Required Report: Required - Public Distribution **Date:** November 10, 2026

Report Number: NZ2026-0019

Report Name: Dairy and Products Annual

Country: New Zealand

Post: Wellington

Report Category: Dairy and Products

Prepared By: Robere Hall

Approved By: Lazaro Sandoval

Report Highlights:

New Zealand fluid milk production for market year (MY) 2027 is forecast at 21.9 million metric tons (MMT), down 3.5 percent from a record 22.7 MMT in MY 2026. A strong El Niño and higher input costs are expected to reduce output. Farmgate milk prices remain above breakeven, which should support continued supplementary feeding. Whole milk powder (WMP) production is expected to absorb most of the decline, while processors reach record cheese and butter output. New Zealand's dairy export volumes rose 7 percent from January to September 2026. In 2027, cheese, butter, skim milk powder and specialty milk product exports are anticipated to stay strong, despite lower production. China remains the largest market at roughly 40 percent of export volumes. The upcoming November 7 general election along with a review and possible reform of the Dairy Industry Restructuring Act are delivering policy uncertainty for the sector.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Executive Summary

New Zealand fluid milk production for MY 2027 is forecast at 21.9 MMT, a 3.5 percent decline from MY 2026. The forecast reflects the following factors:

- A strong El Niño expected to bring drier conditions to key dairy regions in eastern North Island and eastern South Island during the 2026/27 summer
- Higher fertilizer, fuel, feed, and freight costs linked to the ongoing Middle East situation, which are narrowing farm margins
- Farmgate milk prices that remain above the average breakeven price, supporting continued use of supplementary feed when pasture is limited
- A stable national herd, with dairy farm conversions offsetting higher cow culling

FAS/Wellington has raised its MY 2026 milk production estimate to a record 22.7 MMT, above the USDA official estimate of 22.5 MMT. Favorable pasture conditions, strong farmgate returns, and high imports of supplementary feed lifted January–September milk collections 6.3 percent above the ten-year average for the same period.

Cows in milk are forecast to remain at 4.72 million head in MY 2027. Strong milk prices encouraged farmers to keep more cows in production in recent seasons, but dairy cow slaughter is now rising as farmers respond to higher costs and drier conditions. Conversions of cropland to dairy in the South Island and lower North Island could add 30,000 to 60,000 cows, but primarily after the forecast period.

From January to September 2026, New Zealand dairy export volumes rose 7 percent compared with the same period in 2025. China remains the largest market at roughly 40 percent of export volumes, and its WMP purchases rose 19.6 percent.

The United States imported NZ$910 million (US$519 million) of New Zealand dairy products from January to September 2026, mainly milk protein concentrates, casein, and milk fats, and in turn it supplies New Zealand with distillers' dried grains with solubles (DDGS) and lactose for dairy production and processing. The Middle East situation has raised shipping and input costs, but contacts report no significant disruption to dairy exports.

Domestic dairy policy may shift in MY 2027. The Ministry for Primary Industries' review of the Dairy Industry Restructuring Act is due to Parliament by June 1, 2027. The political party New Zealand First has- proposed expanding the volume of regulated milk that the country's largest processor must make available to independent processors. November 7, 2026, general election and the resulting governing coalition negotiations will determine the direction of potential policy changes.

