Required Report: Required - Public Distribution **Date:** June 12, 2026

Report Number: NZ2026-0009

Report Name: Dairy and Products Semi-annual

Country: New Zealand

Post: Wellington

Report Category: Dairy and Products

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Report Highlights:

New Zealand fluid milk production for market year (MY) 2026 is forecast to reach a record 22.1 million metric tons (MMT). This forecast reflects favorable economic conditions for the dairy sector, including strong farm-gate returns supporting higher milk output in addition to continued investment in productivity improvements and infrastructure. MY 2025 milk production concluded at 21.93 MMT, reaching production levels not seen since MY 2018, when the national herd had an additional 315,000 cows in milk, reflecting strong sectorial productivity growth. Whole milk powder (WMP) continues to be the leading export category by volume. However, a notable production shift is underway with expanded capacity for cheese production, as well as specialty and functional products.

Executive Summary

New Zealand fluid milk production for 2026 market year (MY) is forecast to reach a record 22.1 million metric tons (MMT). This forecast reflects favorable economic conditions for the dairy sector, including strong farm-gate returns supporting higher milk output in addition to continued investment productivity improvements, innovation, and on-farm infrastructure. Milk production in 2026 is influenced by the following factors:

- Strong farm gate milk price and growing margins
- Expansion of national dairy herd
- Increased imports of supplemental feed and fertilizer
- Production concerns due to El Niño weather pattern forecast

MY 2025 milk production concluded at 21.93 MMT, reaching production levels not seen since MY 2018, when the national herd had an additional 315,000 cows in milk, reflecting strong sectorial productivity growth. Industry contacts report significant cropland to dairy farm conversions taking place in the South Island and parts of the lower North Island, which are expected to result in an expansion of the national herd by 30,000 to 60,000 head.

Whole milk powder (WMP) continues to be the leading export category by volume. However, a notable production shift is underway with expanded capacity for cheese production, as well as specialty and functional products such as infant milk formula (IMF), whey and milk protein concentrates (WPC, WPI, MPC), lactoferrin, caseinates, and other value-added dairy ingredients.

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.

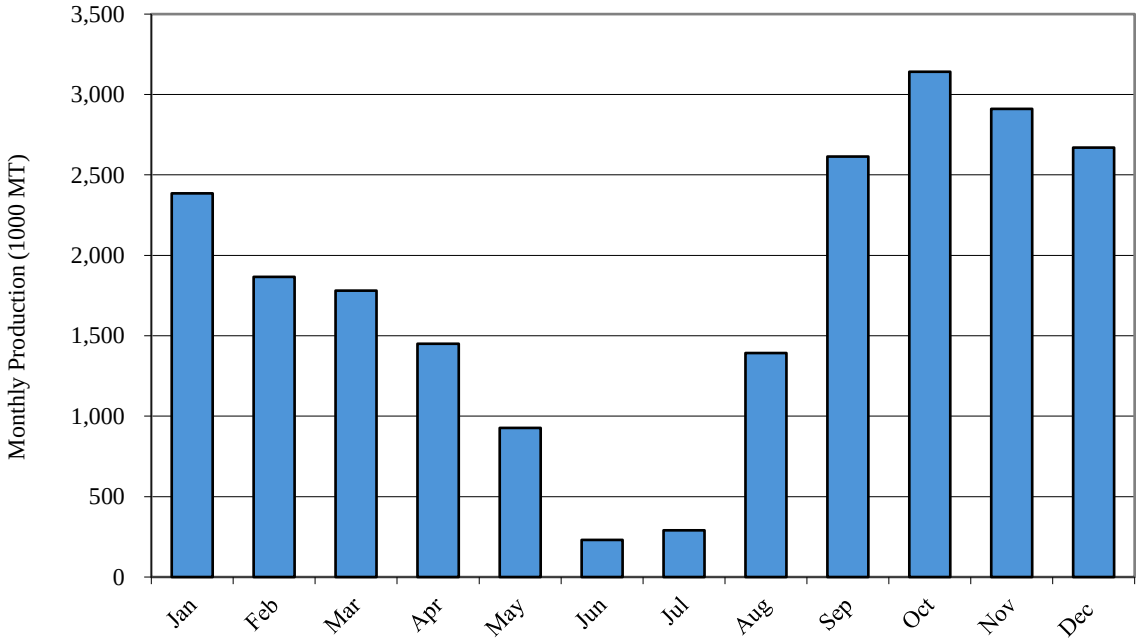
MY 2025 total dairy exports grew by 1.34 percent compared to the previous year. China remains New Zealand's largest dairy market, accounting for 36 percent of total export volumes. In 2025, shipment volumes of cheese, butter, anhydrous milk fat (AMF), and most specialty dairy products increased between 10 and 25 percent over the previous 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$ 0.59. 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

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 MY 2025, dairy exports were valued at NZ$28.8 billion (US$17 billion), representing 36.1 percent of New Zealand's total merchandise exports and an estimated 6.48 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 are increasingly utilizing 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.

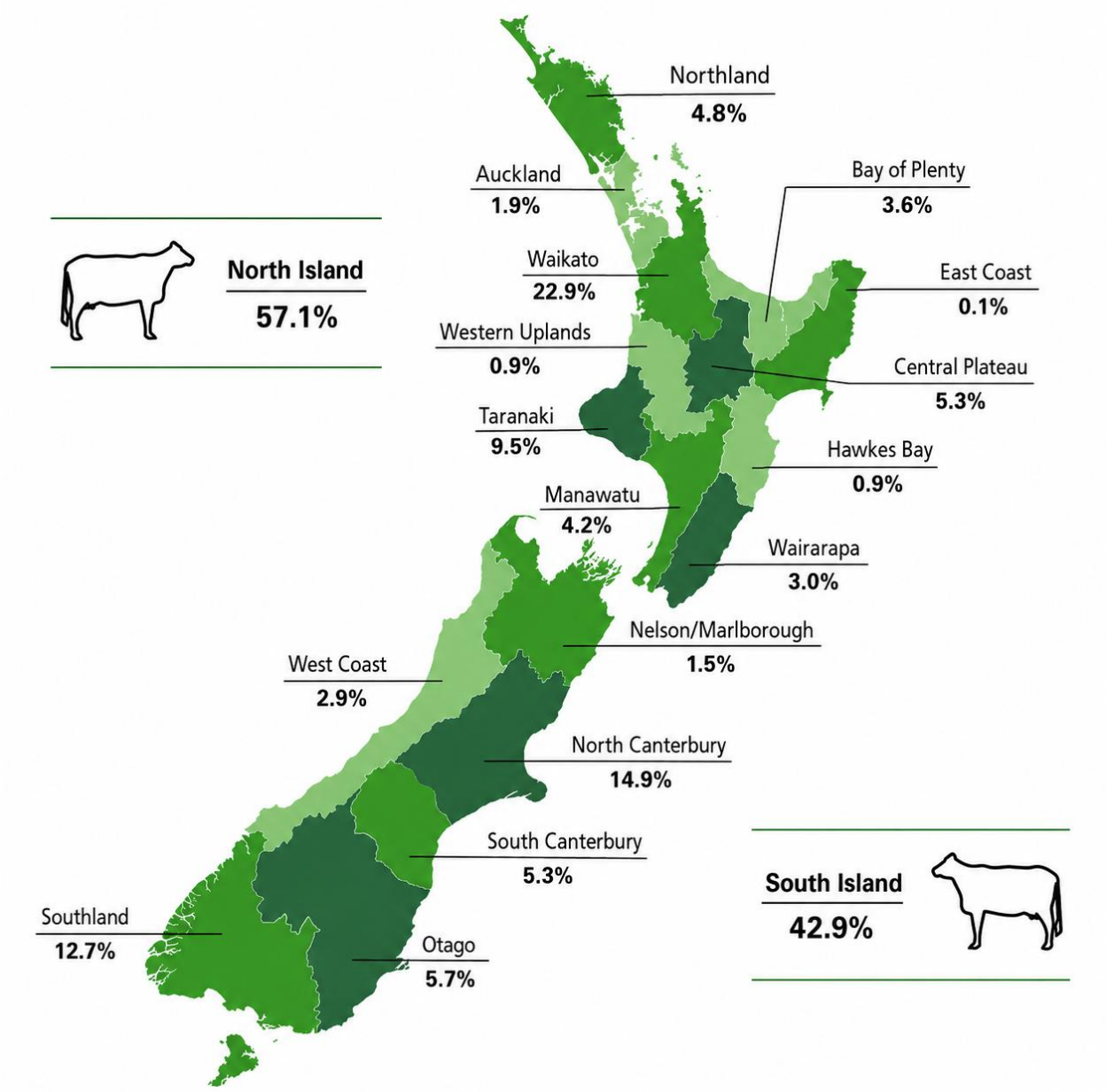
Figure 1: New Zealand Average Monthly Fluid Milk Production



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)	4702	4702	4678	4678	4660	4720
Cows Milk Production (1000 MT)	21531	21531	21900	21930	21800	22100
Total Production (1000 MT)	21531	21531	21900	21930	21800	22100
Other Imports (1000 MT)	3	3	3	3	3	3
Total Imports (1000 MT)	3	3	3	3	3	3
Total Supply (1000 MT)	21534	21534	21903	21933	21803	22103
Other Exports (1000 MT)	246	246	255	244	255	200
Total Exports (1000 MT)	246	246	255	244	255	200
Fluid Use Dom. Consum. (1000 MT)	535	535	535	535	535	535
Factory Use Consum. (1000 MT)	20643	20643	21003	21044	20903	21258
Feed Use Dom. Consum. (1000 MT)	110	110	110	110	110	110
Total Dom. Consumption (1000 MT)	21288	21288	21648	21689	21548	21903
Total Distribution (1000 MT)	21534	21534	21903	21933	21803	22103
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

