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23 Sept 2025
India–US trade talks heat up after Trump’s 50% tariffs. With dairy as the red line, Delhi may consider a cheese import quota in return for tariff rollback.

bazaar Tariffs, Cheese, and the Tightrope: India–US Trade in 2025

September has been a rollercoaster for India–US trade. One week, Trump slapped Indian exporters with a 50% tariff wall, and shipments to America collapsed – exports dropped from $8 billion in July to $6.7 billion in August, the steepest fall this year. The following week, he's calling Modi on his 75th birthday, praising him as a "great friend."

That's Trump in a nutshell: tariffs on Tuesday, olive branch on Thursday. And now, a U.S. delegation is back in Delhi, talking "positive and forward-looking" trade ties. But let's not kid ourselves. The real fight is about dairy.

Why Dairy Is Untouchable

For India, dairy isn't just another sector. It's the daily bread for 80 million farmers. These are families with two or three cows, linked into co-ops like Amul and Mother Dairy. Cheap American milk powder or butter crashing into this system would instantly sink rural incomes.

There's culture in the mix, too. Indian regulators insist imported milk must be certified free of animal-derived feed. Why? Because U.S. dairy often uses enzymes from animal bones or feed mixes that wouldn't pass the Indian "vegetarian" test. Politically, socially, and economically, opening dairy to the U.S. is a red line.

The U.S. Backs Down: Just Say Cheese

Here's where it gets interesting. Realising that India won't open the floodgates, U.S. negotiators have scaled back. Forget milk powder and butter. The new ask? Premium cheese.

Think blue, Gouda, Camembert – products eaten by maybe 2–5% of India's urban consumers, who already import them from Europe despite paying 30–40% duty. For Modi's team, this is low-risk: no small farmer in Bihar is losing sleep over camembert.

The compromise being discussed is a tariff rate quota (TRQ). India would allow a limited quantity of U.S. cheese at a lower duty, while keeping the higher tariff beyond that quota. Trump gets

The Side Dishes: Whey, Corn, Casein

- Whey protein: India already buys American whey for nutrition and bakery. Lower tariffs would cut costs for food companies but might stunt local whey processing.
- Corn: Trump wants to dump U.S. maize, but most of it is genetically modified. India bans GM food. Maybe ethanol-only imports are politically toxic.
- Casein: Here, the winners would be New Zealand and Europe, not the U.S. or India. No deal likely.

Bottom line: the fight is really about cheese and whey.

A November Deal on the Horizon?

Here's the part business is watching closely: Washington is hinting that the extra 25% "penalty tariff" could disappear by November-end if India offers a cheese quota. That would cut the tariff burden in half and ease pressure on exporters.

It's not dramatic, but it's practical: India gives a symbolic cheese opening, Trump rolls back penalties. Each leader claims a win.

Nukkad Take

This isn't about cheddar or butter. It's about whether India can defend its red lines while extracting real relief. A quota on U.S. cheese is manageable. Farmers stay safe, Trump gets his photo-op, and exporters breathe easier if tariffs fall.

But let's be clear: once you open the door, however slightly, the pressure to push it wider never goes away. That's why India's negotiators must play this carefully. Tariffs are leverage. Dairy is survival. Don't trade the second for too little of the first.

GST Cuts and Dairy Demand: A Festive Season Catalyst or Structural Game-Changer?

The GST Council's decision to reduce taxes on paneer, ghee, butter, and cheese could not have come at a more telling moment. On the surface, it's a festive season gift—lower prices on the items that sit at the heart of Indian kitchens. But beneath the headlines lies a bigger story about how Indians consume dairy, and how the industry might change in response.

A Festival Boost, But More Than That

In households already stretched by rising food inflation, even small savings matter. Paneer for the family dinner, a bit more ghee for sweets, or choosing branded cheese over loose packets at the local kirana—these are the kinds of decisions where price nudges can swing demand. That's why processors from Heritage Foods to Mother Dairy have been quick to pass on the benefits.

The immediate effect will be visible this quarter: higher volumes, more substantial goodwill, and perhaps a shift in consumer behaviour. But will people continue to buy more once the Diwali lights are put away?

Why This Cut Matters Beyond the Short Term

When prices rise, households often "trade down"—from cheese to paneer, or from branded ghee to the unorganised supply. The GST cut narrows that gap, giving branded, packaged products a fighting chance against the loose market. If consumers stick with the organised sector, it could reshape the market by nudging them toward quality, consistency, and trust.

For the industry, that's a real opportunity. Paneer and cheese are not just festival staples—they're central to quick-service restaurants, modern retail, and urban food habits. Even in smaller towns, they are moving from "occasional indulgence" to "everyday choice." Lower tax helps accelerate that journey.

The Bigger Picture: Policy and Politics

There's also a policy gamble here. The government is trading off some GST revenue in the hope that higher consumption will more than make up for it. In dairy, that's not far-fetched—every extra litre sold has ripple effects across farmers, transporters, and processors.
It's also a political move. Dairy is both an economic engine and a cultural touchpoint. Keeping prices in check and demand healthy sends the proper signal to both consumers and farmers, especially with elections never too far away.

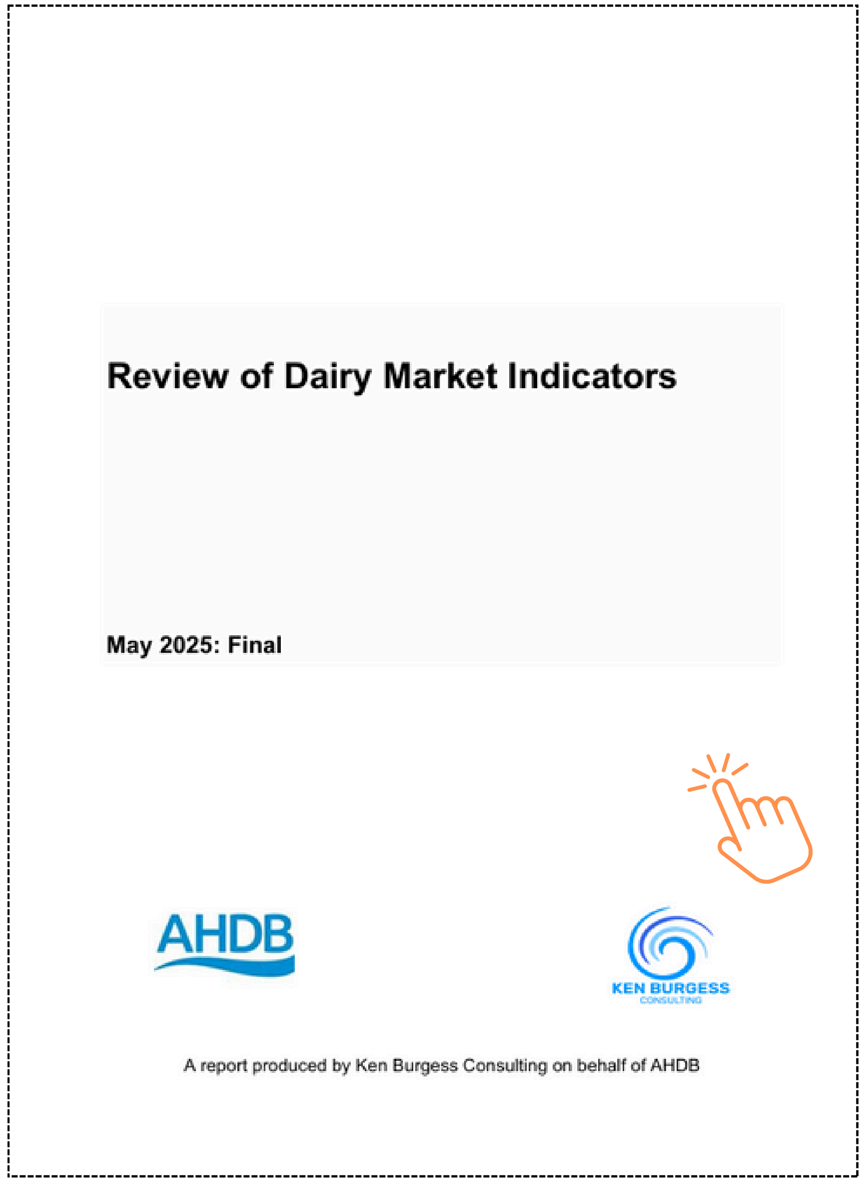
What Happens Next?

The real test is whether this change shifts the baseline of dairy demand, not just the festive spike. If branded dairy manages to win over more households now, it could set the tone for longer-term formalisation of the sector. For farmers, sustained demand growth means processors will compete more fiercely for milk, thereby raising farmgate incentives and tightening supply chains.
So while today's headlines are about "cheaper ghee and paneer," the deeper story is this: a minor tax tweak could, over time, redraw the lines between India's fragmented informal dairy economy and its fast-modernising organised sector.