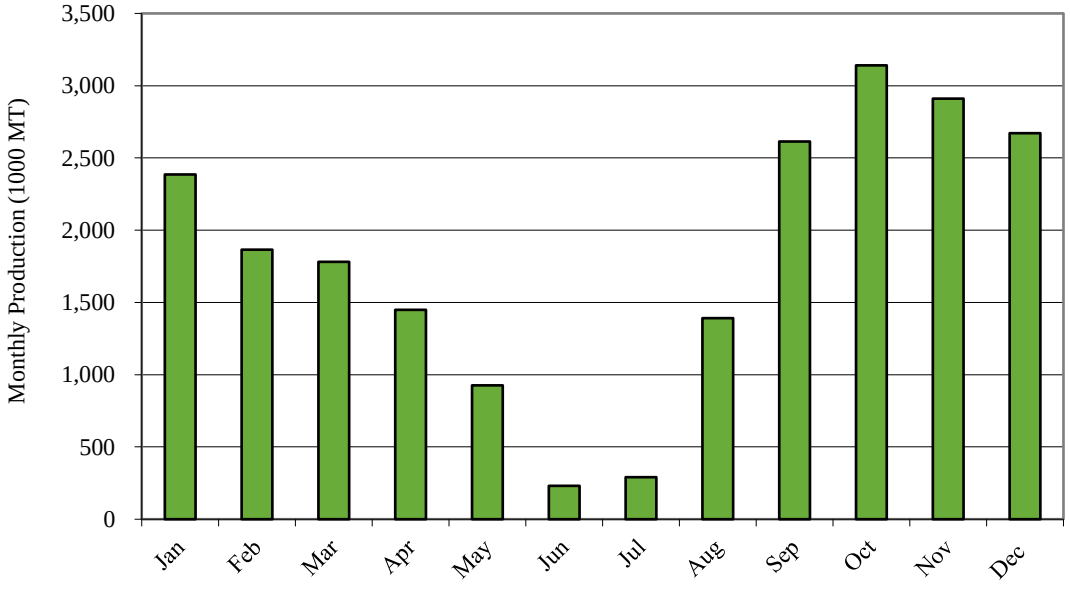
Note: The GAIN Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ$ 1.00 = US$ 0.57. 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 1.032kg.

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 the year ending June 2026, dairy export earnings reached a record NZ$28.6 billion (US$16.3 billion), roughly one-quarter of the value of all New Zealand goods and services exports. The sector contributes an estimated NZ$12.2 billion (US$6.95 billion) to GDP and directly employs an estimated 51,800 people.

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. Supplementary feed 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).

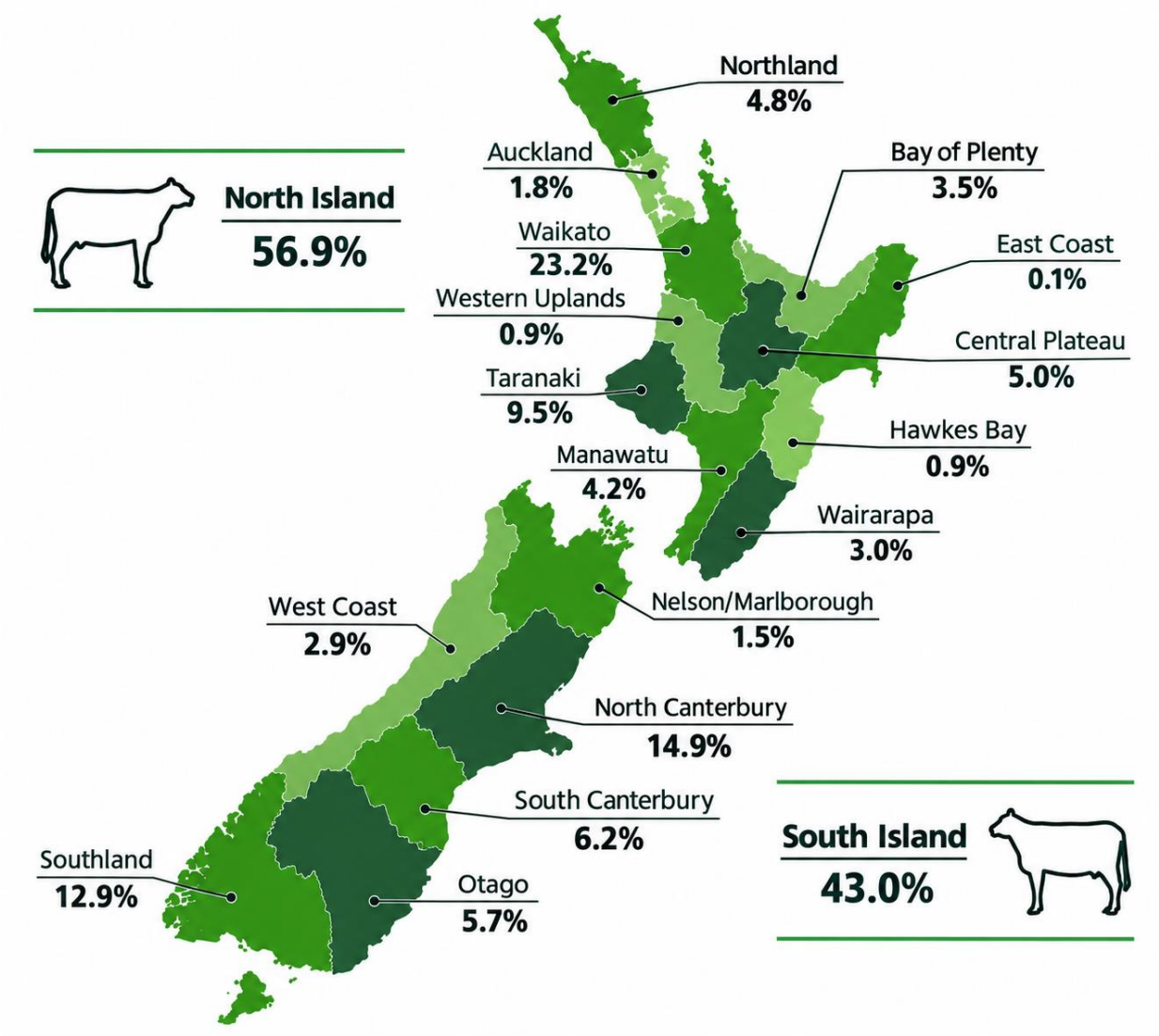
Figure 1: New Zealand Average Monthly Fluid Milk Production



