven by population growth.

2024 Skim Milk Powder Consumption

FAS/Canberra's SMP consumption estimate for 2024 is 24,000 MT. This is a small volume of around 15 percent of overall production.

Trade

Exports

2025 Skim Milk Powder Exports

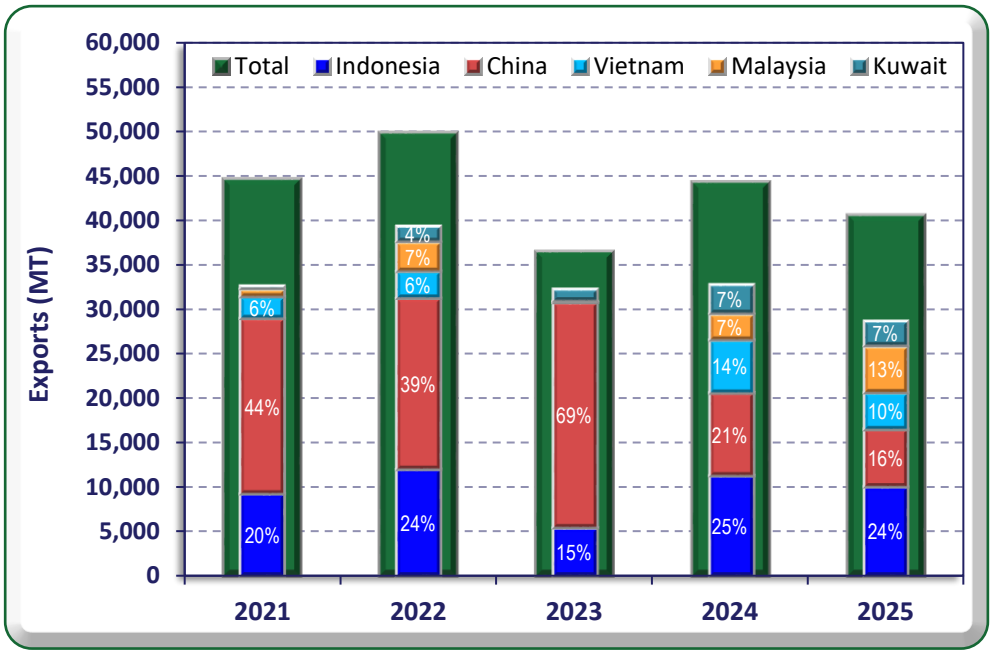
FAS/Canberra estimates SMP exports for 2025 at 155,000 MT, unchanged from the previous forecast. This represents a 15,000 MT decline compared to 2024. The reduction is partly due to the lower SMP production estimate for 2025, as well as weaker export performance during the first quarter relative to the same period in 2024.

In the first quarter of 2025, SMP exports totaled 40,600 MT, which is eight percent lower than the 44,300 MT exported during the first quarter of 2024. Given that, on average, just over a quarter of annual exports occur in the first quarter, the current pace is broadly on track to meet the 155,000 MT export estimate for the year.

Australia exports SMP to over 20 countries, with the top five destinations typically accounting for around three-quarters of total exports. In recent years, China has been a dominant market; however, exports to China have declined sharply since 2024 and this trend continues into 2025 (see Figure 18). This decline reflects China's maturing dairy industry, which has reached an oversupply stage, as indicated by a significant drop in milk prices. FAS/Beijing reports a substantial increase in milk powder production in 2024, with further growth expected in 2025. Consequently, China's milk powder imports have fallen, significantly impacting Australian exports.

Despite this, Australia has diversified its market base, expanding exports to countries such as Indonesia, Vietnam, Malaysia, and Kuwait, which has helped offset the reduced trade with China.

Figure 18 – Major SMP Export Destinations – Jan to Mar 2021 to 2025



Source: *Australian Bureau of Statistics*

2024 Skim Milk Powder Exports

SMP exports in 2024 reached 170,000 MT, a significant increase from the low of 133,000 MT in 2023. Similar to other manufactured dairy commodities, this rebound was driven by farmgate milk prices in 2023 that were above world parity, making Australian products less competitive on the export market and reducing volumes that year.