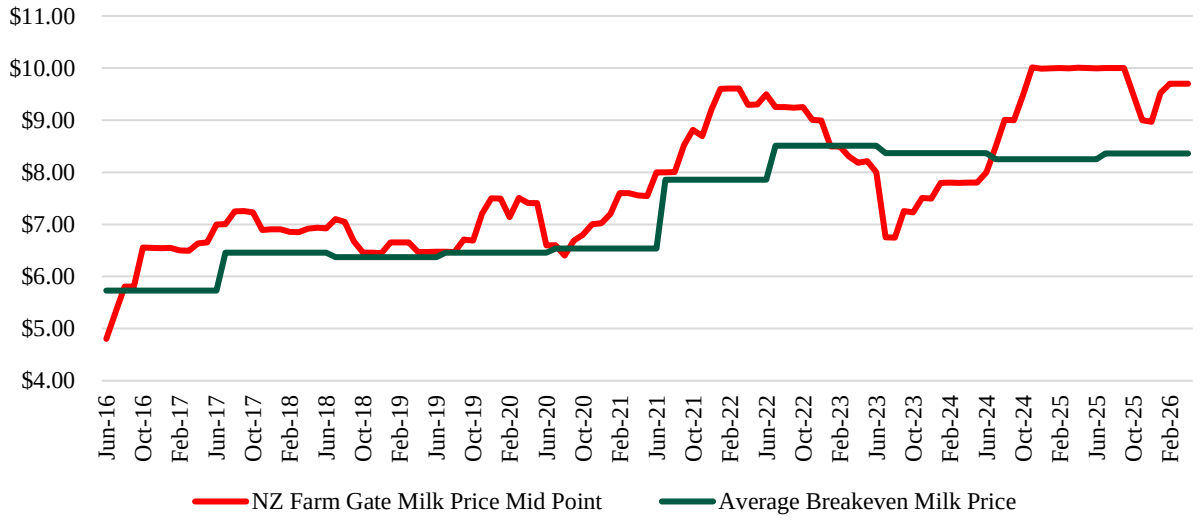
2026

FAS/Wellington has revised its MY 2026 milk production forecast to a record 22.1 MMT. This forecast reflects the current favorable economic environment for the dairy sector, including strong farm-gate prices greater levels of investment, and the incorporation of new dairy operations. Further details on MY 2026's outlook for milk production are provided as follows:

-- Strong Farm Gate Milk Prices and Growing Margins

Production is forecast to stay strong as New Zealand dairy farmers respond to strong milk price expectations. The current average farmgate milk price (FGMP) is at NZ$9.70 (US$5.72) per kilogram of milk solids (KgMS). Forecasts indicate prices will remain within the NZ$9 to NZ$11 KgMS range (US$5.31 to US$6.49 Kg MS), well above the average break-even milk price of NZ$8.36 KgMS (US$4.93), as reported by DairyNZ (see Figure 3). These favorable margins are providing farmers with confidence to maintain and expand production and encourage new dairy farm conversions in select regions.

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

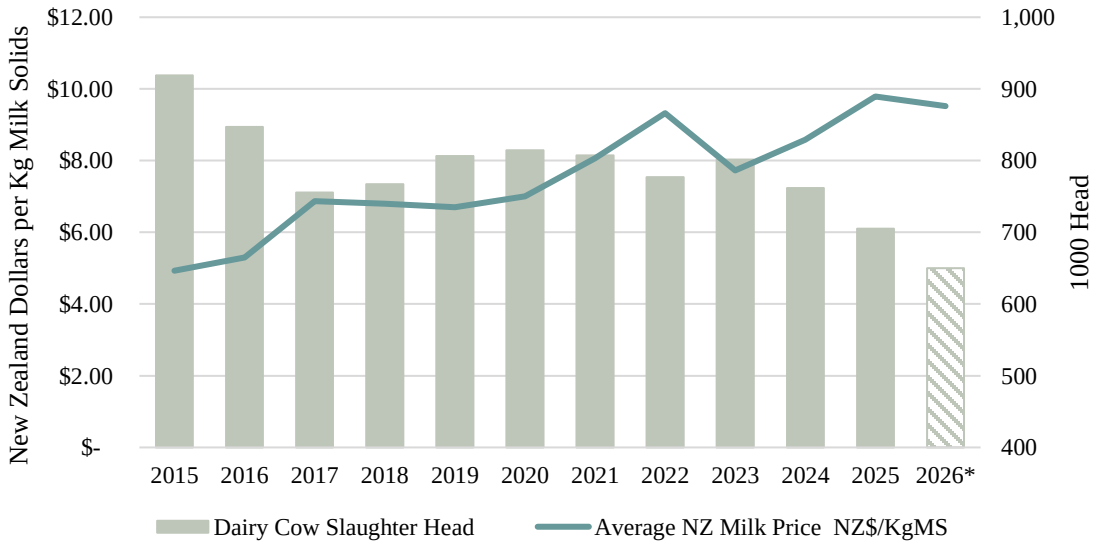


Source: DairyNZ and CLAL

Expansion of National Dairy Herd

FAS/Wellington forecasts a one percent increase in cows in milk for MY 2026 MY to 4.72 million head, higher than the USDA Official figure. Industry contacts report that higher farm-gate milk prices have incentivized farmers to retain more cows in milk production rather than culling them for slaughter. This retention is expected to continue through MY 2026 and further into 2027. Herd expansion is also driven by crop land to dairy conversions in in the South Island and parts of the North Island, which are expected to expand the national herd by 30,000 to 60,000 herd.

Figure 4: Annual Dairy Cow Slaughter and Average Milk Price

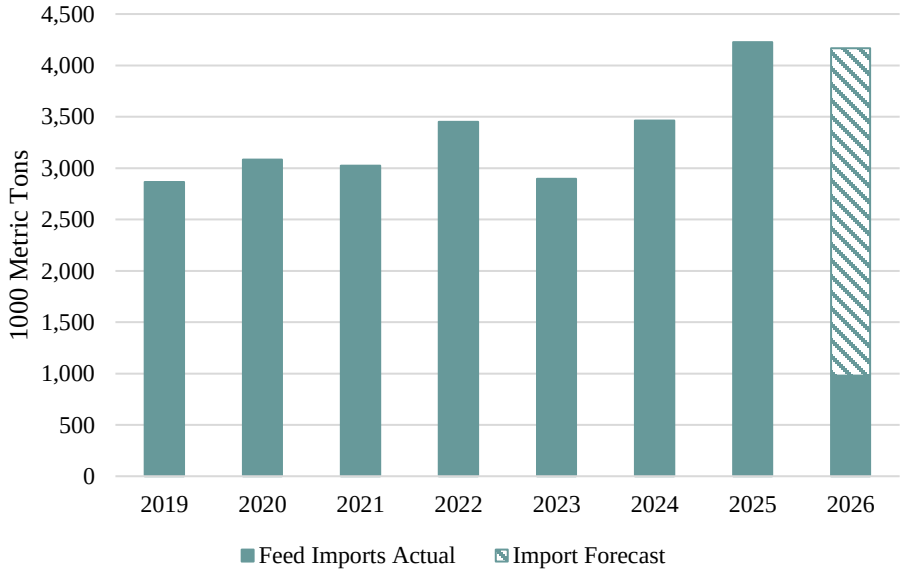


Source: Statistics New Zealand, *FAS/Wellington Forecast

As demonstrated in Figure 4, rising average milk prices in recent years have been associated with lower dairy cow slaughter. FAS/Wellington forecasts dairy cow slaughter in MY 2026 will continue trending down. This was especially evident during the first quarter of 2026, which reported 66,000 less cattle slaughters compared to the same period during the prior year. During the first half of the year, over 75 percent of dairy slaughter takes place, as cows are dried off from milking, with the slowing in the approach to winter. The reduced dairy cow slaughter will result in a decrease in beef production, where this slaughter accounts for a large proportion of grinding beef volumes. Post will conduct analysis and report further on this in the upcoming 2026 Livestock Products Annual report.

--Elevated Imports of Supplemental Feed and Fertilizer Continue to Support Production:
Greater 2026 milk production is expected to be supported by elevated 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

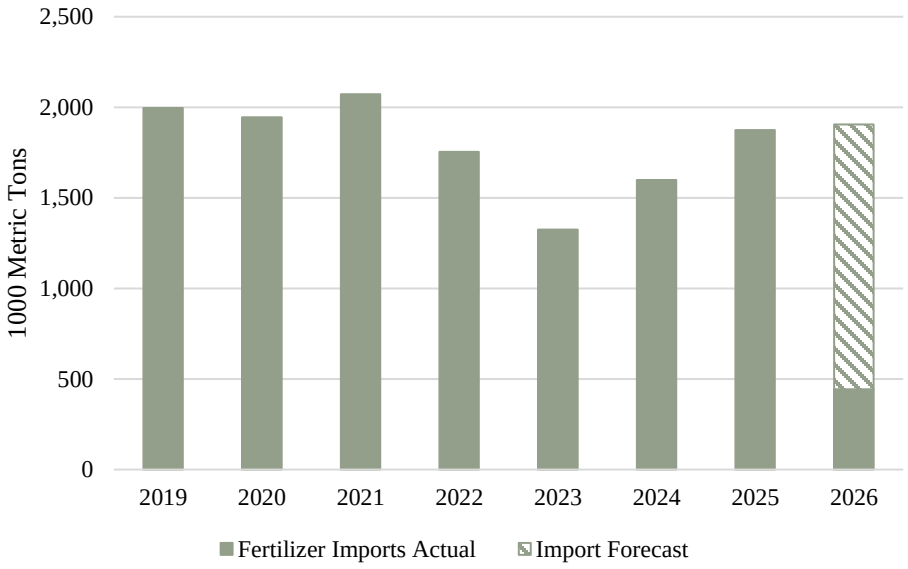


Source: Trade Data Monitor LLC, FAS/Wellington

The dairy sector is the largest consumer of imported animal feed in the primary sector (~75 to 80 percent). The predominant imported feed is palm kernel expeller (PKE), which accounts for approximately 60 percent of total imported feed. Over the past six years, PKE imports have averaged 1.9 MMT annually. At the conclusion of 2025, PKE imports totaled 2.6 MMT, the highest volume ever imported into New Zealand in one year. FAS/Wellington expects PKE demand will remain strong due to high dairy prices, while the imports of feed types, such as dried distillers' grains soluble (DDGS) or soybean meal, also grow.

DDGS is the second largest imported feed at just over 15 percent of total feed imports. During year-to-date MY 2026, DDGS imports increased by 87 percent compared to the same period during the prior year. The United States is a major supplier of this feed, with U.S. exports increasing by over 60 percent at the conclusion of 2025 compared to the previous year.