Source: New Zealand 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

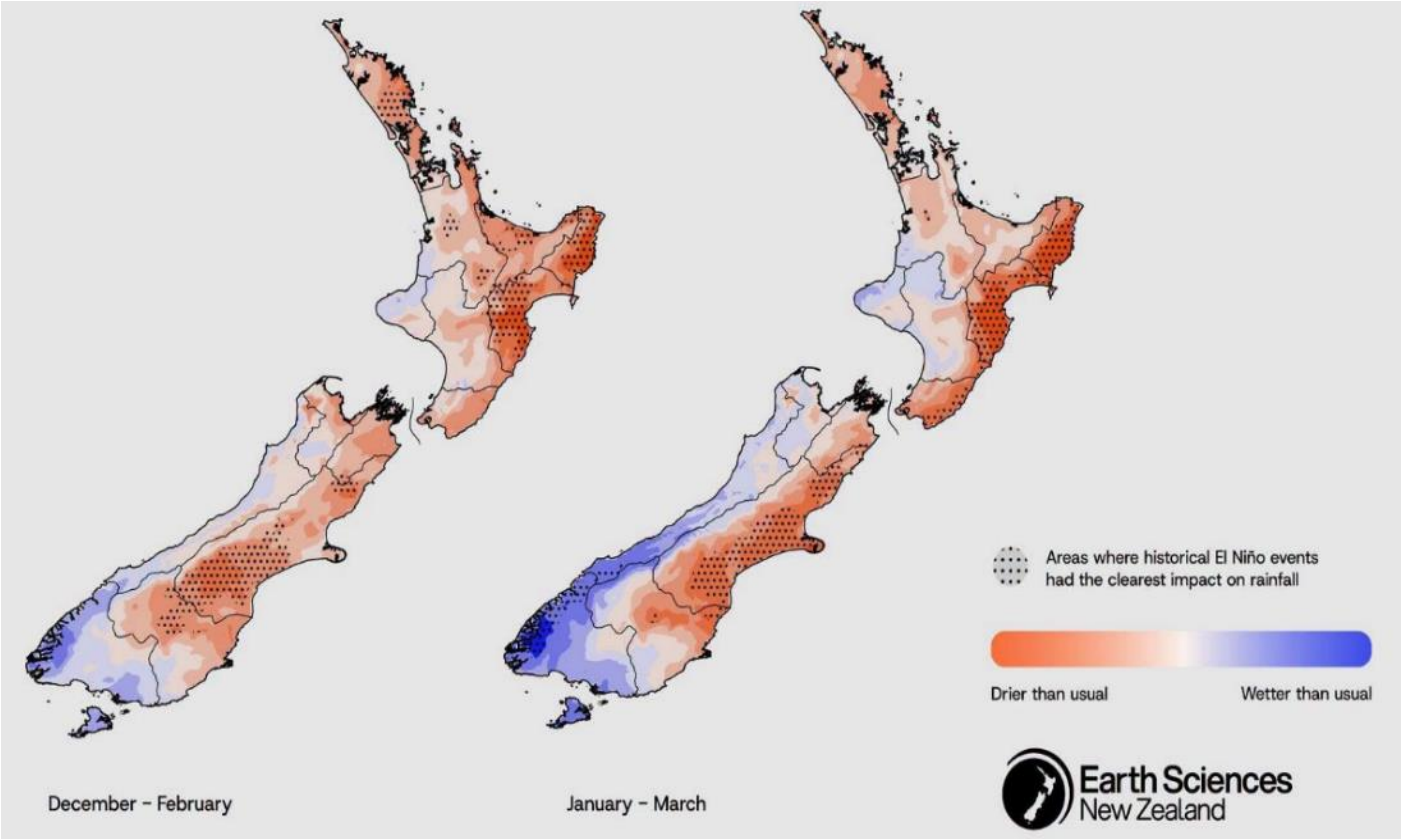
Table 1: Production, Supply and Distribution – Dairy, Milk, Fluid