Product	Pre-GST Cut Price*	Post-GST Cut Price*	Approx. Reduction	Consumer Impact
Paneer (200 g pack)	₹90 – ₹95	₹84 – ₹88	₹6 – ₹7	Affordable protein option, may boost daily use
Cheese (200 g processed block)	₹120 – ₹125	₹112 – ₹116	₹8 – ₹9	Branded cheese closer to loose/unbranded
Ghee (1 litre pouch)	₹560 – ₹580	₹530 – ₹545	₹25 – ₹35	Noticeable savings during festive sweet-making
Butter (500 g pack)	₹280 – ₹290	₹265 – ₹272	₹15 – ₹18	Encourages shift to packaged formats

Lower prices on everyday staples like paneer, ghee, butter, and cheese are expected to give dairy demand a meaningful push. For households, especially in price-sensitive segments, the reductions make it easier to keep dairy at the centre of daily meals, not just festive treats. Branded products become more competitive against loose, unorganised supply, nudging consumers toward quality and consistency. This twin effect—higher affordability and stronger trust in packaged formats—creates a virtuous cycle: more demand for processors, better price realisation for farmers, and a deeper penetration of dairy across both urban and semi-urban markets.

bazaar Understanding the AHDB AMPE & MCVE Review (May 2025)


Review of Dairy Market Indicators

May 2025: Final

AHDB

KEN BURGESS CONSULTING

A report produced by Ken Burgess Consulting on behalf of AHDB

Produced by Ken Burgess Consulting for AHDB, this periodic review revisits two critical market indicators for the UK dairy sector:

- AMPE (Actual Milk Price Equivalent)
- MCVE (Milk for Cheese Value Equivalent)

Both indicators translate wholesale commodity prices back into a "milk equivalent" value. In simple terms, they estimate what processors are earning from dairy outputs such as butter, cheddar, skimmed milk powder (SMP), or whey powder — and therefore, what that implies for the value of raw milk. While not exact models of every factory's economics, they provide an important benchmark for farmers, processors, and policymakers to understand the relationship between dairy product markets and farmgate returns.

Key Findings from the May 2025 Review

1. Updated Conversion Factors (Milk-to-Product Yields)

Since the last review in 2020, the number of litres of milk required to produce a tonne of product has declined across several categories. This reflects richer milk composition (higher fat/protein) and greater processing efficiency.

Product	2020 (litres/tonne)	2025 (litres/tonne)	Change
Butter	~19,900	~19,200	↓ 3.5%
SMP	~10,600	~10,470	↓ 1.2%
Mild Cheddar	~9,100	~8,860	↓ 2.6%
Whey powder	16,700	16,700	–

Drivers: energy efficiency, higher throughput, automation, and new drying technology (particularly in SMP).

3. Scope of Products Considered

There is industry interest in broadening MCVE to cover products such as Mozzarella, cheddar curd, and mature cheddar.

This reflects shifting production and consumption patterns, where Mozzarella's growing role in both foodservice and retail could otherwise distort the picture if ignored.

4. Profit Margins & Timing

The review debated including profit margins or return-on-capital but rejected it due to volatility and practical difficulties.

Publication timing remains the 25th of each month, balancing accuracy with industry needs for timely benchmarks.

Strategic Implications

More accurate signals for farmers: Updated yields and lower costs mean AMPE and MCVE now translate commodity prices into slightly higher implied milk values.

Processing efficiency matters: SMP's cost reduction highlights how technology adoption can buffer margins and stabilise returns.

Indicators as negotiation tools: These values often underpin processor–producer contract discussions; improving accuracy improves fairness.

Not the full story: The report cautions that real plant costs still vary widely by scale, technology, and utilisation.

Lessons for India's Dairy Sector

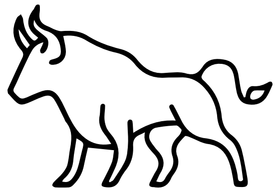
Though this review is UK-specific, it carries lessons for India:

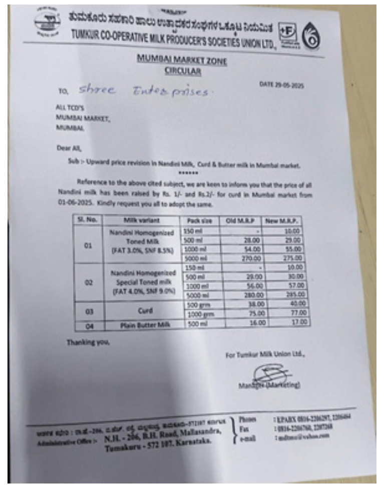
Milk composition tracking: As Indian milk fat/protein levels improve, regular updates to conversion factors would sharpen market analysis.

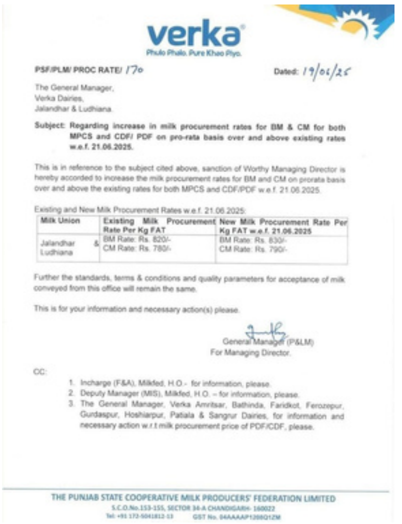
Efficiency investments: Energy-savvy technology and automation can meaningfully lower processing costs — especially for powders and cheese.

Product mix matters: With rising Indian demand for Mozzarella, whey proteins, and value-added cheeses, having transparent "milk equivalent" benchmarks for those products would help signal shifts in returns. **Policy & contracts:** Transparent indicators like AMPE/MCVE could strengthen farmer–processor negotiations and guide policymaking.

bazaar News narratives 2025







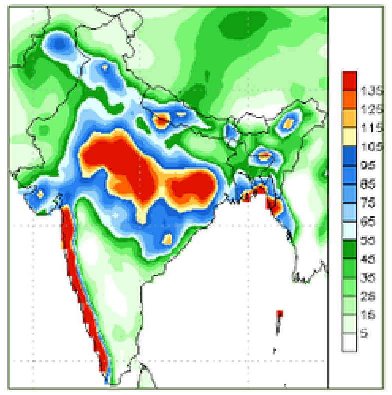
INDIA TODAY
Karnataka Milk Federation proposes Rs 5 hike, cut in quantity
3 days ago • By Nagarjun Dwarakanath

KMF increase price by 5 Rupeee

Coops increase price by 2 Rupeee

Coops increase price by 2 Rupeee

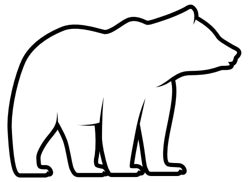
Jan — Feb — April — June — July — Sept — Dec



Good Monsoon

Business Standard
Heritage Foods to cut dairy product prices following GST reduction

GST Reduction



bazaar India: weekly vitals

Milk Price

Market	Price As On	1 Day back	5 Days back	1 Week back	1 Month back	1 Year back
	22/09/2025	21/09/2025	17/09/2025	15/09/2025	22/08/2025	22/09/2024
Retail	59.4	58.68	59.28	59.47	59.03	58.3
Wholesale	5610.78	5546.15	5592.57	5602.82	5577.16	5437.59

Source: Gov of India

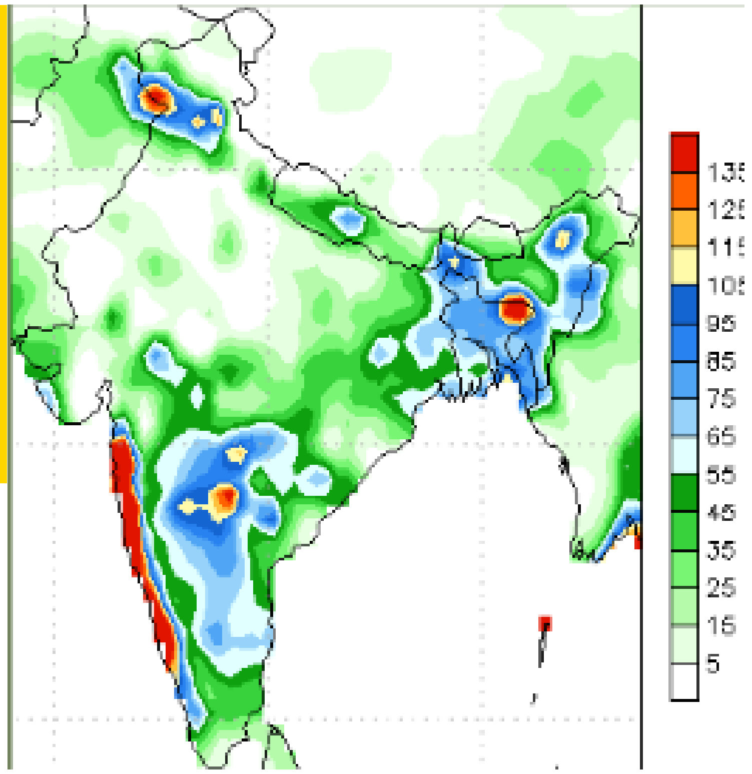
Currency

CURRENCY	NAME	UNITS PER INR	INR PER UNIT	CURRENCY
USD/INR	US Dollar	0.011	88.75	USD/INR
EUR/INR	Euro	0.01	104.68	EUR/INR
GBP/INR	British Pound	0.008	120.04	GBP/INR
AUD/INR	Australian Dollar	1	58.52	AUD/INR
CAD/INR	Canadian Dollar	0.017	64.13	CAD/INR
SGD/INR	Singapore Dollar	0.016	69.14	SGD/INR
CHF/INR	Swiss Franc	0.015	111.93	CHF/INR
MYR/INR	Malaysian Ringgit	0.009	21.12	MYR/INR
JPY/INR	Japanese Yen	0.048	0.6	JPY/INR
CNY/INR	Chinese Yuan Renminbi	1.674	12.48	CNY/INR
NZD/INR	New Zealand Dollar	0.081	51.98	NZD/INR
LKR/INR	Sri Lankan Rupee	3.424	0.29	LKR/INR
BDT/INR	Bangladeshi Taka	1.378	0.73	BDT/INR
PKR/INR	Pakistani Rupee	3.2	0.31	PKR/INR
NPR/INR	Nepalese Rupee	0.023	0.62	NPR/INR

Source: Xe.com

Accumulated Rainfall

Evaporation



Rainfall Update & Forecast (18–23 Sept)

- Yesterday: Moderate to heavy rain in Maharashtra, MP, UP, North Karnataka, Andhra, Chhattisgarh, Bihar, WB, Uttarakhand, Tamil Nadu & Northeast. Light rain in Telangana, South Karnataka, Odisha, Jharkhand, HP & J&K.
- Impact: Good for crop growth; heavy showers in Maharashtra, North Karnataka & Telangana may damage standing pulses (urad, moong).