Figure 6: New Zealand Fertilizer Imports



Source: Trade Data Monitor LLC, FAS/Wellington

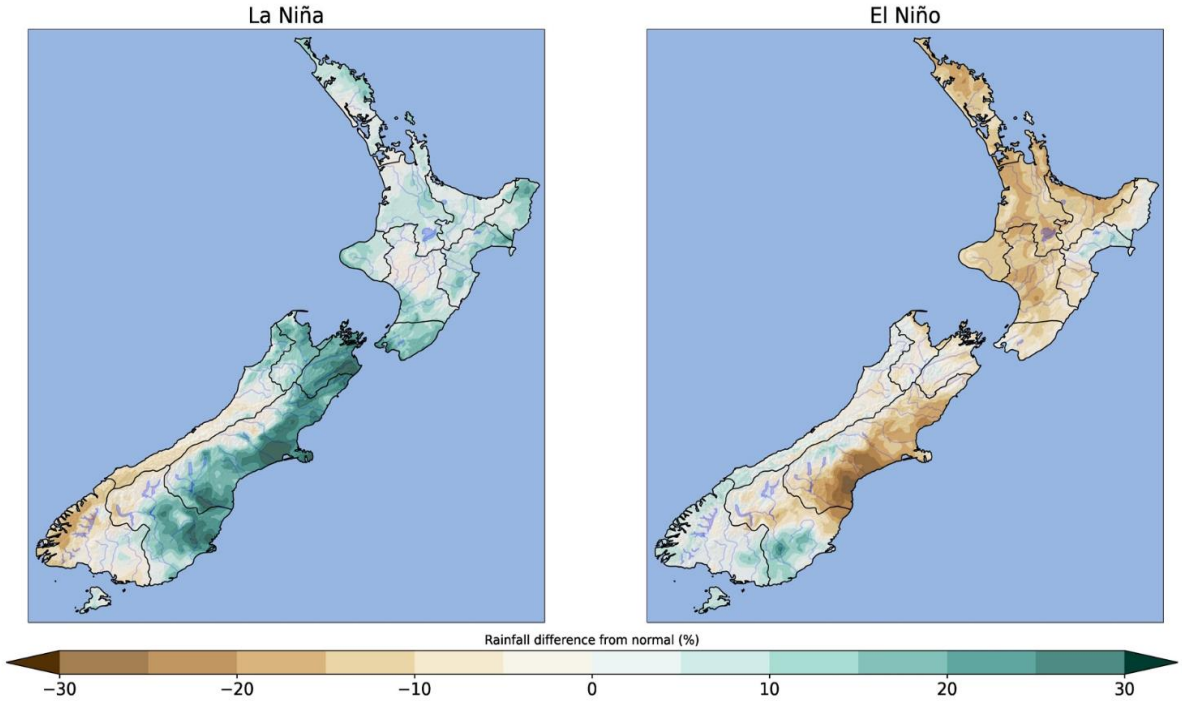
FAS/Wellington expects fertilizer imports in MY 2026 will remain consistent with 2025 volumes. New Zealand's major imported fertilizers are urea, diammonium phosphate (DAP), and phosphate rock, which is further processed domestically for on-farm use. In the first three months of 2026, fertilizer imports were up 17.6 percent compared to the same period last year. Phosphate rock imports had an even higher increase year-on-year from 2025 to over 60 percent.

Phosphate is a critical nutrient for sustaining long-term pasture productivity in the dairy sector. Increased applications in the previous MY and current, will contribute to higher milk yields through improved feed from grazed pasture.

--Emergence of El Niño Weather Pattern in Winter

Due to the predominant pasture-based diet in New Zealand's dairy production systems, climate is a critical factor influencing pasture growth and milk output. In recent years, the country has experienced a range of extreme weather events, from prolonged droughts to severe summer cyclones, which have significantly impacted agricultural regions. Recently, Earth Sciences New Zealand announced a change to their winter El Niño pattern forecast. The last time a similar winter El Niño pattern occurred was in 2015, resulting in dry conditions in all the major dairy regions across the country, as seen in figure 7.

Figure 7: Average Winter Rainfall During La Niña and El Niño



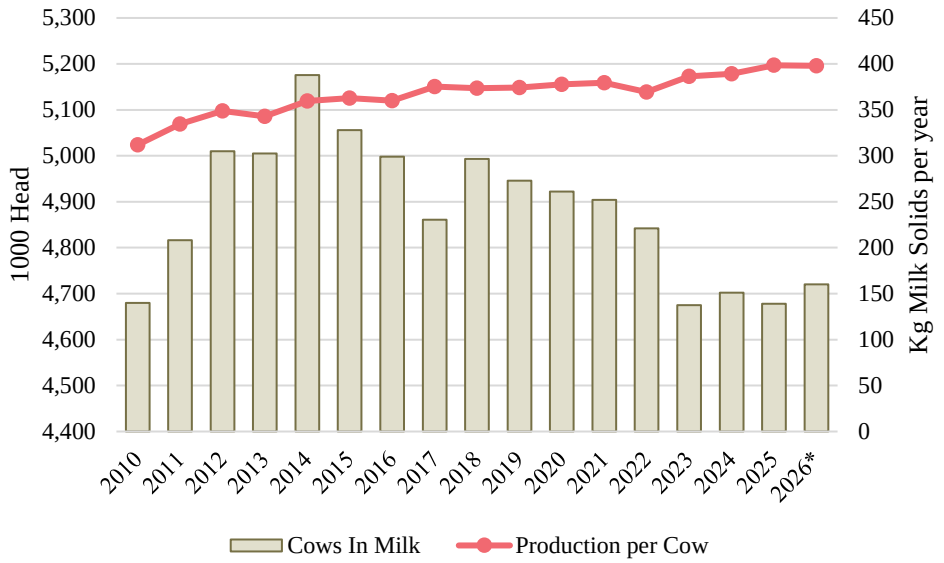
Source: Earth Sciences New Zealand

Dry winters in New Zealand typically lead to challenging springs, if the weather pattern persist. As a result, FAS/Wellington has incorporated this in its revised forecast to anticipate a challenging spring production season. This season is significant as 40 percent of annual milk is produced during this period from September to November.

2025

FAS/Wellington concludes milk production for MY 2025 MY at 21.93 MMT, up slightly from the USDA official estimate of 21.9 MMT. This is the second highest volume produced in a market year, after 2018. However, with a national herd with 315,000 less cows in milk than MY 2018, it also reflects the highest production per head per year on average across the national herd (figure 8).

Figure 8: Production Per Head for National Herd



Source: New Zealand Exchange (NZX), DairyNZ, *FAS/Wellington Forecast

As discussed, this level of fluid milk production in MY 2025 is the result of current high farmgate returns and favorable pastoral conditions, resulting in high sector confidence. Discussed further in detail:

--Economic Tailwinds for Dairy Sector:

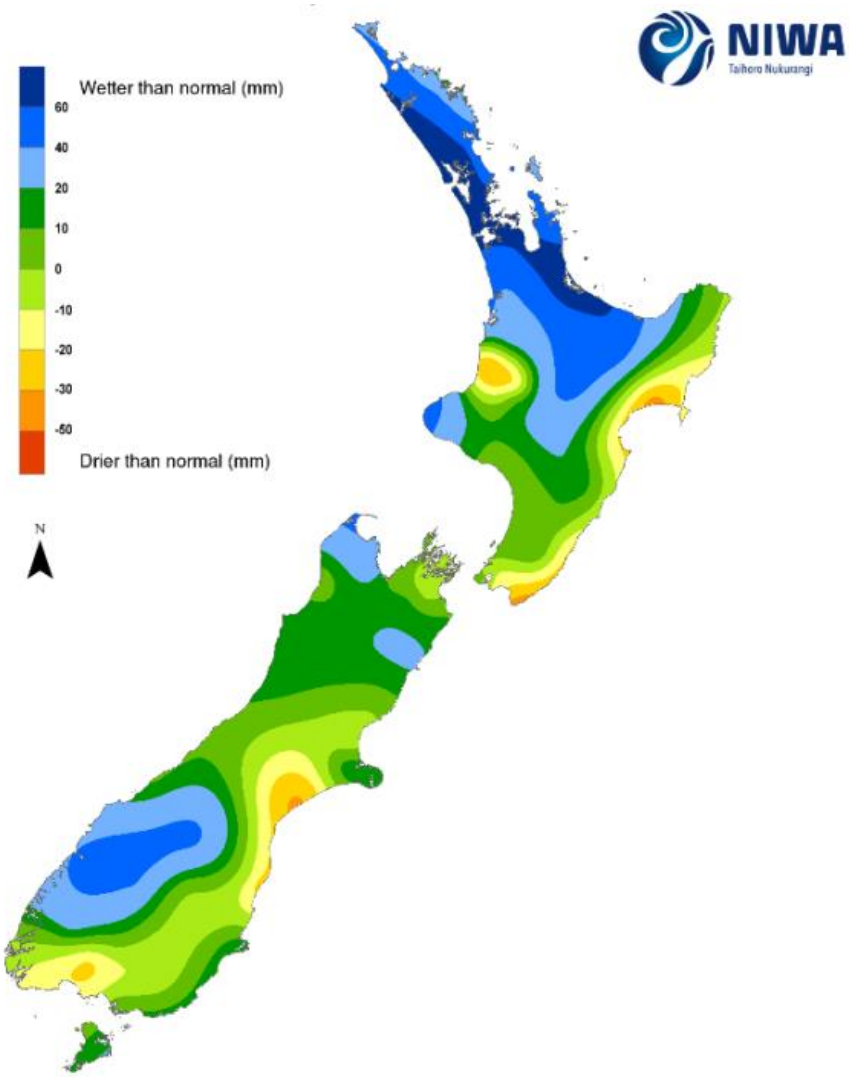
Strong farmgate prices for both milk sold and cull animals for slaughter have contributed to significant profitability across the industry. At the conclusion of their fiscal years ending June 30, 2025, New Zealand's largest dairy processor and several major farming entities reported substantial profit increases. These results led to some of the highest dividend payouts in more than a decade.

Industry commentary from the outgoing year signaled that this favorable pricing was a substantial driver for their on-farm production. As operations are experiencing an increase in cash surplus, which allows operations to capitalize on increasing production, primarily through increasing pasture growth with nitrogen fertilizers and adding in more supplement feed to their system where possible. This is evident with increased animal feed and fertilizer imports as shown in figures 5 and 6.