Dairy, Milk, Fluid	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	4678	4678	4720	4720	0	4720
Cows Milk Production (1000 MT)	21930	21930	22500	22700	0	21900
Other Milk Production (1000 MT)	0	0	0	0	0	0
Total Production (1000 MT)	21930	21930	22500	22700	0	21900
Other Imports (1000 MT)	3	3	3	3	0	3
Total Imports (1000 MT)	3	3	3	3	0	3
Total Supply (1000 MT)	21933	21933	22503	22703	0	21903
Other Exports (1000 MT)	244	244	200	220	0	220
Total Exports (1000 MT)	244	244	200	220	0	220
Fluid Use Dom. Consum. (1000 MT)	535	535	535	535	0	535
Factory Use Consum. (1000 MT)	21044	21044	21658	21838	0	21038
Feed Use Dom. Consum. (1000 MT)	110	110	110	110	0	110
Total Dom. Consumption (1000 MT)	21689	21689	22303	22483	0	21683
Total Distribution (1000 MT)	21933	21933	22503	22703	0	21903
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2027

FAS/Wellington forecasts New Zealand fluid milk production at 21.9 million metric tons (MMT) in 2027, reflecting the expected effects of El Niño, including drier conditions across key dairy regions in early 2027, and rising input costs. Strong farmgate milk prices are expected to soften the impact on production, with farmers likely to use supplementary feed to sustain milk output when pasture availability is constrained. However, the extent to which higher feed and other operating costs limit production will depend on weather conditions, pasture growth, and farm profitability. Further details on the MY 2027 milk production outlook follow.