Imports

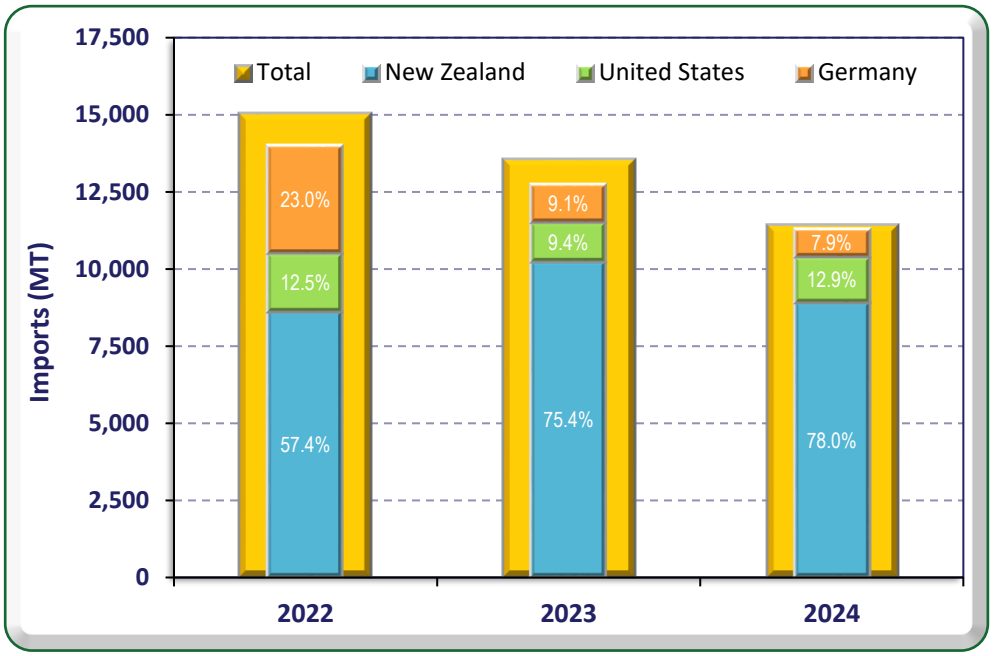
2025 Skim Milk Powder Imports

FAS/Canberra estimates SMP imports will remain relatively stable at 12,000 MT in 2025, which is 1,000 MT higher than the 2024 outcome. As a large net exporter, Australia's SMP imports are very low, and annual fluctuations tend to be minimal.

From January to March 2025, SMP imports totaled 3,100 MT. Although this is slightly lower than the same period in 2024, based on average seasonality over the past five years, the first-quarter results are on track to meet the full-year estimate of 12,000 MT.

In recent years, New Zealand has consistently been Australia's primary source of SMP, accounting for around three-quarters of total imports. The United States and Germany make up most of the remaining imports (see Figure 19).

Figure 19 – Major SMP Import Sources – 2022 to 2024



Source: *Australian Bureau of Statistics*

2024 Skim Milk Powder Imports

In 2024, SMP imports totaled 11,000 MT, slightly down from 14,000 MT in 2023. This volume has remained small and relatively stable over the past five years.

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

Dairy, Milk, Nonfat Dry	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	17	17	13	35	11	27
Production (1000 MT)	145	165	175	175	170	170
Other Imports (1000 MT)	14	14	11	11	15	12
Total Imports (1000 MT)	14	14	11	11	15	12
Total Supply (1000 MT)	176	196	199	221	196	209
Other Exports (1000 MT)	133	133	165	170	160	155
Total Exports (1000 MT)	133	133	165	170	160	155
Human Dom. Consumption (1000 MT)	30	28	23	24	23	25
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	30	28	23	25	23	25
Total Use (1000 MT)	163	161	188	194	183	175
Ending Stocks (1000 MT)	13	35	11	27	13	29
Total Distribution (1000 MT)	176	196	199	221	196	209
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

WHOLE MILK POWDER

Production

2025 Whole Milk Powder Production

FAS/Canberra estimates WMP production in 2025 to remain steady at 32,000 MT, matching the estimate for 2024. This stability largely reflects the milk volume for manufacturing in 2025, which is projected to be only marginally (1.1 percent) lower than in 2024.