--Favorable Pasture Growing Conditions at Conclusion of Market Year

MY 2025 concluded with relatively favorable conditions for pasture growth, as reported by industry contacts and Earth Sciences New Zealand. Early in the year, scientists predicted a La Niña weather pattern to carry over the New Zealand spring and summer at the conclusion of MY 2025. As displayed in figure 9, at the conclusion of spring and start of the New Zealand summer, when pasture growth is crucial for the dairy sector, there was no indications of drought in key dairy farming regions. Although there was lower soil moisture in some regions, these were predominantly irrigated dairy areas.

Figure 9: National Soil Moisture, November 19, 2025

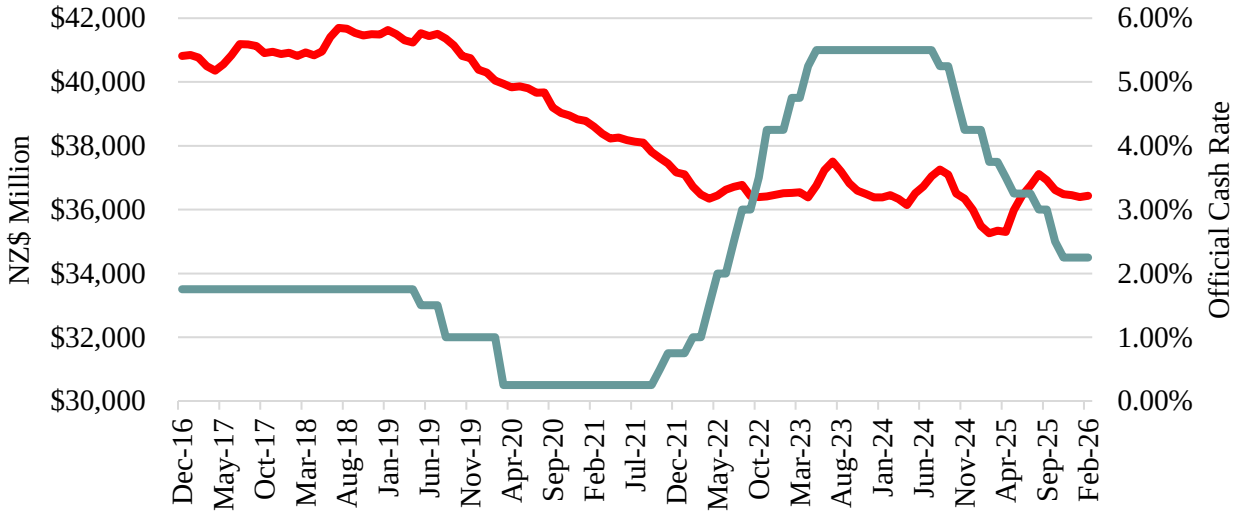


Source: Earth Sciences New Zealand

--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 10). According to DairyNZ, in MY 2023 interest expenses accounted for average 19.6 percent of the dairy industry's cost of production per kilogram of milk solids (KgMS). At the conclusion of 2025, this declined to 12.8 percent. The reduction reflects multiple downward adjustments to the Official Cash Rate (OCR) throughout 2025 MY, New Zealand's equivalent to the federal funds rate set independently from the government by the Reserve Bank of New Zealand (RBNZ).

Figure 10: New Zealand Interest Rates and Farm Debt



Source: Reserve Bank of New Zealand

Farmer contacts and DairyNZ report that the easing of interest rates has contributed to the cash surplus that has allowed dairy farmers to capitalize on the favorable season and in many instances, reduce their debt burden and invest in cost-reducing tools for their dairy business for the incoming MY.

Fluid Milk Exports

FAS/Wellington forecasts fluid milk exports to decline in 2026 to 200,000 MT, from the USDA Official figure of 255,000 MT. In first quarter of 2026, fluid milk exports were 44,822 MT, down 28 percent on than the historical average for the first quarter of the market year of 62,593 MT. Industry contacts indicate this fall can be attributed to more milk being directed to specialty commodities, particularly cheese, that are delivering higher returns. Moreover, fluid milk exports to China are declining as it significantly increased its imports of fluid milk from Australia and Germany over the past 18 months at the expense of New Zealand supplies. Nonetheless, China continues to be the largest market for New Zealand fluid milk, representing 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 21.26 MMT. With 2025 factory use consumption concluded at just over 21.1 MMT, consistent with the USDA official figure.

Trade 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 plans to price agricultural greenhouse gas emissions by 2025. However, the current center-right coalition government has signaled 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.

- **Conclusion of India Free Trade Agreement (FTA)**

On April 27, 2026, the Government of New Zealand officially finalized its FTA with the Government of India. The agreement represents a strong intention to address non-tariff barriers (NTBs), as well as fast-tracking pending market access applications on a reciprocal basis and simplifying certification and import permit procedures. Under the FTA, tariffs were not lowered or removed for majority of dairy products, except for infant milk formula and some dairy-based ingredients. Given India's place as the world's largest dairy producing country, New Zealand industry was not anticipating any substantial dairy concessions in the FTA. New Zealand's main dairy exports to India historically have been fluid milk and whey products, with some cheese.

- **Trade with the United States**

New Zealand does not have a bilateral FTA with the United States. As a result, dairy exports from New Zealand to the United States 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.

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 to the United States and to other markets. At the conclusion of 2025, export volume to the United States were consistent with previous years, although revenue Free on Board before tariffs increased 16 percent overall.

-- Dairy Farm Conversions:

As mentioned, current economic conditions are encouraging investment into the expansion of the national dairy farming footprint. Industry sources estimate an expansion of at least 30,000 dairy cows to the national herd due to conversion of former grain production areas into dairy operations, pending regional government consent.

Table 2: Dairy Expansion Scenario on National Milk Production

Milk Production Increase (MT)		Cows in Milk								
		30,000	35,000	40,000	45,000	50,000	55,000	60,000	65,000	70,000
Production per Head (Kg MS/year)	383	135,178	157,707	180,237	202,766	225,296	247,826	270,355	292,885	315,414
	388	136,942	159,766	182,590	205,413	228,237	251,061	273,885	296,708	319,532
	393	138,707	161,825	184,943	208,060	231,178	254,296	277,414	300,532	323,650
	398	140,472	163,884	187,296	210,708	234,120	257,531	280,943	304,355	327,767
	403	142,236	165,943	189,649	213,355	237,061	260,767	284,473	308,179	331,885

Source: FAS/Wellington

Although the scale of pending farm conversions is not fully public or consolidated, recent discussions with industry contacts and recent travel suggest the potential for much more ambitious herd expansion. Table 2 displays an analysis of the additional volumes of milk that be produced based on the herd level. Highlighted in red is the scenario based on the current average production per head. If the mentioned conversion approvals proceed in the coming years, national milk production could increase 300,000 MT or almost 2 percent.

--Middle East Situation's Impact on Shipping:

Due to New Zealand's geographic isolation and export-oriented economy, the country remains highly dependent on reliable international shipping networks to access overseas markets. This is particularly significant for the dairy sector, where most production is exported and relies heavily on refrigerated containerized shipping and bulk freight services.

Figure 11: New Zealand Ship Flows from the Last International Port

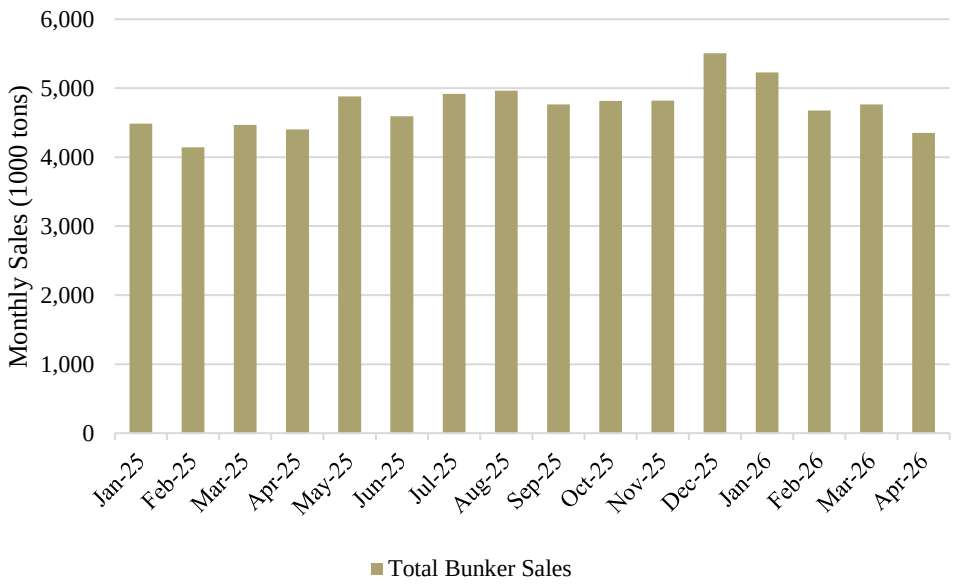
Source: New Zealand Ministry of Transport

Although vessels servicing New Zealand originate from a wide range of global trade routes, Singapore remains the dominant final international port of call prior to arrival in New Zealand, as shown in Figure 11. Singapore's role as a major global maritime and bunkering hub is particularly significant for New Zealand shipping flows. Following the closure of New Zealand's domestic oil refinery operations in 2022, the country has become increasingly reliant on imported refined fuels and regional fuel pricing benchmarks, particularly from Singapore.

In an early May, New Zealand's Prime Minister and Minister for Agriculture and Trade finalized the Agreement on Trade in Essential Supplies with the Government of Singapore. The aim of this agreement was to guarantee neither country will impose export restrictions on the other and formalize practical cooperation on supply chain resilience [Link to Media Release].

Industry contacts report that Singapore bunker fuel prices and availability remain a key determinant of shipping operating costs servicing New Zealand. The ongoing Middle East situation has contributed to volatility in global fuel markets, freight rates, insurance premiums, and vessel allocation decisions. While a significant share of New Zealand's Asia and Pacific trade does not directly transit the Strait of Hormuz, broader global shipping disruptions continue to indirectly affect New Zealand through higher shipping costs and tighter vessel availability.