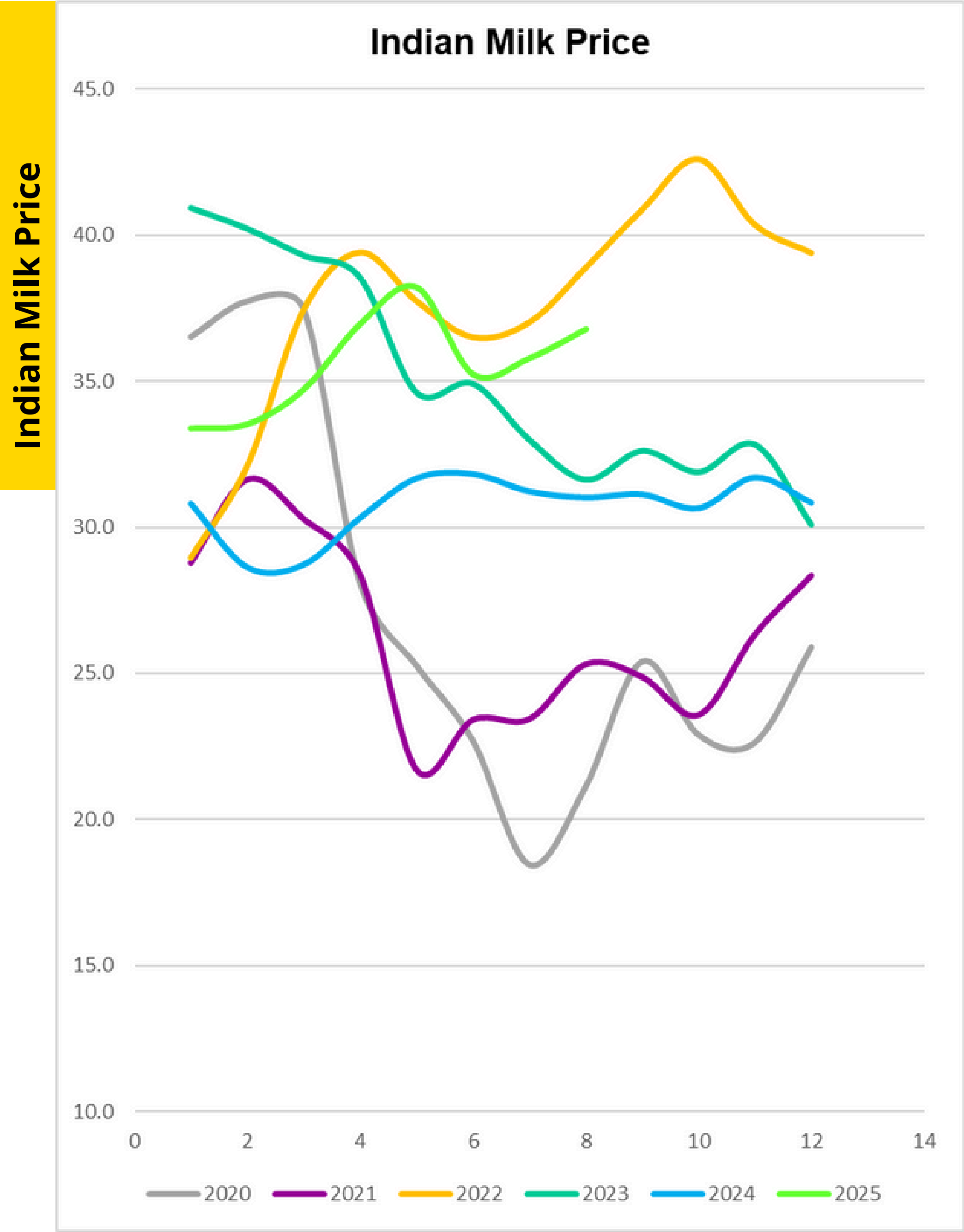
Forecast

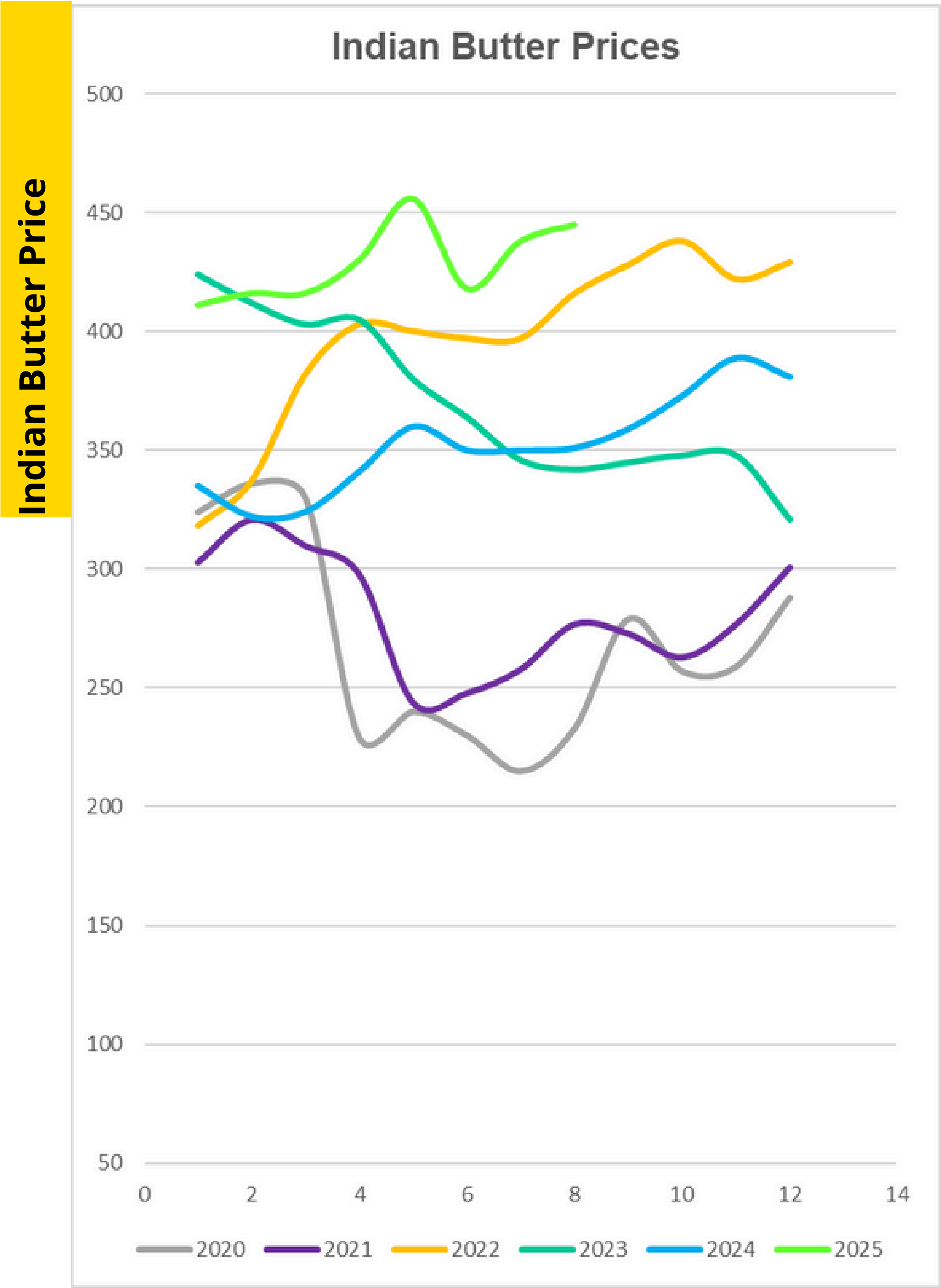
- Sub-Himalayan WB & Sikkim: Heavy rain (18–19 Sept)
- Bihar: Rain, some heavy (18–20 Sept)
- Uttarakhand, East UP: Light–moderate rain (18 Sept)
- Konkan, Goa, Madhya Maharashtra: Heavy rain (18 Sept)
- Tamil Nadu: Heavy rain (18–19 Sept)
- Kerala, Coastal AP, Rayalaseema, Coastal & South KA: Rain (18 Sept)
- Assam & Meghalaya: Rain continues (18–23 Sept)
- Arunachal: Rain all week except 18–19 Sept
- Nagaland, Manipur, Mizoram, Tripura: Rain (19–23 Sept)

