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Key Watchpoints – March

- Feeder steer prices will take a hit as a result of US tariffs.
- Year-on-year milk production declines continue to accelerate. Dry conditions are expected to see further declines in March and April.
- Global dairy prices have stabilised in recent weeks, but volatility is expected in coming weeks as the impacts of US tariffs are digested.

Farmgate prices up, milk production down

Southern Farmgate Average lifts to \$8.25/kg MS

Burra and Lactalis are the latest processors to provide step ups to suppliers. Burra confirmed a 10 cent step up to a range of \$8.10-\$8.60/kg MS from opening, while Lactalis lifted its offering 15 cents to an average of \$8.40/kg MS. This lifts our average southern farmgate price to around \$8.25/kg MS, a 1.7 per cent increase on opening but still 13.3 per cent lower than last seasons closing bids.

Australian milk production continues to decline

Australian milk production continues to fall further behind last year. With the exception of New South Wales, all states recorded lower year-on-year production. Dry conditions in southern states has seen Victoria, South Australia and Tasmania record their largest year-on-year declines in February, and with weather outlooks showing little relief in coming weeks this trend is expected to continue in March and April production figures. Our full season forecast for milk production remains at around 8.3 billion litres – on par with 2023-24 production of 8.38 billion litres.

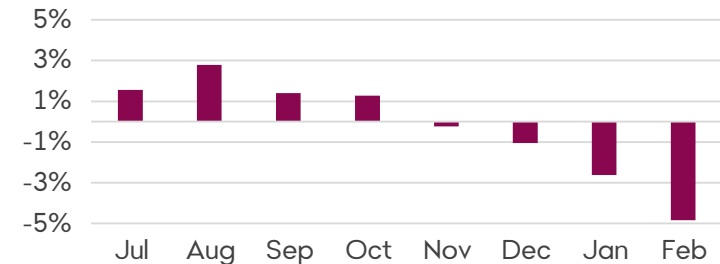
Feeder steer prices to take a hit on US tariffs

A 10 per cent tariff on Australian beef exports to the US came into effect on 5 April. This will undoubtedly put a dent in confidence in the Australian beef sector and see cattle prices soften. A couple of considerations are:

- Australian tariffs are comparatively lower than many other nations targeted.
- The US cattle herd remains close to 70-year lows and is likely heading into a rebuilding phase.

While local prices will soften in coming weeks, we expect that US demand will remain firm for Australian beef which should see prices supported over the longer term through 2025.

Australian year-on-year milk production



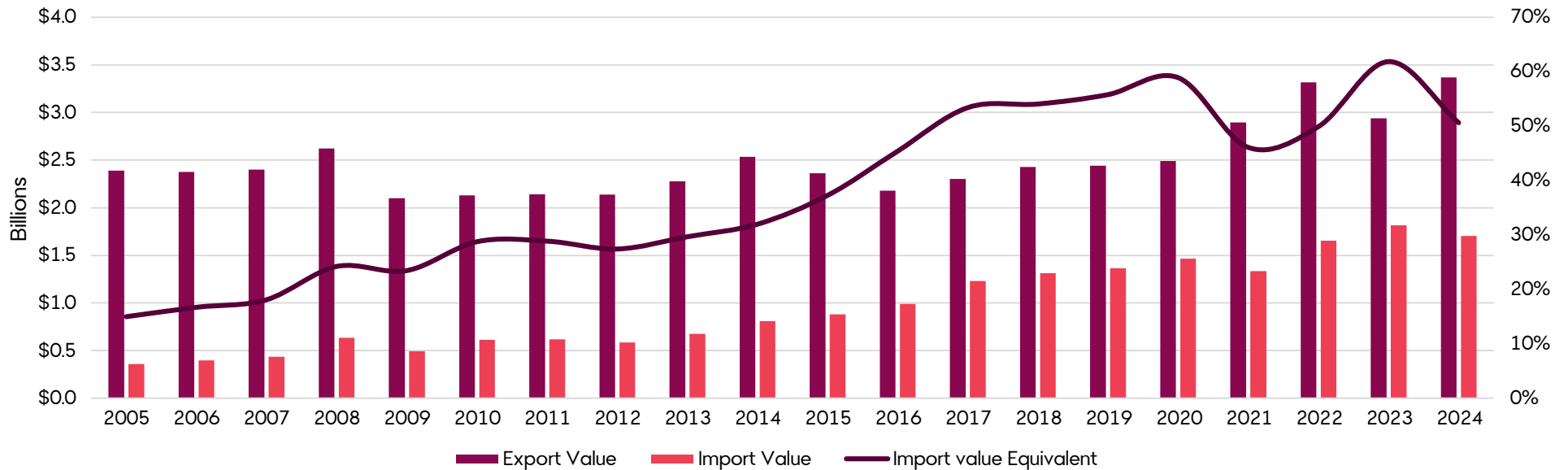
Source: Dairy Australia



Have lower farmgate prices and higher global prices slowed dairy imports?

In 2023, the value of Australian dairy exports reached a record high of \$1.82 billion. Record high farmgate prices, depressed global dairy prices and low domestic supply were highlighted as the main drivers, creating consternation over Australia’s status as a major global dairy exporter. So, have imports slowed with changing market conditions? In short, yes, but there is always a caveat. In 2024, the volume of all dairy imports fell nine per cent, and value fell six per cent to \$1.7 billion, still the second highest on record behind 2023. This saw the value of imports as an equivalent of exports fall from a record high 62 per cent in 2023 to 51 per cent in 2024. This was driven by higher export value and lower import value of milk powders and cheese – typically our two highest value export product categories. However, the import value of fresh milk, butter & other fats, and other milk products all increased on 2023 numbers. This brings us to the caveat – which is Australia’s declining milk production. A smaller supply pool necessarily means less product available for export, which has manifested in processor closures and the rethinking of product mixes. While Australia will continue to produce sufficient supply for domestic demand, exports will shrink to focus on higher valued export products like cheese. Australian dairy will likely continue to hold a trade surplus, but the reshaping of the industry means we’re unlikely to return to 20 years ago when dairy export value was five times higher than imports.

Australian Dairy Trade Balance



Source: S&P Global

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