Australia's peak WMP production occurred in 2002 at 239,000 MT but has since declined by approximately 85 percent to around 30,000 MT in 2023. While recent increases in milk production have slightly boosted the WMP production estimates for 2024 and 2025, Australian dairy processors have increasingly shifted milk volumes towards cheese production over the past decade. As a result, the reduced WMP output today is primarily focused on specialized, higher-value powders, such as those used in infant milk formula.

2024 Whole Milk Powder Production

FAS/Canberra's estimate for WMP production in 2024 is 32,000 MT, representing a 2,000 MT increase over 2023. This growth is mainly due to a 4.1 percent rise in milk used for manufacturing from 2023 to 2024.

Consumption

2025 Whole Milk Powder Consumption

FAS/Canberra estimates domestic consumption of WMP in 2025 to remain steady at 30,000 MT, unchanged from the 2024 estimate. Although Australia has experienced significant population growth in recent years, this growth slowed to an annualized rate of 1.8 percent as of September 2024 and is expected to slow further in 2025. Applying a more typical past growth rate of 1.5 percent to WMP consumption translates to an increase of only about 450 MT—a small change that is unlikely to have any significant impact.

WMP is a key ingredient in a wide range of manufactured food products. It can be reconstituted to produce milk drinks, yogurts, and ice cream. In food manufacturing, WMP is used similarly to SMP in baking goods such as bread, cakes, biscuits, as well as in beverages, confectionery, dry mixes, and prepared foods. A major distinction between WMP and SMP is that WMP is used to produce infant milk formula, whereas SMP is not. Given this broad spectrum of uses, WMP consumption tends to remain relatively stable from year to year, primarily influenced by population growth.

2024 Whole Milk Powder Consumption

FAS/Canberra's estimate for WMP consumption in 2024 is 30,000 MT, based on Dairy Australia's voluntary manufacturer reporting. This remains flat from 2023. Dairy Australia has indicated that it is reviewing its data collection processes for manufactured products, and the final estimate for 2024 consumption is yet to be published.

Trade

Exports

2025 Whole Milk Powder Exports

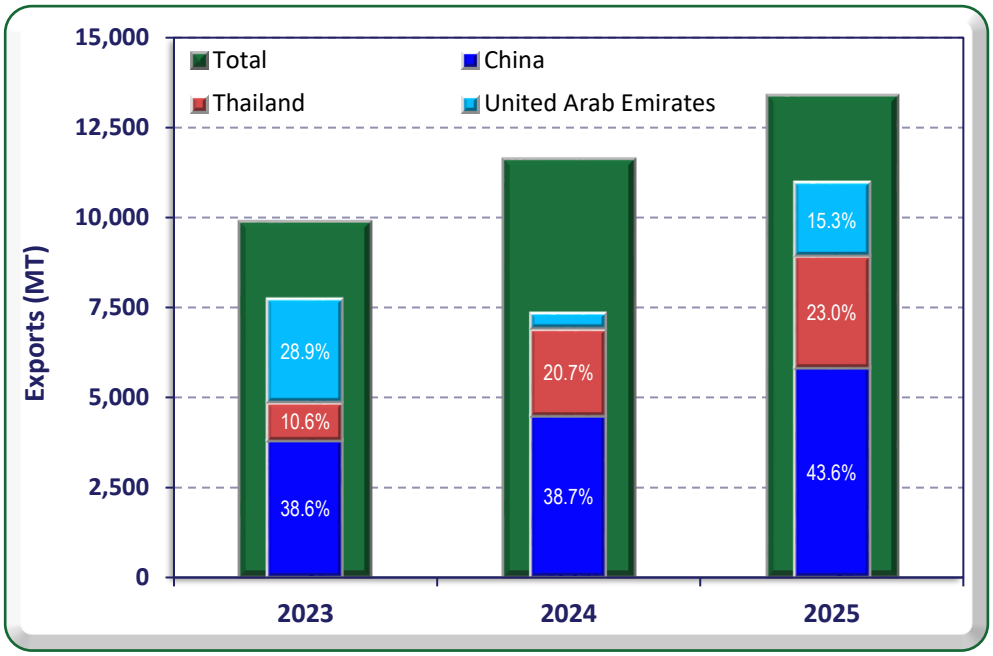
FAS/Canberra estimates Australian WMP exports in 2025 at 45,000 MT, representing a 5,000 MT upward revision from the previous forecast made six months ago. This revision is largely due to a very strong export performance in the first quarter of 2025.