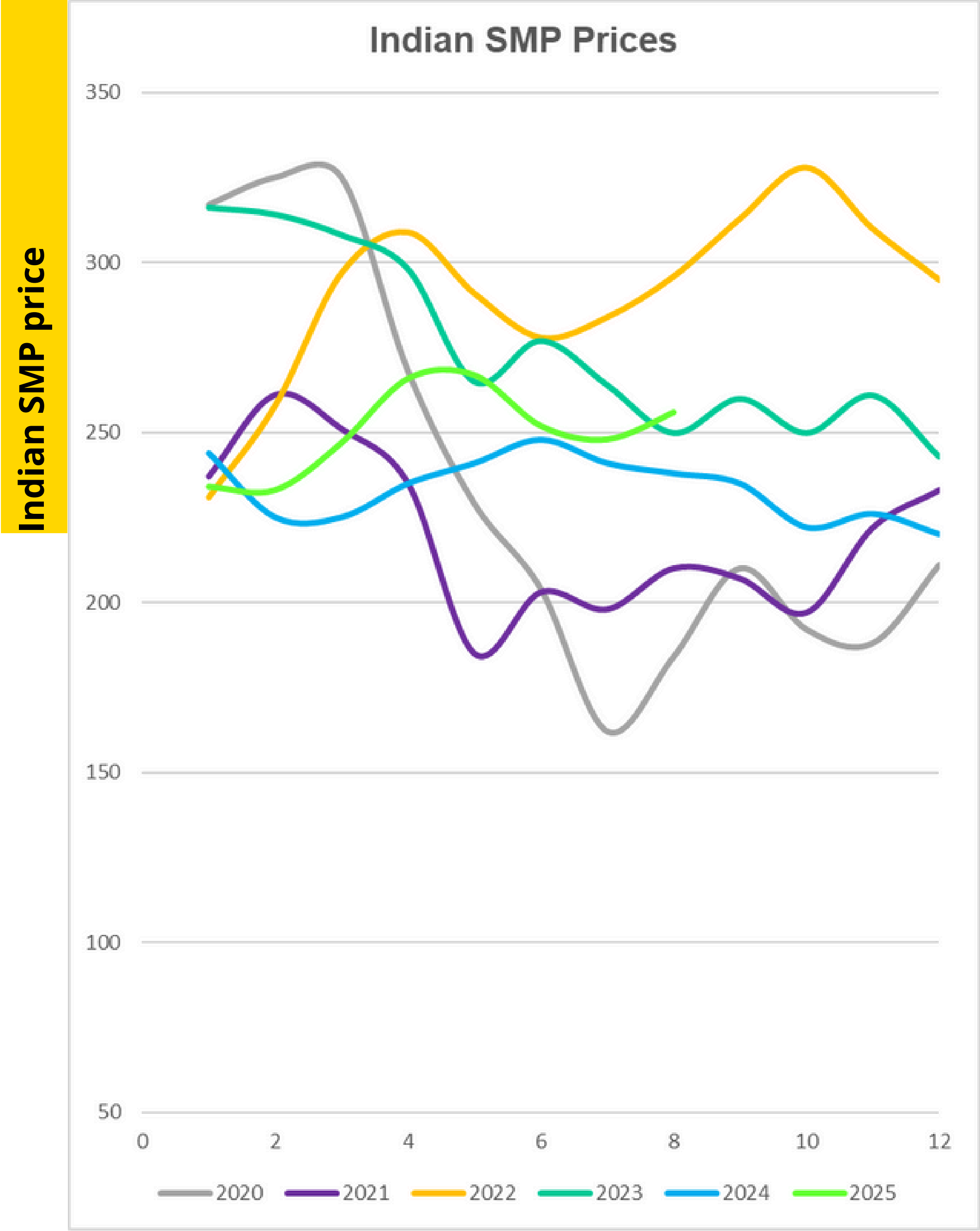
Advisory: Rain will aid crops overall, but heavy showers may affect standing crops and harvesting of pulses.

Source: US National Weather Service and IMD

bazaar India: weekly vitals

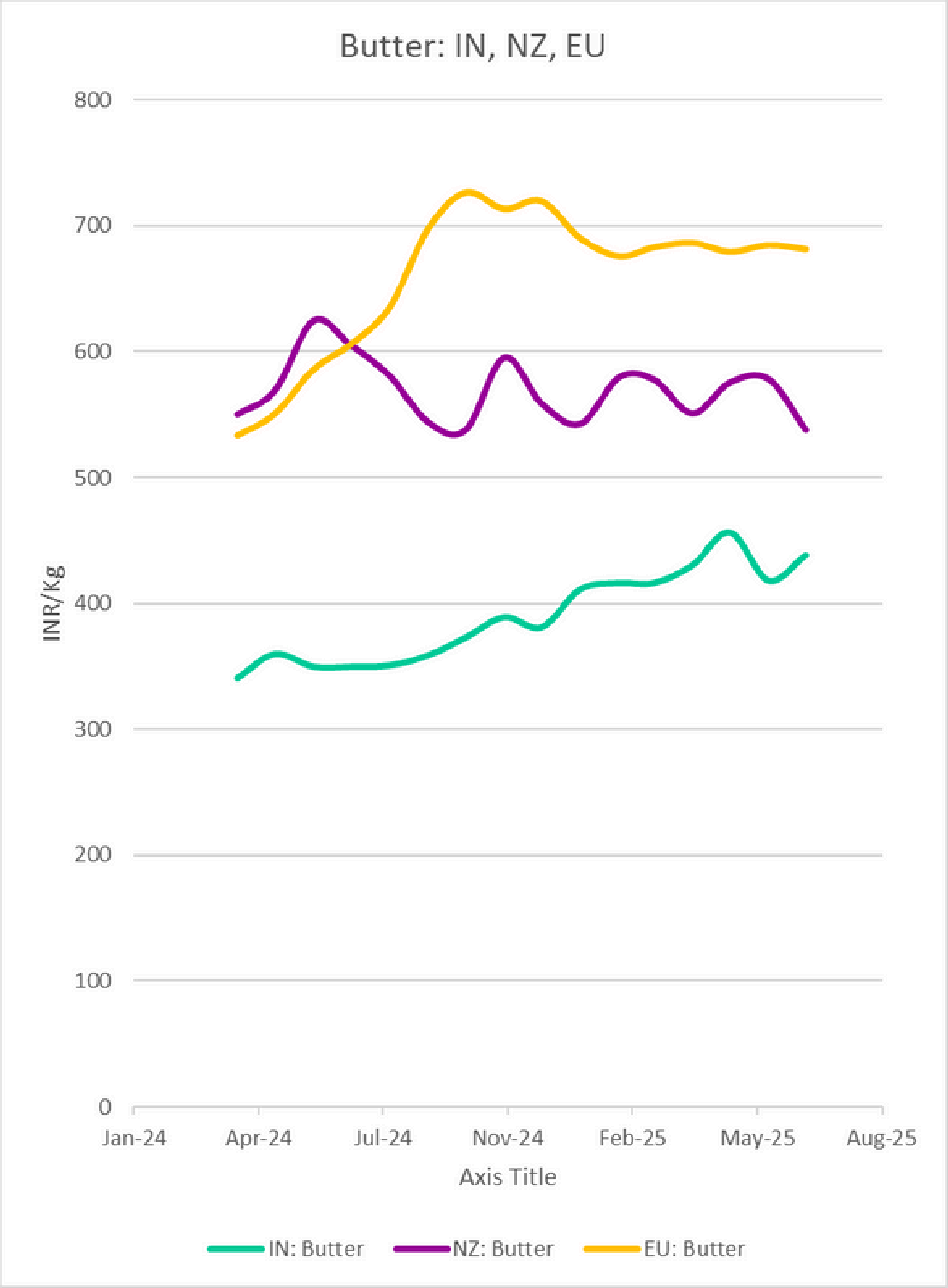






bazaar Global: weekly vitals

Butter Wars



Butter Prices: EU, New Zealand, and India – A Diverging Trend

Butter prices across India, New Zealand, and the European Union have followed divergent paths over the past year, highlighting both domestic supply-demand dynamics and global trade influences.

