News Release

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Australia's dairy industry is creating more value from less milk

Australia's dairy industry is demonstrating how value, rather than volume, is driving success.

While national milk production remains below historic highs and is forecast to ease further over coming years, the industry continues to generate strong returns as farmers and processors focus on productivity, innovation, and higher-value products.

According to ANZ's latest *Agri InFocus* report, the gross value of Australian milk production is forecast to reach around $6.1 billion in 2026/27, making it one of the most valuable years on record for the sector.

Dairy exports are also forecast to total approximately $3.6 billion, the third-highest result on record.

ANZ Executive Director, Food, Beverage and Agribusiness Insights, Michael Whitehead, said the figures highlight the significant transformation underway across the Australian dairy industry.

"For many years, the success of the dairy industry was often judged by how much milk was produced. Today, the focus is shifting towards the value generated from every litre of milk.

"While Australia's dairy herd is smaller than it once was and milk production remains constrained, the sector continues to demonstrate its ability to adapt, innovate and compete in premium domestic and export markets."

The report notes that national milk production is forecast to remain around 8 billion litres, well below the levels achieved in the early 2000s.

Despite this, dairy farmers and processors are capitalising on changing consumer preferences and growing demand for premium dairy products.

Cheese production has become a key example of this transition, with cheese now accounting for the majority of Australia's manufacturing milk intake, compared with less than 40 per cent a decade ago.

Products such as cheddar, mozzarella, specialty cheeses, Greek yoghurt, and high-protein dairy ingredients are helping processors maximise value from a relatively limited milk supply.

"Consumer preferences continue to evolve, with growing demand for products that deliver convenience, nutrition and premium quality," Mr Whitehead said.

"Australian dairy processors have responded by investing in products and manufacturing capabilities that deliver higher value and align with those consumer trends."

Improved seasonal conditions across several dairy-producing regions have also supported producer confidence, with many farmers continuing to invest in herd productivity, infrastructure, and business efficiency.

"While competition from major dairy exporters including New Zealand, the United States, and Europe remains intense, Australia's dairy industry continues to demonstrate its ability to adapt and evolve.

"The Australian dairy industry of today looks very different to the one that existed twenty years ago. It may be producing less milk, but it is creating more value, serving changing consumer needs, and continuing to establish itself as a premium supplier of dairy products both domestically and internationally," said Mr Whitehead.

Further insights are available in the Spring 2026 edition of ANZ's Agri InFocus Commodity Insights report.

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