Figure 12: Singapore Bunkering Sales



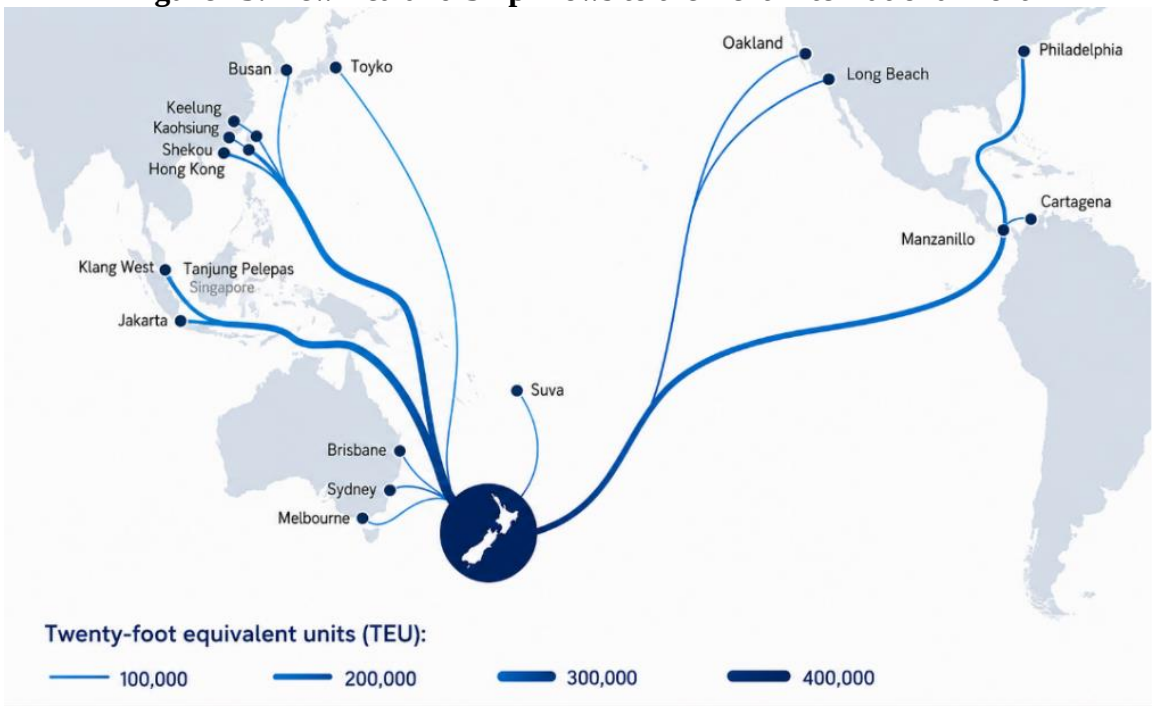
Source: Maritime and Port Authority of Singapore (MPA)

Figure 12 highlights the total monthly Singapore Bunkering sales, which stakeholders identified as an important benchmark influencing voyage economics and freight pricing for vessels operating to and from New Zealand. Industry contacts noted that New Zealand's geographic distance from major export markets increases the sector's sensitivity to fluctuations in global fuel and freight costs relative to more centrally located agricultural exporters. Preliminary estimates for April 2026 from Maritime and Port

Authority of Singapore have sales down 10 percent on the rolling 12-month average. Suggesting a potential slowing down in shipping flows for this month on the previous year.

Despite the Middle East situation, contacts report no significant export disruptions or material shipping delays affecting New Zealand dairy exports during the reporting period. Stakeholders indicated that vessel scheduling and export flows have remained relatively stable across key dairy export markets.

Figure 13: New Zealand Ship Flows to the Next International Port



Source: New Zealand Ministry of Transport

As shown in Figure 13, outbound shipping flows from New Zealand generally reflect the country's merchandise export profile, including significant containerized trade destined for the United States and Asian markets. Industry contacts indicated that shipping lines are increasingly prioritizing higher-value and time-sensitive cargoes where freight returns are stronger, which stakeholders report has supported relatively reliable vessel access and scheduling for premium export products.

The dairy sector remains particularly sensitive to refrigerated container availability and international freight costs due to the perishability and export dependence of dairy products. Although current disruptions in the Middle East have not materially impacted New Zealand dairy export flows, the sector remains exposed to broader global shipping market volatility, particularly through fuel prices, freight rates, and vessel allocation pressures.

Record Dividend Payouts for Shareholders of Major Dairy Processor:

On April 14, 2026, New Zealand's largest dairy processor Fonterra Co-operative Group Limited completed a substantial payout to its predominantly farmer shareholders (see Tabel 3). This payout is following the sale of its global consumer businesses to French dairy multinational, Lactalis. The total payment is significant and equivalent to almost 0.9 percent of New Zealand's annual Gross Domestic Product (GDP) in 2025. For farmer shareholders, the dividend provides an important supplementary income stream at a time when some farm cost pressures remain elevated such as fuel, insurance premiums and fertilizer.

Table 3: April 2026 Shareholder Payout

		Value (NZ$ million)
Tax Free Capital Return	$2/share	$3,218
Interim Dividend	24 cents/share	$386
Special Mainland Dividend	16 cents/share	$257
Total Payout	**$2.4/share**	**$3,862**

Source: Fonterra, FAS/Wellington

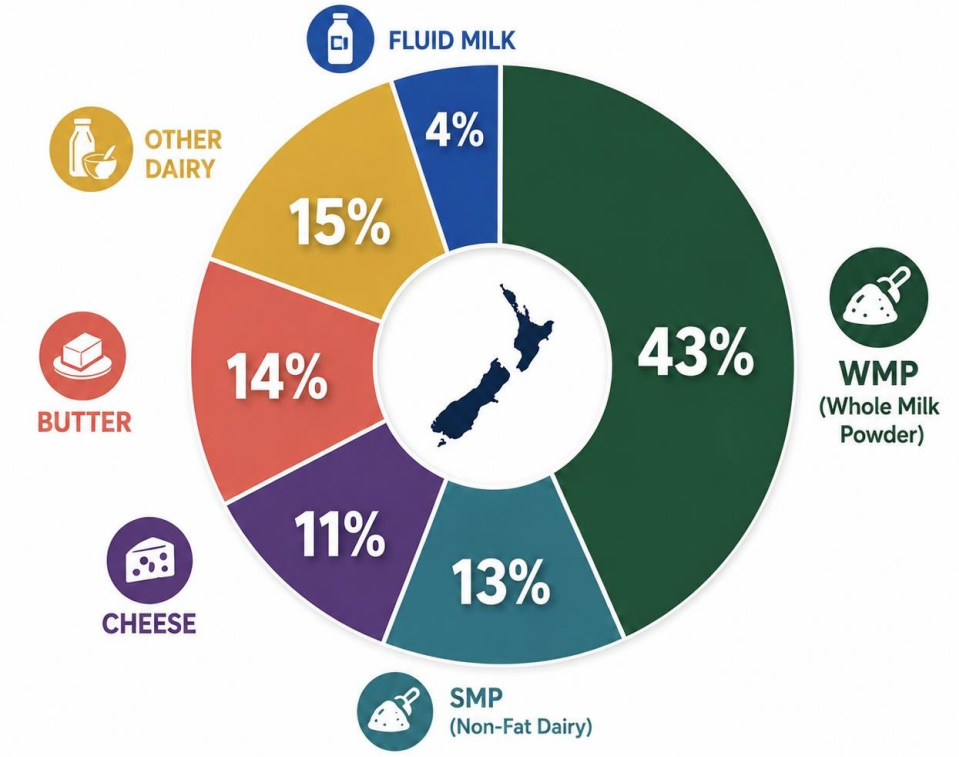
FAS/Wellington published a public voluntary report following the completion of the payment for additional details(Link to Report).

According to industry sources, the disbursement of this payout will be immediately focused on debt servicing and investing in cost-reducing tools for their dairy business in MY 2026. Contacts report that producers will likely allocate the proceeds of the payout to purchase, improve or upgrade capital assets, such as machinery, plant and infrastructure.

Processing and Exports

New Zealand dairy processors continue to make substantial capital investments to modernize facilities, with a strong emphasis on sustainability and product diversification. Many plants are transitioning away from coal-fired energy toward more sustainable sources such as wood biomass, natural gas, and electricity. In parallel, there has been a strategic industry-wide shift in processing focus; moving from bulk milk powder drying to higher-value fresh and specialty dairy products, including butter, cheese, and cream. This shift is evident in trade data: whole milk powder (WMP), which made up 45 percent of New Zealand's total dairy export volume in 2018, declined to 43 percent of export volumes in the first quarter of 2026 (Figure 14). Concurrently, processors have expanded capacity for specialty and functional products such as infant milk formula (IMF), whey and milk protein concentrates (WPC, WPI, MPC), lactoferrin, caseinates, and other value-added dairy ingredients.

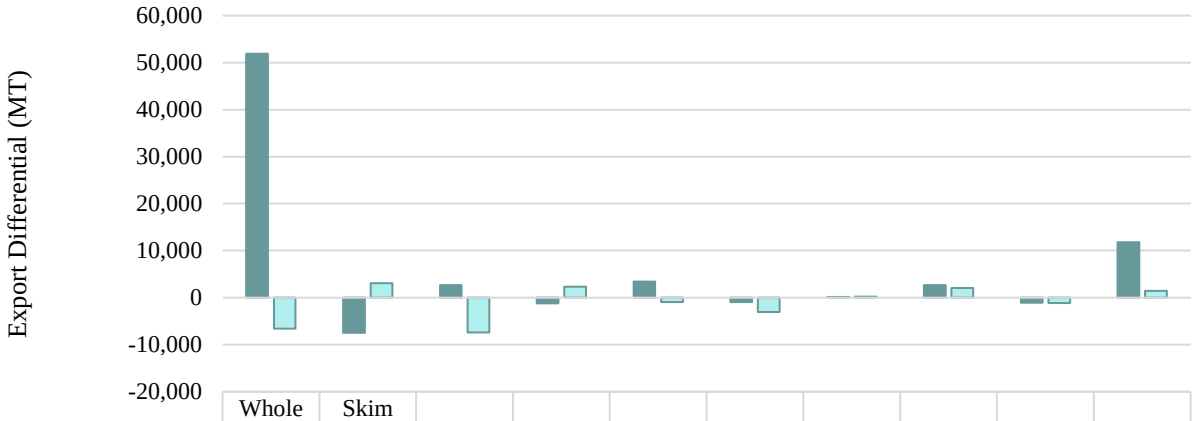
Figure 14: Proportion of New Zealand Total 2026 Dairy Export Volumes Year-to-Date



Source: Trade Data Monitor LLC

Figure 15 illustrates year-on-year export volume changes between the first quarter of 2025 and 2026. China is New Zealand's largest single dairy export destination, accounting for roughly 40 percent of total exports. So far in 2026, total dairy product exports in the first 3 months increased by 4.29 percent compared to the same time in the previous year, reflecting a combination of stronger demand and improved exportable supply. The following sections explore the key commodity-specific trends that underpin these shifts.