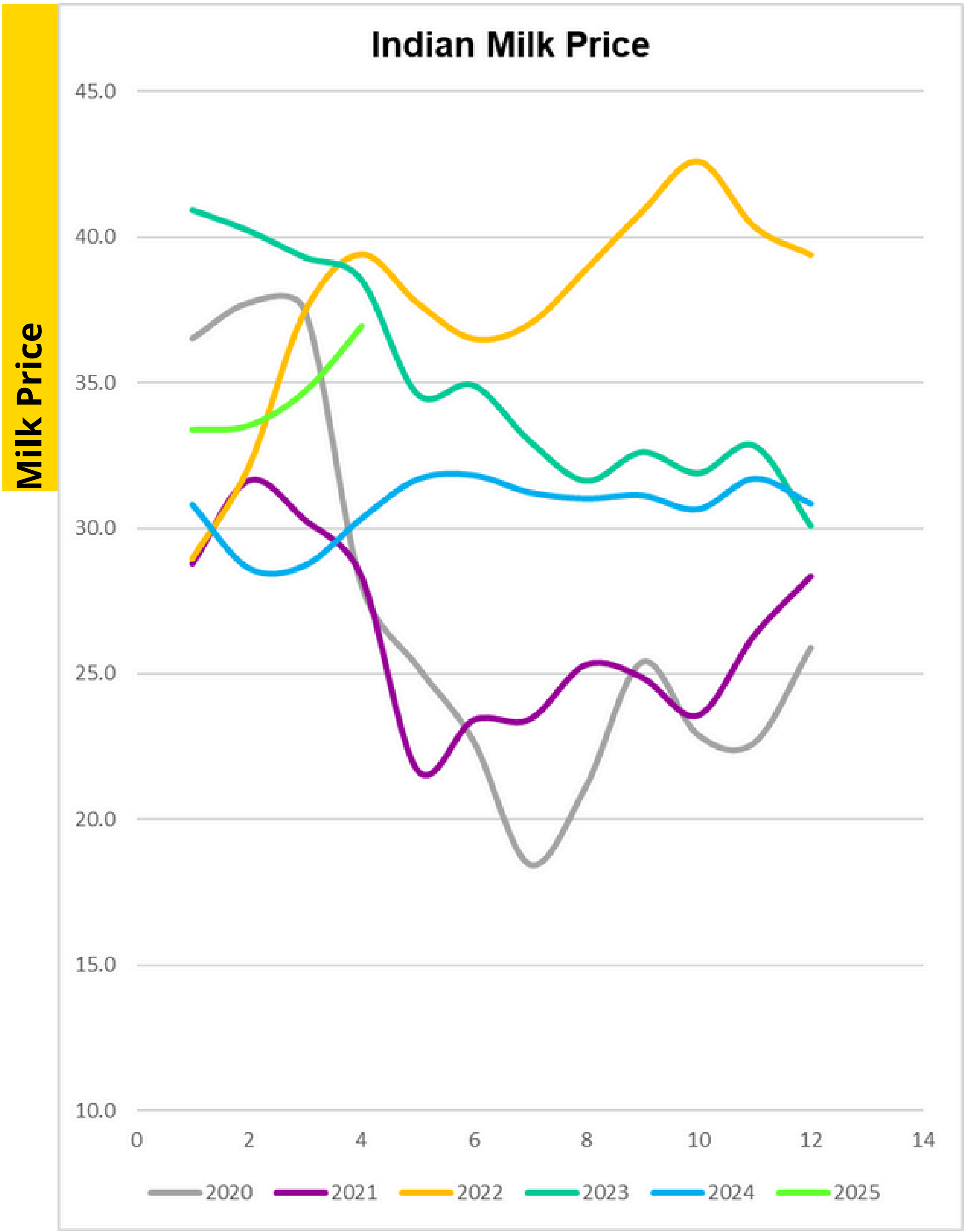
- European Union (EU): EU butter prices surged sharply from early 2024, peaking above ₹720/kg by mid-2024 before easing slightly and stabilising around ₹680–690/kg by mid-2025. Strong export demand and tight milk supply kept EU values elevated.
- New Zealand (NZ): NZ butter showed high volatility, initially spiking past ₹620/kg in mid-2024, then softening to below ₹560/kg before recovering briefly in late 2024. Prices remained range-bound between ₹560–600/kg in 2025, reflecting global demand swings and Oceania's production cycles.
- India: In contrast, Indian butter remained comparatively lower, starting at around ₹340/kg in early 2024 and steadily climbing past ₹400/kg by mid-2025. This gradual rise reflects firm domestic consumption, seasonal milk variations, and rising input costs, but still leaves Indian butter significantly cheaper than global benchmarks.

