**MPO Pointer 1: 15 January 2026**

# Falling International Dairy Prices: What It Means for South Africa

## Synopsis

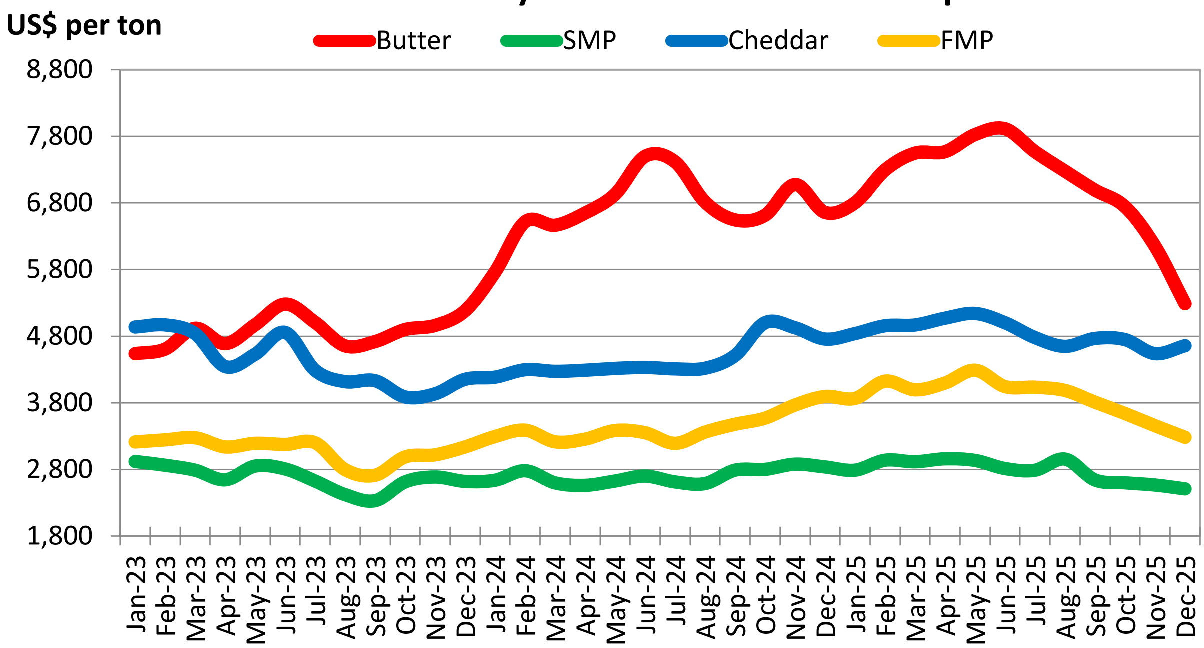
International dairy commodity prices fell sharply in late 2025, following a period of constant upward trends since October 2024 for butter, cheddar, and full-cream milk powder (FMP), where all three commodities reached new all-time highs. This decline reflects a market imbalance driven by strong global unprocessed milk production on the back of robust farmgate prices in the USA, EU, and NZ. The average EU price increased with 26% from September 2023 (43.39 euros/100kg) to December 2024, while the price in 2025 maintained a level above 52.50 euros/100kg, only to dip below in November and December 2025. In New Zealand, average prices increased by 36% over the same period from September 2023 (30.59 euros/kg) to December 2024, while prices in the first seven months of 2025 averaged 39.85 euros/kg, before declining from August through December. These elevated farmgate prices were largely underpinned by new legislation and regulatory requirements in key exporting regions, which provided a challenge to the market regarding unprocessed milk production stimulation.

## International Price Overview in the Global Dairy Market

Global milk production rose significantly throughout 2025, particularly in major exporting regions such as New Zealand, the European Union, the United States, and parts of South America. Favourable production conditions and strong milk solids growth resulted in a substantial increase in unprocessed milk volumes.