In the first quarter of 2025, WMP exports reached 13,400 MT, which is 1,800 MT higher than the same period in the previous year. However, historical data shows that first-quarter exports can vary significantly as a proportion of the annual total. Based on the average seasonal export patterns over the last five years, the current pace suggests a full-year export volume of around 55,000 MT, similar to 2024. Despite this, FAS/Canberra expects export momentum to ease during the remainder of the year, primarily because imports so far in 2025 have been below expectations, leading to a drawdown in stocks.

Given relatively low WMP production, Australian manufacturers concentrate on producing higher-value WMP mainly for export markets, while imported WMP is predominantly used as an ingredient in domestic manufactured products.

In recent years, China, Thailand, and Saudi Arabia have been the primary destinations for Australian WMP, collectively accounting for around 75 percent of total exports. Notably, in the first quarter of 2025, exports to China have strengthened compared to the same periods in the previous two years (see Figure 20). This occurs despite ongoing domestic challenges in China, including low milk prices linked to high production. China's WMP imports have more than halved since 2021, with most imports coming from New Zealand— a country heavily impacted by the decline. Australia, accounting for roughly five percent of China's WMP imports, has experienced minimal effects from these shifts.

Figure 20 – Major WMP Export Destinations – Jan to Mar 2023 to 2025



Source: *Australian Bureau of Statistics*

2024 Whole Milk Powder Exports

WMP exports in 2024 totaled 55,000 MT, a substantial increase of 17,000 MT (46 percent) compared to 2023. Similar to other manufactured dairy commodities, this sharp rise in 2024 largely reflects the low export levels in 2023. The 2023 drop was driven by farmgate milk prices in Australia that were significantly above world parity, reducing the competitiveness of Australian manufactured products, including WMP, in global markets.

Imports

2025 Whole Milk Powder Imports

FAS/Canberra estimates WMP imports to Australia at 45,000 MT in 2025, representing a 22 percent increase from the 37,000 MT imported in 2024. However, 2024 imports marked a significant decline compared to previous years.

Imports for the first quarter of 2025 totalled 9,500 MT, down from 10,900 MT for the same time in 2024, even though full year imports were much lower in 2024 than the estimate for 2025. That said, first-quarter import figures have historically been a poor predictor of full-year outcomes. FAS/Canberra anticipates that import volumes will pick up during the remainder of 2025. Without this increase, exports would need to slow substantially, given the limited prospects for any significant rise in domestic WMP production.

The vast majority of WMP imports come from New Zealand, with both the volume and share steadily rising in recent years to now exceed 90 percent of total imports. New Zealand's close proximity to Australia, combined with its larger WMP production capacity and a slowdown in its exports to China, suggests that Australian imports are likely to increase further to meet domestic demand.

2024 Whole Milk Powder Imports

In 2024, Australia's WMP imports were 37,000 MT, according to trade data, marking a notable decline from 47,000 MT in 2023. This reduction is likely to reflect a small stock build-up in 2023, driven by low exports and higher imports amid reduced competitiveness in the global market. The situation reversed in 2024, with increased WMP exports, reduced imports, and drawdown of carryover stocks to satisfy domestic consumption.

Table 5 - Production, Supply, and Distribution of Dairy, Dry Whole Milk Powder

Dairy, Dry Whole Milk Powder	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	20	20	21	29	8	13
Production (1000 MT)	30	30	32	32	32	32
Other Imports (1000 MT)	47	47	39	37	45	45
Total Imports (1000 MT)	47	47	39	37	45	45
Total Supply (1000 MT)	97	97	92	98	85	90
Other Exports (1000 MT)	38	38	52	55	40	45
Total Exports (1000 MT)	38	38	52	55	40	45
Human Dom. Consumption (1000 MT)	38	30	32	30	34	30
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	38	30	32	30	34	30
Total Use (1000 MT)	76	68	84	85	74	75
Ending Stocks (1000 MT)	21	29	8	13	11	15
Total Distribution (1000 MT)	97	97	92	98	85	90
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Attachments:

No Attachments