Figure 15: New Zealand Dairy Exports Quarter 1 2025 vs 2026

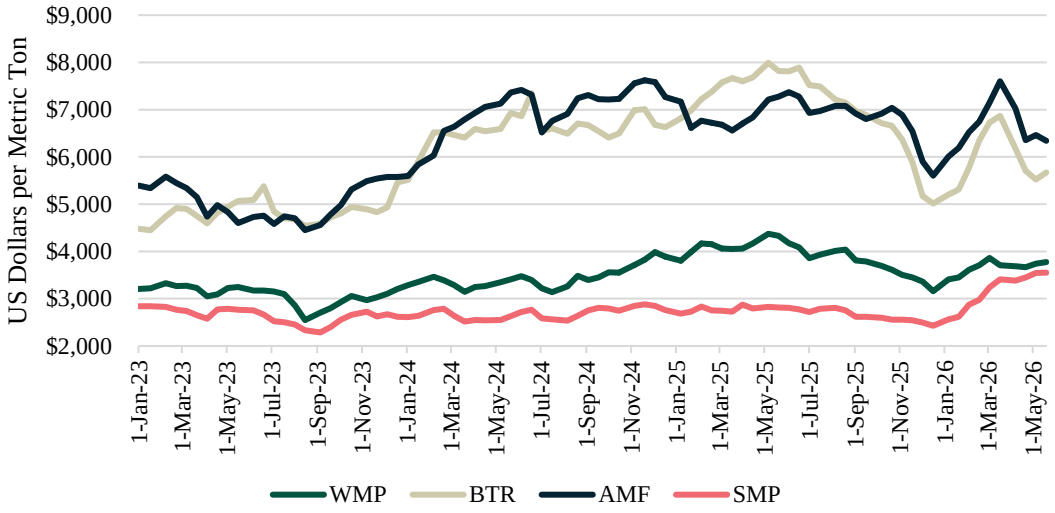


	Whole Milk Powder	Skim Milk Powder	Cheese	Butter	AMF	IMF	Whey	MPC	Casein	Cream
China	51,895	-7,452	2,647	-1,219	3,450	-949	142	2,658	-1,060	11,766
Rest of the World	-6,608	3,093	-7,430	2,335	-936	-3,045	211	2,072	-1,158	1,465

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 and returned, although farm gate milk pricing remains strong (see figure 16).

Figure 16: Global Dairy Trade Prices (US$ per Ton)



Source: Global Dairy Trade

Whole Milk Powder (WMP)

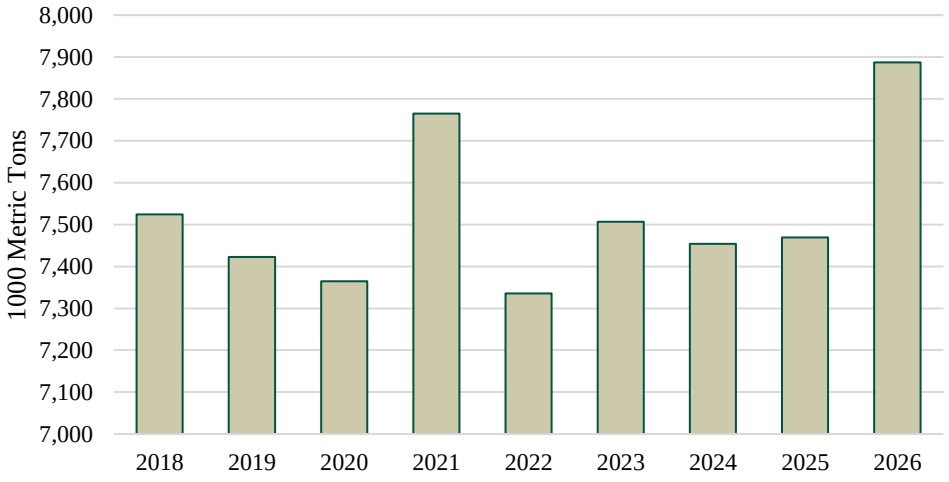
Table 4: Production, Supply and Distribution – Dairy, Dry Whole Milk Powder

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	278	325
Production (1000 MT)	1420	1420	1420	1420	1400	1430
Other Imports (1000 MT)	1	1	1	1	1	1
Total Imports (1000 MT)	1	1	1	1	1	1
Total Supply (1000 MT)	1641	1641	1671	1671	1679	1756
Other Exports (1000 MT)	1373	1373	1375	1328	1375	1500
Total Exports (1000 MT)	1373	1373	1375	1328	1375	1500
Human Dom. Consumption (1000 MT)	2	2	2	2	2	2
Other Use, Losses (1000 MT)	16	16	16	16	16	16
Total Dom. Consumption (1000 MT)	18	18	18	18	18	18
Total Use (1000 MT)	1391	1391	1393	1346	1393	1518
Ending Stocks (1000 MT)	250	250	278	325	286	238
Total Distribution (1000 MT)	1641	1641	1671	1671	1679	1756
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington has revised its MY 2026 whole milk powder (WMP) production to 1.43 million MMT, an increase of 30,000 MT over the USDA Official figure. Most recent national milk production data from NZX reports that in the first four months of 2026, compared to previous years, fluid milk production is 6 percent higher year-on-year (Figure 17). Correspondingly WMP exports over the same period also increased by 15 percent (Figure 18). New Zealand dairy processors utilize the production of whole milk powder to cope with surges in milk volumes, especially as the production of milk in New Zealand is very seasonal.

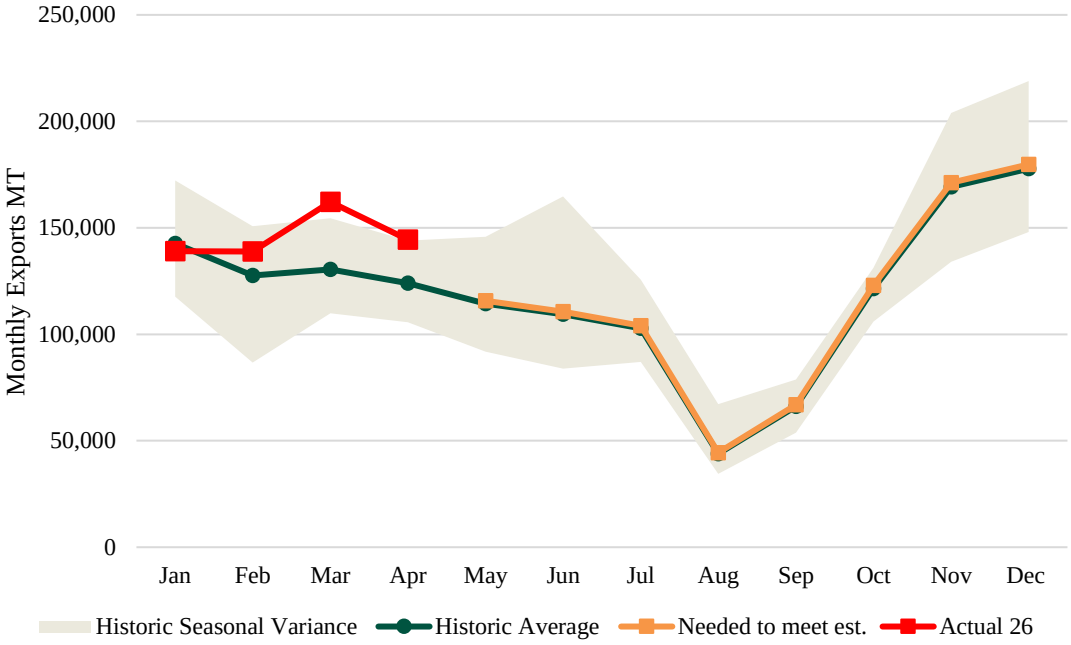
Figure 17: Milk Production January to April 2026



Source: New Zealand Exchange (NZX)

In recent years, processors have invested in processing capabilities for other high value dairy products. Nevertheless, strong forecast milk production will continue to support WMP manufacturing, particularly during periods in the year when processing capacity is fully utilized.

Figure 18: 2026 WMP Exports and Projections



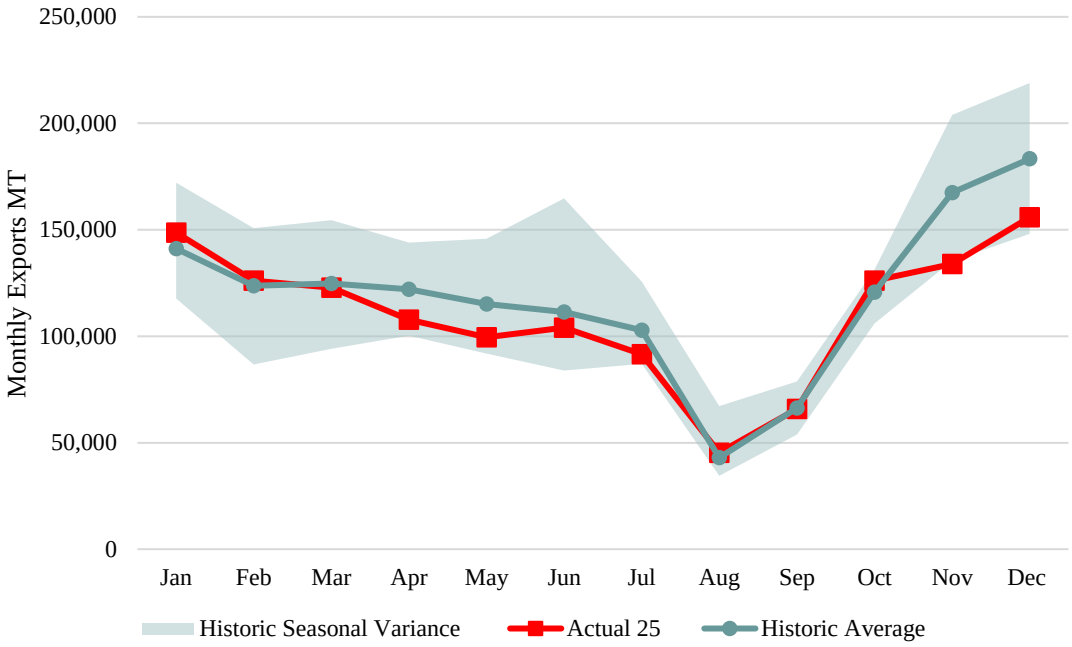
Source: Trade Data Monitor LLC, FAS/Wellington

WMP exports for 2026 are forecast at 1.5 MMT, a significant increase over the USDA Official figure but consistent with the sector's export capacity (Figure 18). 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 they are experiencing. The already discussed 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 drawing down on ending stocks from the previously high spring production.