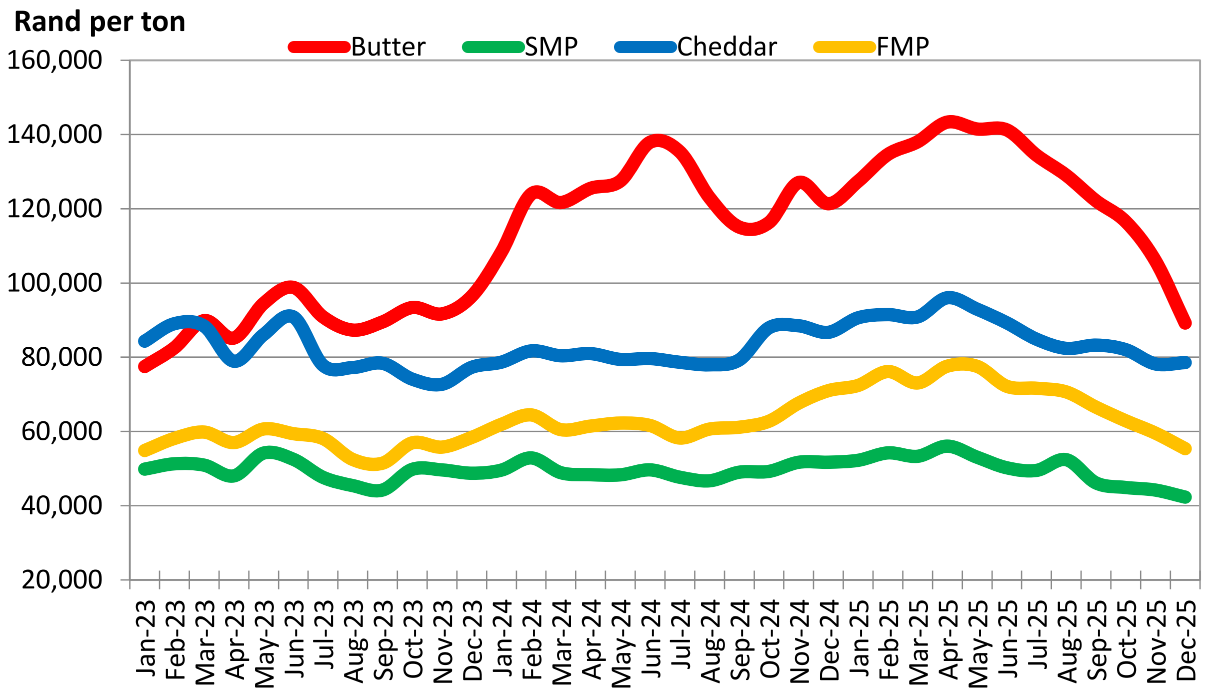
Export markets became increasingly saturated from the ample supplies of butter, SMP, and FMP, driving up inventories and intensifying competition among exporters. The resulting price declines were broad-based, reflecting a market imbalance rather than temporary volatility. New environmental and regulatory requirements in major exporting regions raised production costs and constrained structural expansion. Nevertheless, robust farmgate prices incentivised efficiency improvements and higher milk-solids output, contributing to oversupply and downward pressure on international dairy commodity prices. The global dairy market is therefore expected to experience a period of lower commodity prices in 2026, driven by ample milk supplies and exportable surpluses.

## International Dairy Product Prices - US Dollar per ton




*Source: USDA, Dairy Market News*

## International Dairy product prices - Rand per ton




*Source: MPO calculations based on USDA, Dairy Market News*

## What This Means for the South African Dairy Industry

Declining international prices make imported butter and milk powders more competitive, a situation reinforced by the strengthening Rand observed since February 2025.

At the same time, lower international prices combined with persistent input costs and ongoing FMD considerations may affect overall milk production patterns. With limited export capacity, South Africa's domestic market remains central to the sector, and these shifts could influence planning, supply strategies, and investment decisions over the coming period.

## Conclusion

The decline in international dairy commodity prices during late 2025 reflects a global market characterised by ample milk supplies, possible rising inventories, with prospects of demand stimulation in the short term through lower Free-on-Board prices. As commodity prices are expected to remain subdued in 2026, international farmgate prices in key exporting countries are likely to moderate.

For South Africa, these global developments translate into more competitive import prices, although challenges at ports and in transport infrastructure remain. The South African dairy sector continues to rely primarily on the domestic market, where supply and demand have been broadly in balance since 2022. Consequently, the long-term stability of the sector depends on maintaining a well-functioning, balanced local market.

***Author:***
***MPO Economist, Jade Smith***

***Contributor:***
***Bertus van Heerden, MPO Chief Economist***