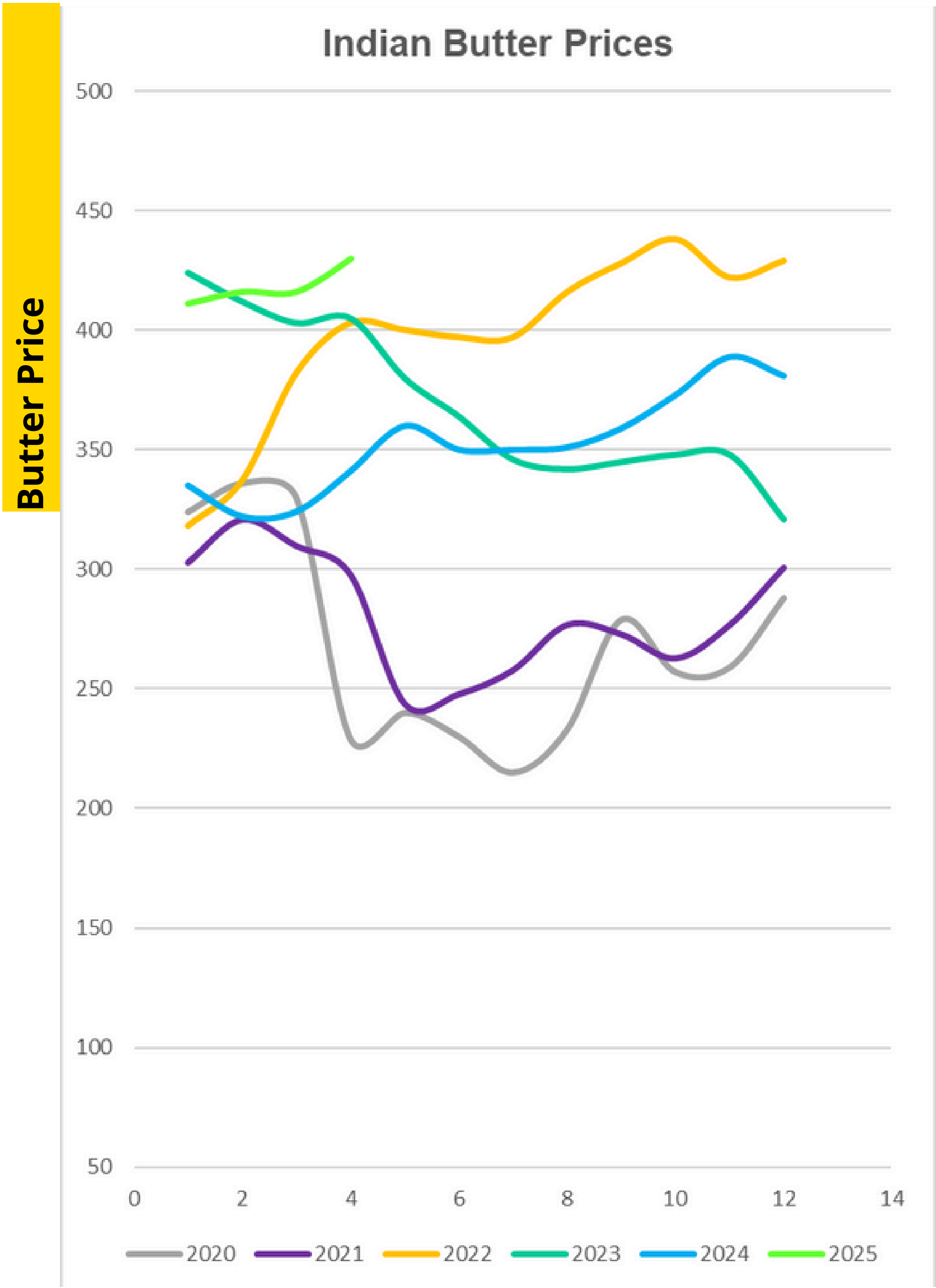
Implications

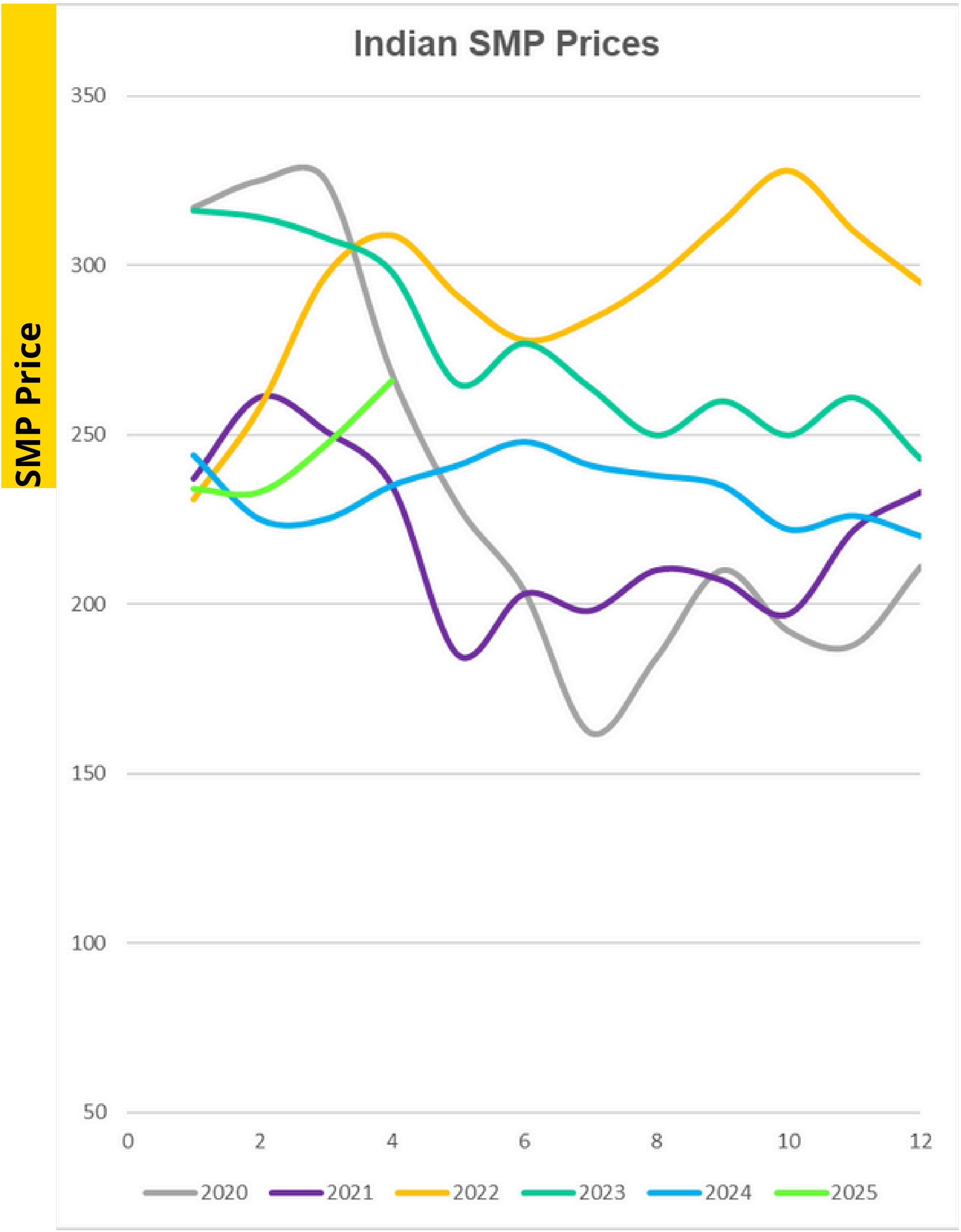
- Export Competitiveness: India's lower butter prices offer potential for export competitiveness, provided quality and trade access are addressed.
- Import Pressure: For processors and buyers, cheaper Indian butter shields the domestic market from import competition despite global volatility.
- Global Divergence: While EU and NZ prices are driven by global trade flows and supply tightening, India's market remains more insulated and consumer-driven.

Overall, the price gap underscores how India's dairy market operates in relative isolation but also signals opportunity for greater integration into global butter trade.

bazaar India: weekly vitals







bazaar supply & demand

Australia's dairy sector faced mixed fortunes in mid-2025. Milk production in July fell 4% year-on-year to 556.1 million litres, with gains in New South Wales (+2.5%) and Queensland (+3.2%) offset by declines in Victoria (−5.1%), South Australia (−9.6%), Western Australia (−7.9%) and Tasmania (−6.1%). The August Production Inputs Monitor indicated drier conditions in Victoria, South Australia, and Tasmania, although rainfall was above average in New South Wales and Western Australia. Water storage improved month-on-month but remained below 2024 levels. Hay prices eased on better production prospects, fertiliser costs stayed elevated, and fewer cows were culled, though cull-cow prices strengthened on robust beef demand. On trade, July exports rose sharply to 15,587 MT, up 19% year-on-year, underlining firm international demand. In a significant breakthrough, Australia also announced the development of the world's first mRNA vaccine against Foot-and-Mouth Disease (FMD), which has been successfully tested in large animals. This development is expected to bolster biosecurity and provide a rapid response capability to future outbreaks.

Western Europe: EU milk deliveries are forecast to rise by 0.15% in 2025, despite a 1% decline in the herd, thanks to higher yields and milk components. Strong prices are supporting margins but reducing competitiveness versus New Zealand and the U.S. Consolidation is accelerating under regulatory pressure, with Ireland's herd possibly shrinking 18% under nitrate rules (cutting EU milk by 1.6 bn kg). Milk output already slipped in Q1. Looking ahead, Euronext plans dairy futures (butter & SMP) from Q2 2026, pending approval.
Eastern Europe: Russia's milk output rose 2.6% in Q1 2025 to 6.3 mt, led by industrial farms (+3.7%). Supplies remain above 2024 levels.

Following the Global Dairy Trade (GDT) event 387, a New Zealand milk price forecasting group lowered its 2025/26 season forecast by 22 cents to $10.05/kgMS, with the spot value also easing to $10.32/kgMS from $10.72/kgMS, as both skim milk powder and whole milk powder prices came in below expectations. On the weather front, Earth Sciences New Zealand projects above-normal spring temperatures, with normal to above-normal rainfall expected across the North Island and the Nelson–Marlborough–Tasman regions. The rest of the South Island is forecast to experience normal to below-normal rainfall. Early snow accumulation is expected in the Southern Alps by early September. Conditions are currently ENSO-neutral, but the cooling of equatorial Pacific waters signals a potential La Niña shift by late 2025, with a 60% chance of increased rainfall between September and November. Strong pasture growth, resulting from elevated winter rainfall and sunlight, is expected to support milk production heading into spring.

Milk production in the U.S. remains broadly steady but regionally uneven. Strong yields in the Midwest and Northeast are offsetting softer output in drought-affected areas of the West and Southwest. Margins are under pressure due to persistently high feed, labour, and energy costs, though lower corn and soybean prices have provided some relief. Class III and IV milk prices have exhibited volatile trends, with cheese prices pulling Class III prices lower, while butter and non-fat dry milk (NFDM) lend support to Class IV prices. Export demand for NFDM/SMP has been mixed, with Southeast Asia providing some pull, while Mexico remains a consistent buyer. U.S. cheese exports are facing headwinds from intense competition from the EU and New Zealand, while domestic cheese demand remains steady but not robust. Overall, industry analysts expect milk production growth to remain flat to slightly negative in Q3–Q4, as weaker farm margins cap expansion.

Milk production across South America is trending steadily upward, with Argentina reporting a 12% year-on-year increase in H1 2025, supported by favourable feed costs, margins, and weather conditions. However, industry sources caution that tightening margins could slow growth in the third and fourth quarters. On pricing, UHT milk remains stable, while the prices of other milks are slightly weaker. Powder markets show mixed demand: drying operations are prioritising whole milk powder (WMP) over SMP amid higher seasonal milk volumes, with Algerian buyers more active than Brazilian counterparts. Both SMP and WMP prices are expected to soften through late Q3, while the mozzarella cheese market carries a bearish tone.

India's dairy sector is experiencing seasonal moderation in milk output with the lean flush period approaching. Monsoon rains have been uneven, aiding fodder availability in some regions while causing flood-related losses in parts of Maharashtra, Karnataka, and Telangana, particularly impacting pulses and feed crops. Consumer demand for ghee, butter, and paneer is picking up ahead of the festive season, providing price support, while skim milk powder (SMP) stocks remain comfortable, tempering upward price pressure. Industry stakeholders note that farm-gate milk prices are firming, reflecting higher input costs and procurement competition among cooperatives and private dairies. Export demand for SMP and butter oil remains muted, although India's lower relative butter prices could open up limited trade opportunities if global prices remain elevated. Looking ahead, the sector anticipates a recovery in domestic demand to balance moderate milk growth, with processors closely monitoring global trade negotiations and potential tariff adjustments.

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IN: GST Cuts to Boost Dairy Sector The Indian Council of Agricultural Research–National Dairy Research Institute (ICAR-NDRI) welcomed the recent GST reforms that slashed taxes on dairy products. As of September 22, 2025, most milk and milk-based items will either be tax-exempt or taxed at a rate of just 5%. The move is expected to lower consumer costs, improve farmer margins, and stimulate overall dairy demand.

IN: India Holds Firm in US Trade Talks: As negotiations with Washington advance, New Delhi has made clear that dairy will remain a "red line." Analysts warn that opening India's dairy market to US imports could result in losses of over ₹1.03 lakh crore annually for Indian farmers. Protecting domestic livelihoods remains central to India's stance, even as both sides explore concessions in other sectors.

IN: Mother Dairy Targets ₹20,000 Cr Turnover: Mother Dairy achieved ₹17,500 crore in FY25 turnover, marking a 16% year-on-year increase. For FY26, the company aims to surpass ₹20,000 crore, with a stronger focus on protein-rich categories, including paneer, curd, and other functional dairy products. The company views rising health consciousness and urban demand as key drivers of growth

IN: Sexed Semen boost to East India: Prime Minister Narendra Modi inaugurated a sex-sorted semen facility at Purnea, Bihar, under the Rashtriya Gokul Mission. Built at a cost of ₹10 crore, the centre will produce around 5 lakh doses annually using indigenous Gausort technology, which ensures up to 90% female calf births. The initiative is expected to boost dairy productivity, ease farmers' economic burden, and benefit smallholders across Eastern and North-Eastern India.

IN: Cargill India Names New Leadership Team for 2025: Cargill India has announced a suite of leadership appointments as part of its 2025 strategy. Key individuals have been elevated to senior roles across operations, supply chain, and commercial divisions, reflecting the company's focus on growth, innovation, and market responsiveness. The new leadership is expected to drive more substantial alignment between local market needs and global best practices, improve efficiency in sourcing and production, and enhance customer engagement. With these changes, Cargill is signalling a commitment to deepen its presence and competitiveness in India's dairy and agricultural sectors.