2025

FAS/Wellington concludes MY 2025 production and export of WMP at 1.42 MMT and 1.328 MMT, respectively. Production was consistent with the USDA Official estimate, however, there was a slowdown in exports in November and December, concluding with slightly less export volumes than expected (Figure 19).

Figure 19: 2025 WMP Exports



Source: Trade Data Monitor LLC, FAS/Wellington

China remained the largest market for WMP, accounting for 28 percent of export volumes, followed by Algeria (10 percent) and the United Arab Emirates (7 percent). Year-on-year volumes to China and Algeria fell 4 and 34 percent, respectively, but increased to the United Arab Emirates by 15 percent. New Zealand WMP was directly exported to 88 different countries, where it is predominantly used as an ingredient in food manufacturing.

Skim Milk Power (SMP)

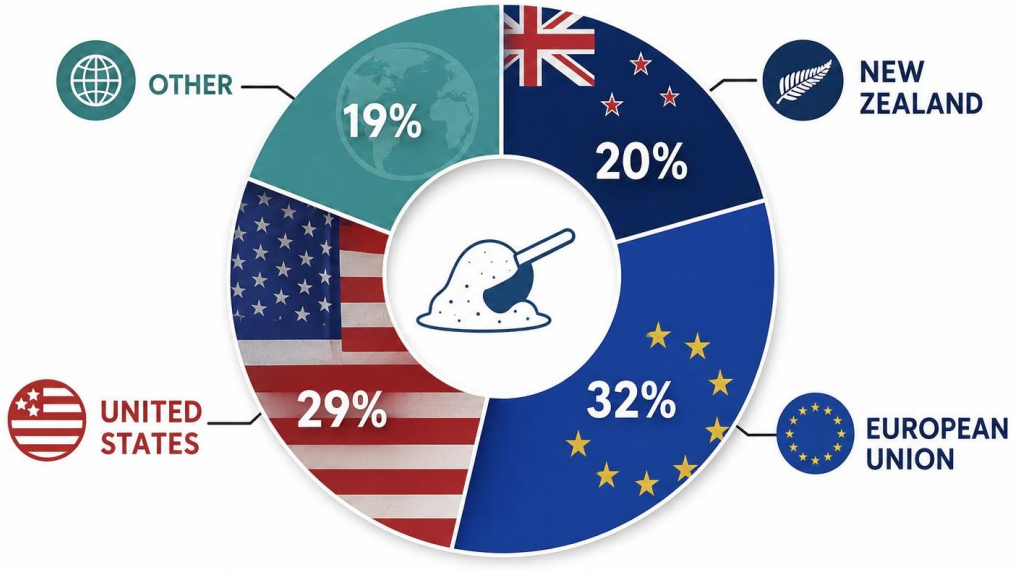
Table 5: Production, Supply and Distribution - Dairy, Milk, Nonfat Dry

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	85	96
Production (1000 MT)	440	440	450	450	445	450
Other Imports (1000 MT)	3	3	5	5	5	5
Total Imports (1000 MT)	3	3	5	5	5	5
Total Supply (1000 MT)	511	511	515	515	535	551
Other Exports (1000 MT)	441	441	420	409	435	435
Total Exports (1000 MT)	441	441	420	409	435	435
Human Dom. Consumption (1000 MT)	10	10	10	10	10	10
Total Dom. Consumption (1000 MT)	10	10	10	10	10	10
Total Use (1000 MT)	451	451	430	419	445	445
Ending Stocks (1000 MT)	60	60	85	96	90	106
Total Distribution (1000 MT)	511	511	515	515	535	551
(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 increase slightly on the USDA Official to 450,000 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.

Figure 20: World Skim Milk Power Exporters



Source: Foreign Agricultural Service, Official USDA Estimates

FAS/Wellington maintains USDA Official SMP exports at 435,000 MT in 2026, consistent with recent years since industry increased cream and dairy fat production. SMP remains a critical ingredient for

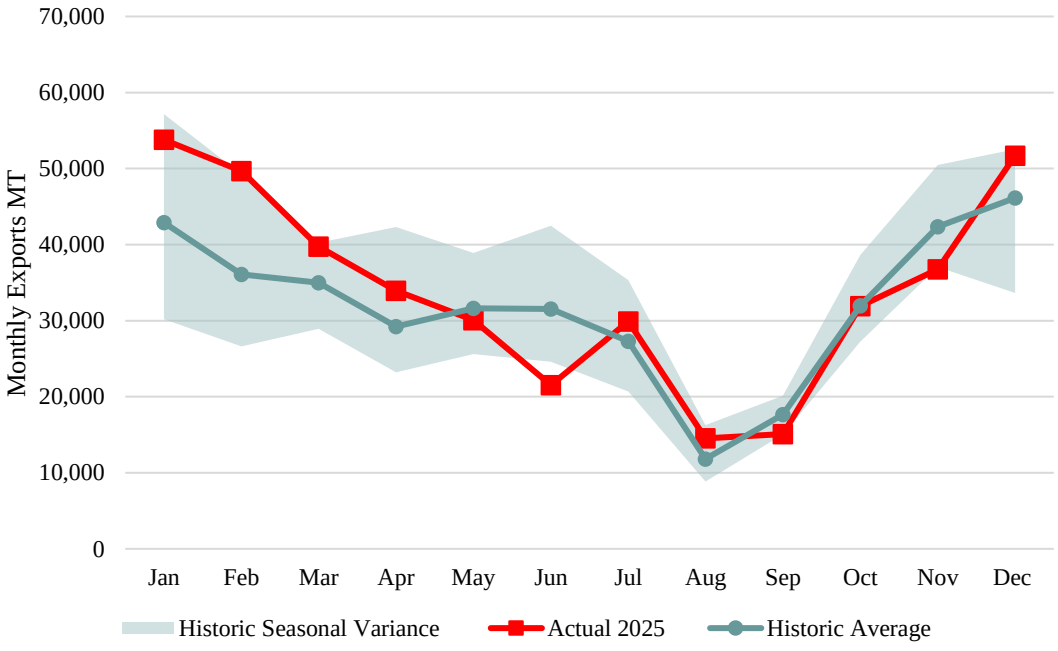
downstream food manufacturing, including beverage, bakery, and reconstituted dairy applications. China and Indonesia remain the largest destinations for New Zealand SMP, followed by the Philippines and Malaysia. New Zealand is the third-largest global exporter of SMP, after the European Union and the United States (Figure 20).

2025

FAS/Wellington concludes SMP production at 450,000 MT in line with the USDA Official figure. Exports concluded at 408,574 MT, slightly less than the USDA Official figure. Industry feedback suggested that more SMP is being diverted to domestic use in the manufacture of higher-value specialty products, such as infant milk formula and protein ingredients.

As seen in Figure 21, exports during select months were lower than in previous years, contributing to lower final export volumes compared to the previous two years. This decrease in volumes coincided with a period of elevated SMP exports from the European Union, which increased global supply and exerted downward pressure on prices, towards the end of 2025. 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 21: Skim Milk Powder Exports 2025



Source: Trade Data Monitor LLC

Cheese

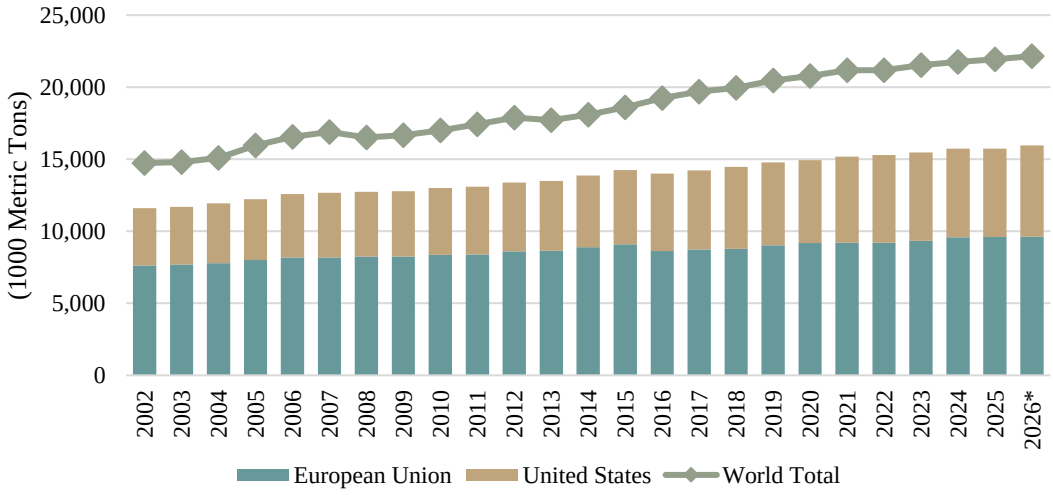
Table 6: Production, Supply and Distribution – Dairy, Cheese

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	55	56
Production (1000 MT)	410	410	425	425	440	440
Other Imports (1000 MT)	9	9	10	11	10	10
Total Imports (1000 MT)	9	9	10	11	10	10
Total Supply (1000 MT)	489	489	510	511	505	506
Other Exports (1000 MT)	374	374	415	415	425	425
Total Exports (1000 MT)	374	374	415	415	425	425
Human Dom. Consumption (1000 MT)	40	40	40	40	40	40
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	40	40	40	40	40	40
Total Use (1000 MT)	414	414	455	455	465	465
Ending Stocks (1000 MT)	75	75	55	56	40	41
Total Distribution (1000 MT)	489	489	510	511	505	506
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington maintains MY 2026 cheese production at a record 440,000 MT, in line with the USDA Official figure. Production growth is 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. 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 22).