IN: India Finalists for IDF Dairy Awards 2025 Announced: India has revealed its shortlist of finalists for the 2025 IDF Dairy Awards, recognising excellence across innovation, sustainability, and operational performance in the dairy sector. The finalists include dairy processors and cooperatives that have demonstrated outstanding achievements in areas like product development, environmental impact reduction, and community engagement. With awards spanning categories such as Food Innovation, Sustainability, and Market Leadership, the recognition spotlights progressive Indian dairy players setting benchmarks on both national and international stages.

AF: FAO Launches Vaccination Drive Against PPR in Afghanistan: The Food and Agriculture Organisation (FAO), with international support, has launched a mass vaccination campaign in Afghanistan to combat Peste des Petits Ruminants (PPR), also known as sheep and goat plague. The highly contagious viral disease threatens the livelihoods of millions who depend on livestock for food and income. FAO has already vaccinated millions of animals to protect herders, strengthen food security, and safeguard rural nutrition. The initiative highlights the critical link between animal health and community resilience in a country where small ruminants form the backbone of rural economies.

SL: Japan Invests in Dairy Development: Japan has pledged ¥963 million (US$21.6m) to boost Sri Lanka's dairy productivity and support the Navy, with ¥463m allocated to the Department of Animal Production and Health for technology upgrades. President Anura Kumara Dissanayake will formalise the agreements during his state visit to Japan. Separately, Japan also funded a US$55,000 dairy facility in Egypt's New Valley under its KUSANONE program, supporting barns, a processing plant, and youth training to enhance food security and livelihoods.

BD: Bangladesh Dairy Development Board: The interim government formalised the Bangladesh Dairy Development Board on September 1, 2025, under the Dairy Development Board Act 2023. Its mandate: increase milk production, improve dairy product quality, regulate the market, and better manage the value chain.

BD: Arla in Bangladesh: Arla Foods is expanding operations in Bangladesh, emphasising affordable dairy nutrition, local youth talent, and nutrition-fortified products. It has introduced smaller pack sizes (to help affordability) and boosted protein/calcium/vitamin content in its offerings. Danish dairy giant Arla Foods is emphasising investment in youth development, talent management, and sustainability as part of its growth strategy in Bangladesh.

CN: China Dairy Imports Slow in Q2 2025: After a strong rebound in Q1 (+13% YoY), China's dairy imports cooled to just +1% in Q2, largely due to a sharp fall in US sweet whey powder (SWP) and lactose amid trade tensions, even after the May tariff agreement. New Zealand, with zero-tariff access under its FTA, gained market share, while the EU, Turkey, Argentina, and Uruguay also contributed positively. SMP imports rose 6% YoY in H1 (140,170 tonnes), dominated by New Zealand. However, SWP imports plunged 27% YoY in June, with US volumes down 61%. Buyers appear to be shifting away from US suppliers, seeking alternative sources to manage tariff risks.

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MERCHANT MARKET / WEATHER

NA & SA

US: Rising Output, Falling Prices: U.S. milk production rose about 3% year-on-year this summer, with butter and cheddar output up 8%, but farm margins are tightening as the all-milk price slipped to $20.80/cwt, nearly $2 lower than last year. While feed costs eased slightly, weaker cheese demand and falling Class III and IV prices are weighing on returns. Exports remain a bright spot, with butter shipments up 144% and cheddar up 83%, yet USDA forecasts higher output alongside lower prices through 2026, signalling ongoing pressure on U.S. dairy profitability.

US: US Cheese & Butter Exports Up: Rabobank's August 2025 North American Agribusiness Review highlights strong U.S. dairy exports, with cheese setting record shipments in May–June and butter exports more than doubling year-on-year. Overall, the dairy trade is firm, but domestic foodservice traffic has now declined for nine straight quarters, reflecting sticky food inflation and weaker consumer spending power.

CA: Canadian Dairy Hub Launches: Dairy Farmers of Canada has launched the Canadian Dairy Hub, a bilingual online platform that offers farmers science-based resources on sustainability, animal welfare, health, and herd management. The platform aims to improve knowledge transfer and support on-farm decision-making across the sector.

US: The U.S. Department of Agriculture has confirmed Nebraska's first case of H5N1 bird flu in a dairy cattle herd, marking the 18th state with dairy infections since the outbreak began in March 2024. The affected herd in central Nebraska is under quarantine, and genetic tests identify the virus as the 2.3.4.4b clade (B3.13 genotype), a strain similar to that found in California. The USDA says pasteurized milk remains safe for consumers, workers in close contact with infected animals are at higher risk, and milk from sick cows is being blocked from entering the food supply.

BR: Brazil saw a record milk production: In Q2 2025, with dairy processors collecting 6.5 billion litres of raw milk—a 9.4% increase compared to Q2 2024. The South and Southeast regions of the country contributed the most to this surge, while gains were also noted in Central-West, Northeast, and North. Factors behind this growth include favourable weather, reduced input costs, and investments in dairy infrastructure.

Oceania

NZ: DairyNZ Econ Tracker: Outlook Steady New Zealand's dairy sector is holding steady, with the latest DairyNZ Econ Tracker showing strong forecast milk payouts helping offset high farm costs. Breakeven milk price has ticked up to NZ$8.66/kgMS from NZ$8.45, while the expected payout averages around NZ$10.30/kgMS. Costs remain elevated, working expenses are up to NZ$5.91/kgMS thanks to higher electricity, freight, fertiliser, and feed prices — but easing interest rates are helping reduce financial pressure. Early season production is promising, with milk-solid output up 18% in June and 2% in July compared to last year

NZ: Fonterra has agreed to sell its global consumer, ingredients, and foodservice businesses (including brands like Anchor, Mainland, etc.) to French company Lactalis (~NZ$3.845 billion), with the deal expected to close mid-2026 pending approvals.

AU: Rabobank's Q3 Global Dairy Quarterly projects Australian milk production to fall again in 2025/26, down 1.7% to 8.05 billion litres after a 0.7% drop last season, with drought and feed shortages in Victoria and Tasmania as key drivers. Despite lower supply, farmgate prices are strong at ~AUD 9.00/kgMS, around 10% higher than last year. Exports performed well in 2024/25, with volumes up 1.5% and value up 12%, led by butter (+34.6%) and strong gains in powders and cheddar. However, domestic retail milk consumption fell 1.8%, while high feed and hay costs continue to squeeze farmers.

Europe

EU: EU-Mercosur Trade Agreement Welcomed: The European Dairy Association (EDA) has welcomed the ratification of the EU-Mercosur Free Trade Agreement, calling it a "major breakthrough" for sustainable, fair trade. According to EDA, the deal will boost market access, diversify supply chains, strengthen investment, and could increase EU agri-food exports by nearly 50%. Under the agreement, the tariff-free quota for EU cheese exports to Mercosur countries will be increased tenfold to 30,000 metric tons. However, EU farm group Copa-Cogeca has raised concerns about unequal production standards, vague safeguard mechanisms, and potential risks to EU producers, urging national parliaments to carefully review the deal.

EU: EU Milk Supply: In Q2 2025, EU dairy product stocks rose, driven by slightly higher milk deliveries (+0.06% YoY), ramped up production, and steady or increased imports, while exports of cheese and whole milk powder (WMP) dropped due to weakened demand and stiff global competition (especially with a stronger Euro). Skim milk powder (SMP) supplies grew by ~5.5%, and WMP availability jumped by ~20.5%, helped by lower exports. Cheese and butter inventories also built up, especially cheese, as export volumes to regions such as China and the MENA region declined. However, butter demand from markets such as the U.S. helped offset some of the accumulation pressure.

DE: The EU dairy market is currently in a "buyer's market" phase, with sellers lowering prices and buyers cautious. Key drivers:

- High milk deliveries across many EU countries are boosting supply. France, Germany, and others are all seeing milk volumes above those of the same period last year. affineurwalo.ch
- Weak domestic demand and a strong euro are hurting exports. EU-27 exports are down ~2.6% year-on-year in July, while imports are up strongly.
- Products particularly under pressure include milk fat, semi-hard cheeses, mozzarella, and fats in general. There were no reports of rising prices for October deliveries; instead, sellers are adjusting downward, sometimes by as much as 5% in short spans.
- From global auctions (GDT Event 388): cheese prices rose modestly; other dairy commodity indices, such as SMP, WMP, butter, and mozzarella, fell or remained flat to slightly down. Mozzarella saw a steep drop.

Outlook: October is likely to remain stable or experience a slight downward trend. Q1 2026 appears weaker, with seasonally rising supply, weak export demand (especially compared to NZ and the USA), and heightened risk in fats, cheese, and whey products. Source: affineurwalo.ch

Indicator	Recent Trend	Implication
Milk deliveries EU-27 vs same week last year	+0.2% to +0.6% depending on country	Supplies remain elevated
Export volumes (EU external, July)	−2.55% YoY	Export demand weakening
Import volumes (July)	+8.11% YoY	Increasing competition from outside EU
Price movement: mozzarella (GDT index)	−9.6%	Severe pressure on mozzarella prices
Price movement: cheddar (GDT)	2.20%	Only cheese category showing some strength

nukkad

CONSUMER/SUSTAINABILITY

IN: **Eco-friendly plastic made from ghee residue:** Dr Rasheeda Khanam at Gitam Deemed to be University, Visakhapatnam, has been granted a patent for an eco-friendly bioplastic made from ghee residue—an often-discarded by-product of the dairy industry. The innovation is designed to offer a sustainable alternative to petroleum-based plastics, particularly for packaging applications, while also addressing the challenge of dairy waste management.

The process involves blending ghee residue with glycerol to provide flexibility and incorporating natural hydrophobic and strengthening agents, such as beeswax, chitin, and zein protein, to enhance water resistance and mechanical durability. The resulting material is fully biodegradable and non-toxic, capable of decomposing within about 24 hours in water and 20–30 days in soil.

Initial trials have shown that this bioplastic is particularly suitable for dry food packaging. However, there is potential to extend its use into other packaging sectors once scalability and quality consistency are achieved. Beyond its technical promise, the innovation also represents a step toward circular economy practices—converting dairy waste into a value-added product, reducing plastic pollution, and creating new opportunities for the dairy industry.

NZ: **New Zealand Launches Government-Recognised Grass-Fed Standard for Dairy:** New Zealand's Ministry for Primary Industries has introduced a voluntary Grass-Fed Administrative Standard to clearly define what qualifies as "grass-fed" dairy. The standard requires that cows' diets be at least 90% grass-based (by fresh weight), averaged over three years, and that they graze pasture or forage crops for at least 340 days/year, for a minimum of 8 hours per day. Fonterra already exceeds these benchmarks, reporting ~96% grass in diet and more than 350 days/year of grazing. The new standard strengthens the credibility of grass-fed claims, aims to boost consumer confidence (especially in export markets like Asia), and helps New Zealand dairy producers better differentiate their products in price-sensitive, sustainability-focused global markets.

GEOPOLITICS/POLICIES/MACRO

IN: The European Union has unveiled a new strategic agenda aimed at deepening ties with India, encompassing defence, technology, climate, and trade. Announced by European Commission President Ursula von der Leyen, the agenda reflects Europe's effort to forge stronger partnerships amid global uncertainty and tariff turbulence under U.S. President Donald Trump's new trade stance. The EU aims to finalise a Free Trade Agreement (FTA) with India by the end of 2025, signalling a clear intent to anchor India more firmly within Europe's economic framework.

For India, the agenda represents a significant opportunity. Beyond digital and defence cooperation, agri-food and dairy stand to benefit. Europe is both a significant dairy exporter and an innovator in value-added dairy products, while India is the world's largest milk producer, remaining insulated mainly from international dairy flows. A balanced FTA could provide India with access to European processing technologies, sustainability expertise, and niche markets for ghee, paneer, and dairy powders, while offering the EU limited, high-value access in segments such as cheese and infant nutrition.

However, dairy remains a sensitive sector in India's trade policy. Farmers' livelihoods are directly tied to milk, and past talks have stumbled on European demands for greater market access. Even under this new agenda, India is unlikely to offer sweeping concessions. Still, the possibility of quota-based, high-end dairy imports (such as speciality cheeses) cannot be ruled out. For Indian exporters, opportunities may arise in butteroil, SMP, and traditional dairy fats in European ethnic markets, particularly as EU processors face environmental and regulatory pressures.

If aligned carefully, the EU–India agenda could move dairy cooperation from being a point of friction to a platform for collaboration—on food safety, climate-smart dairy, and sustainable trade. The upcoming EU–India summit in early 2026 will be the moment to watch for concrete outcomes.

नुक्कड़

nukkad annex (country codes)

Afghanistan	AF	Belgium	BE	Cayman Islands (the)	KY	Djibouti	DJ	Gambia (the)	GM	Hungary	HU
Albania	AL	Belize	BZ	Central African Republic (the)	CF	Dominica	DM	Georgia	GE	Iceland	IS
Algeria	DZ	Benin	BJ	Chad	TD	Dominican Republic (the)	DO	Germany	DE	India	IN
American Samoa	AS	Bermuda	BM	Chile	CL	Ecuador	EC	Ghana	GH	Indonesia	ID
Andorra	AD	Bhutan	BT	China	CN	Egypt	EG	Gibraltar	GI	Iran (Islamic Republic of)	IR
Angola	AO	Bolivia (Plurinational State c	BO	Christmas Island	CX	El Salvador	SV	Greece	GR	Iraq	IQ
Anguilla	AI	Bonaire, Sint Eustatius and S	BQ	Cocos (Keeling) Islands (the)	CC	Equatorial Guinea	GQ	Greenland	GL	Ireland	IE
Antarctica	AQ	Bosnia and Herzegovina	BA	Colombia	CO	Eritrea	ER	Grenada	GD	Isle of Man	IM
Antigua and Barbuda	AG	Botswana	BW	Comoros (the)	KM	Estonia	EE	Guadeloupe	GP	Israel	IL
Argentina	AR	Bouvet Island	BV	Congo (the Democratic Republi	CD	Eswatini	SZ	Guam	GU	Italy	IT
Armenia	AM	Brazil	BR	Congo (the)	CG	Ethiopia	ET	Guatemala	GT	Jamaica	JM
Aruba	AW	British Indian Ocean Territor	IO	Cook Islands (the)	CK	Falkland Islands (the) [Malvi	FK	Guernsey	GG	Japan	JP
Australia	AU	Brunei Darussalam	BN	Costa Rica	CR	Faroe Islands (the)	FO	Guinea	GN	Jordan	JO
Austria	AT	Bulgaria	BG	Croatia	HR	Fiji	FJ	Guinea-Bissau	GW	Kazakhstan	KZ
Azerbaijan	AZ	Burkina Faso	BF	Cuba	CU	Finland	FI	Guyana	GY	Kenya	KE
Bahamas (the)	BS	Burundi	BI	Curaçao	CW	France	FR	Haiti	HT	Kiribati	KI
Bahrain	BH	Cabo Verde	CV	Cyprus	CY	French Guiana	GF	Heard Island and McDonald	HM	Korea (the Democratic People	KP
Bangladesh	BD	Cambodia	KH	Czechia	CZ	French Polynesia	PF	Holy See (the)	VA	Korea (the Republic of)	KR
Barbados	BB	Cameroon	CM	Côte d'Ivoire	CI	French Southern Territories (	TF	Honduras	HN	Kuwait	KW
Belarus	BY	Canada	CA	Denmark	DK	Gabon	GA	Hong Kong	HK	Kyrgyzstan	KG
Latvia	LV	Mexico	MX	Norfolk Island	NF	Rwanda	RW	Slovenia	SI	Tokelau	TK
Lebanon	LB	Micronesia (Federated State	FM	Northern Mariana Islands (the)	MP	Réunion	RE	Solomon Islands	SB	Tonga	TO
Lesotho	LS	Moldova (the Republic of)	MD	Norway	NO	Saint Barthélemy	BL	Somalia	SO	Trinidad and Tobago	TT
Liberia	LR	Monaco	MC	Oman	OM	Saint Helena, Ascension and	SH	South Africa	ZA	Tunisia	TN
Libya	LY	Mongolia	MN	Pakistan	PK	Saint Kitts and Nevis	KN	South Georgia and the Sout	GS	Turkey	TR
Liechtenstein	LI	Montenegro	ME	Palau	PW	Saint Lucia	LC	South Sudan	SS	Turkmenistan	TM
Lithuania	LT	Montserrat	MS	Palestine, State of	PS	Saint Martin (French part)	MF	Spain	ES	Turks and Caicos Islands (the)	TC
Luxembourg	LU	Morocco	MA	Panama	PA	Saint Pierre and Miquelon	PM	Sri Lanka	LK	Tuvalu	TV
Macao	MO	Mozambique	MZ	Papua New Guinea	PG	Saint Vincent and the Grenac	VC	Sudan (the)	SD	Uganda	UG
Madagascar	MG	Myanmar	MM	Paraguay	PY	Samoa	WS	Suriname	SR	Ukraine	UA
Malawi	MW	Namibia	NA	Peru	PE	San Marino	SM	Svalbard and Jan Mayen	SJ	United Arab Emirates (the)	AE
Malaysia	MY	Nauru	NR	Philippines (the)	PH	Sao Tome and Principe	ST	Sweden	SE	United Kingdom of Great Brita	GB
Maldives	MV	Nepal	NP	Pitcairn	PN	Saudi Arabia	SA	Switzerland	CH	United States Minor Outlying	UM
Mali	ML	Netherlands (the)	NL	Poland	PL	Senegal	SN	Syrian Arab Republic	SY	United States of America (the	US
Malta	MT	New Caledonia	NC	Portugal	PT	Serbia	RS	Taiwan (Province of China)	TW	Uruguay	UY
Marshall Islands (the)	MH	New Zealand	NZ	Puerto Rico	PR	Seychelles	SC	Tajikistan	TJ	Uzbekistan	UZ
Martinique	MQ	Nicaragua	NI	Qatar	QA	Sierra Leone	SL	Tanzania, United Republic c	TZ	Vanuatu	VU
Mauritania	MR	Niger (the)	NE	Republic of North Macedonia	MK	Singapore	SG	Thailand	TH	Venezuela (Bolivarian Republ	VE
Mauritius	MU	Nigeria	NG	Romania	RO	Sint Maarten (Dutch part)	SX	Timor-Leste	TL	Viet Nam	VN
Mayotte	YT	Niue	NU	Russian Federation (the)	RU	Slovakia	SK	Togo	TG	Virgin Islands (British)	VG
Yemen	YE	Zambia	ZM	Zimbabwe	ZW						

annex (Disclaimer)

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risk management | market intelligence | dairy ingredients | networking

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