Figure 22: Global Cheese Consumption



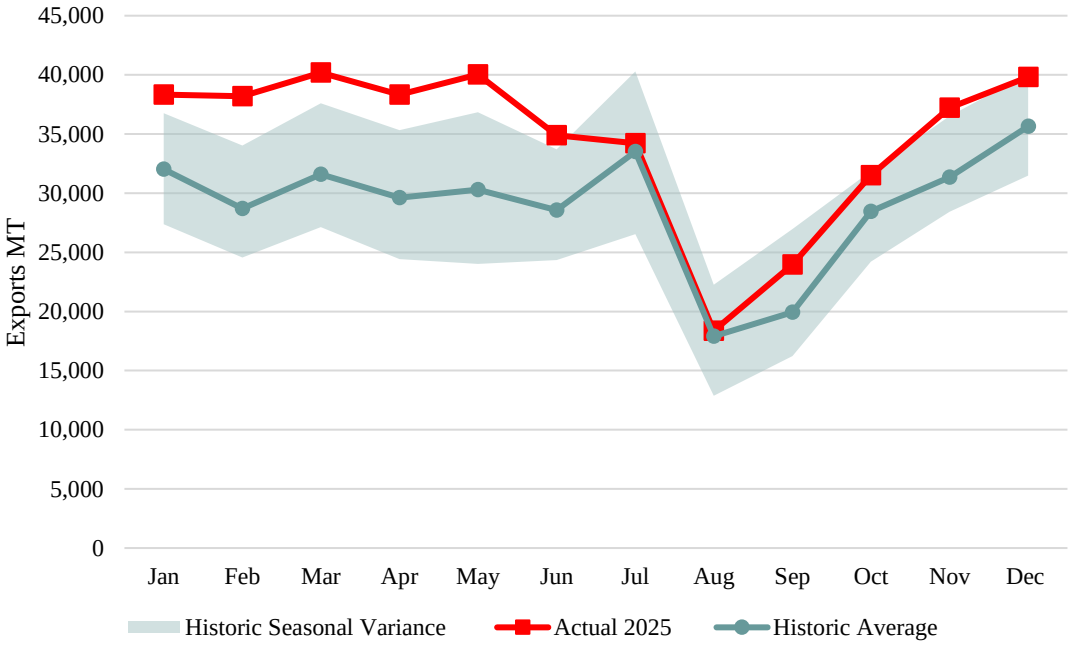
Source: Foreign Agricultural Service, Official USDA Estimates

FAS/Wellington's forecast for MY 2026 cheese exports remains unchanged at a record 425,000 MT, in line with the USDA Official figure. In the first quarter of 2026, cheese exports are tracking 18 percent ahead of the quarterly average. These volumes are currently supported by increased domestic processing capacity, strong international demand, and favorable margins.

2025

MY 2025 cheese production and exports concluded at 425,000 MT and 415,012 MT, respectively, consistent with the USDA Official estimate. These export volumes were the highest on record in a single year, up 11 percent on the previous year, which was also the highest on record (see Figure 23). In addition to volumes, cheese export revenues reached NZ$3.5 billion (US$2 billion), a 26 percent increase over the previous year.

Figure 23: Cheese Exports 2025



Source: Trade Data Monitor LLC

China continues to be New Zealand's largest cheese market, accounting for 30 percent of total exports, with volumes 27 percent higher from compared to tMY 2024. Japan remains the second-largest market (15 percent), with shipments up 10 percent over the previous year. Significant growth was experienced in the European Union market for New Zealand products; however, these volumes are still minimal at less than 2 percent of exports.

Butter and Anhydrous Milk Fat (AMF)

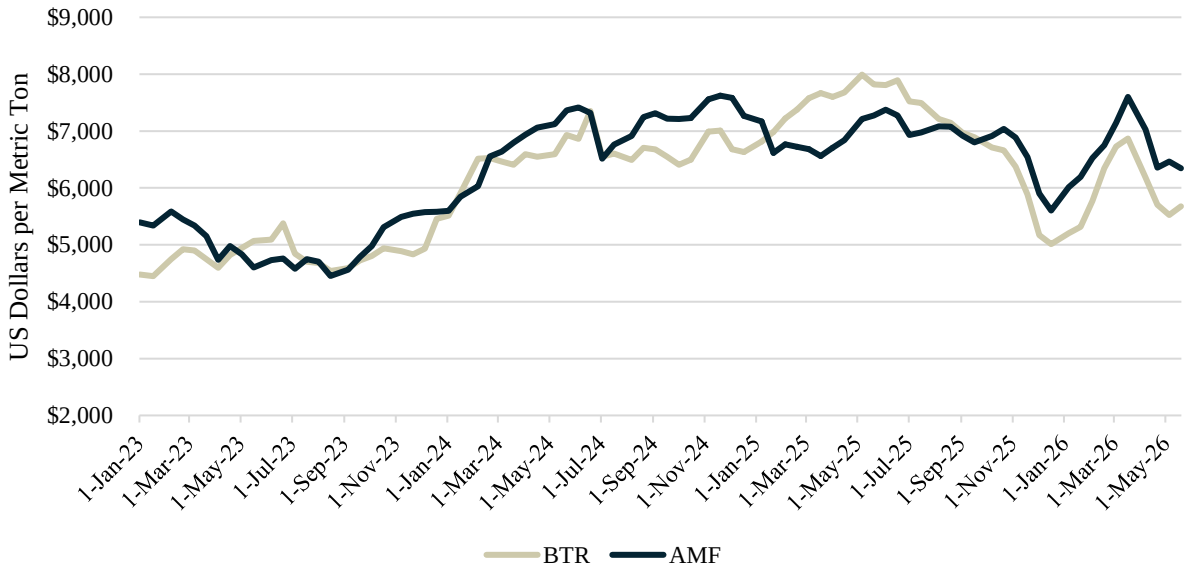
Table 7: Production, Supply and Distribution – Butter

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	41	43
Production (1000 MT)	515	515	535	535	535	535
Other Imports (1000 MT)	1	1	1	1	1	1
Total Imports (1000 MT)	1	1	1	1	1	1
Total Supply (1000 MT)	554	554	588	588	577	579
Other Exports (1000 MT)	470	470	515	513	515	515
Total Exports (1000 MT)	470	470	515	513	515	515
Domestic Consumption (1000 MT)	32	32	32	32	32	32
Total Use (1000 MT)	502	502	547	545	547	547
Ending Stocks (1000 MT)	52	52	41	43	30	32
Total Distribution (1000 MT)	554	554	588	588	577	579
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2026

FAS/Wellington maintains the butter and anhydrous milk fat (AMF) MY 2026 production and export forecasts in line USDA Official figures at 525,000 MT and 515,000 MT, respectively. 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 24). Since these increases in capabilities by processors, Post has seen that more fluid milk for factory production in the last 18 months has continued to be directed for further processing over dried into commodity milk powders. Cream exports continue to expand, experiencing a 44 percent increase during the first quarter of 2026 compared to the same period last year.

Figure 24: Global Dairy Trade Prices Butter and AMF



Source: NZX, Global Dairy Trade

2025

FAS/Wellington concludes MY 2025 production for butter and AMF consistent with the USDA Official estimate at 535,000 Butter Equivalent Tons (BET). Exports were marginally less than the USDA Official estimate, concluding at 512,582 BET. Reflecting a strong demand for both butter and AMF, concluding the year up on export volumes at 9 percent on the year prior (Figure 25). China continues to be the largest market for both butter and AMF, followed by Saudi Arabia for butter and Mexico for AMF. In addition, cream exports continue to strengthen to China in 2025 by 25 percent and 14 percent globally overall compared to the previous year.

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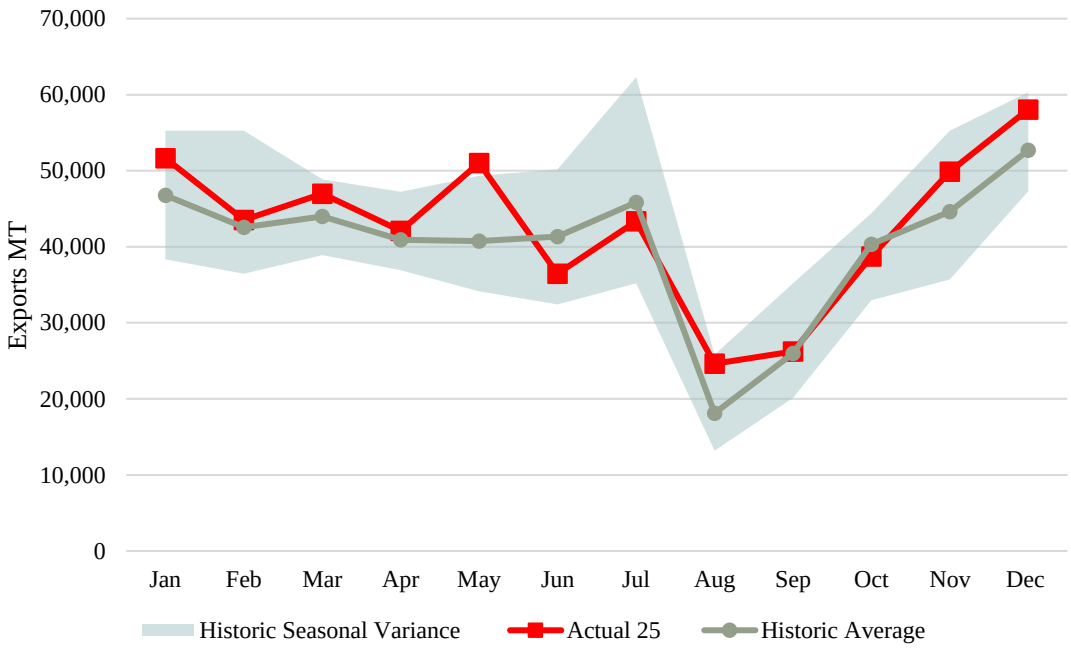
Figure 25: Butter and AMF Exports 2025



Source: Trade Data Monitor LLC

Other Dairy Products

New Zealand milk processors have indicated 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 quarter of 2026, exports of these products, combined, were 9.7 percent higher compared to the same period last year. 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 year-on-year.

Imports

FAS/Wellington maintains modest forecasts for New Zealand's dairy imports in MY 2026. 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 are sourced 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 imported NZ$208 million (US$122 million) of lactose in 2025, with almost 70 percent sourced from the United States. This commodity import alone represents 1.8 percent of New Zealand's total imports by value from the United States. These imports are primarily used in WMP production process.

Attachments:

No Attachments