Figure 3: Rainfall During El Niño Summer Weather Pattern



Source: Earth Sciences New Zealand

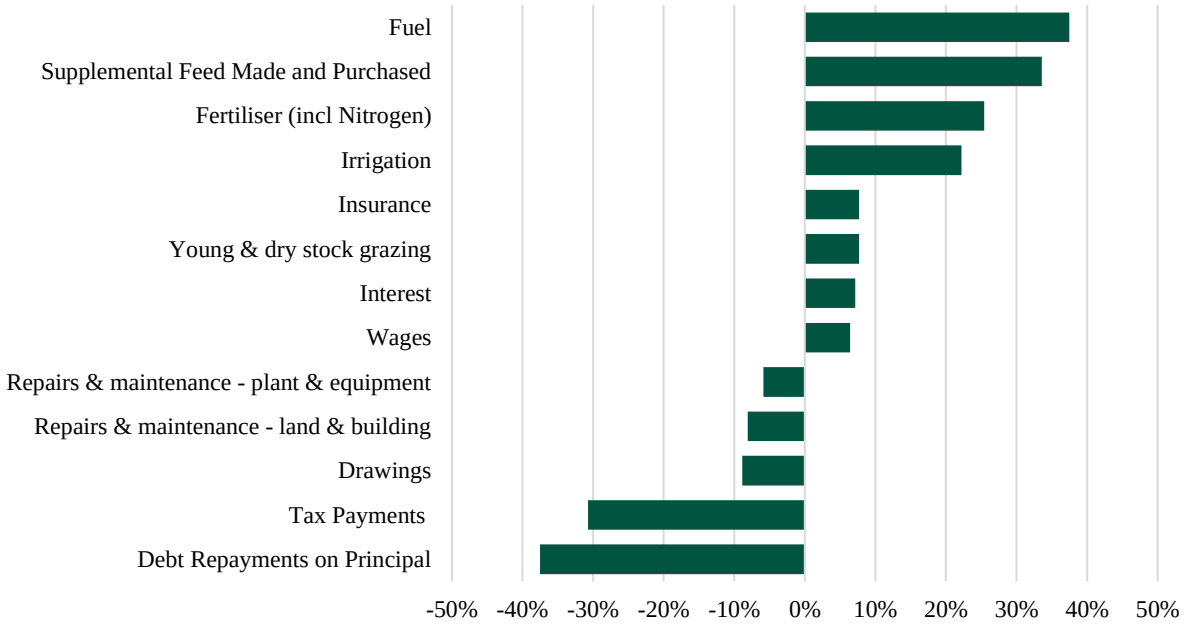
--Strong El Niño Conditions Expected to Impact 2027 Production:

New Zealand livestock production in 2027 is expected to be impacted by the development of a strong El Niño weather pattern. El Niño typically increases the likelihood of drier than normal conditions across eastern and northern parts of New Zealand, while southern and western areas can experience wetter conditions. The timing and severity of these conditions will be an important factor for pasture growth and livestock production during the 2026-2027 production season. According to the public research organization Earth Sciences New Zealand (ESNZ), the last time this type of summer was experienced in New Zealand was the summer of 2015/2016.

Drier conditions during spring and summer could constrain pasture growth in key dairy producing regions, particularly the eastern North Island and eastern South Island (Figure 3). Reduced pasture availability could lower milk production and prompt some farmers to adopt once-a-day milking or dry off cows earlier than planned, reducing the number of days in milk and seasonal milk output. Although the forecast weather pattern may favor pasture growth in parts of the southern and western regions, these areas account for a relatively small share of national milk production, limiting their ability to offset potential production losses in the more exposed regions.

--Farms Adjust Spending as Input Costs Rise: As of September 15, 2026, DairyNZ forecasts a significant rise in dairy farm input costs for the 2026/27 season. The average breakeven milk price is expected to increase to NZ$8.90 (US$5.07) per kilogram of milk solids (KgMS). Fuel, fertilizer, and freight account for about 20 percent of dairy farm working expenses, and all three have risen sharply since the Middle East situation began. The expected El Niño is likely to add further costs, as farmers spend more on supplementary feed and irrigation to maintain production during drier conditions. DairyNZ projects farm working expenses will increase by 14.3 percent in 2026/27 (Figure 4).

Figure 4: Predicted Changes in Farm Expenditure 2026 to 2027 (per KgMS)

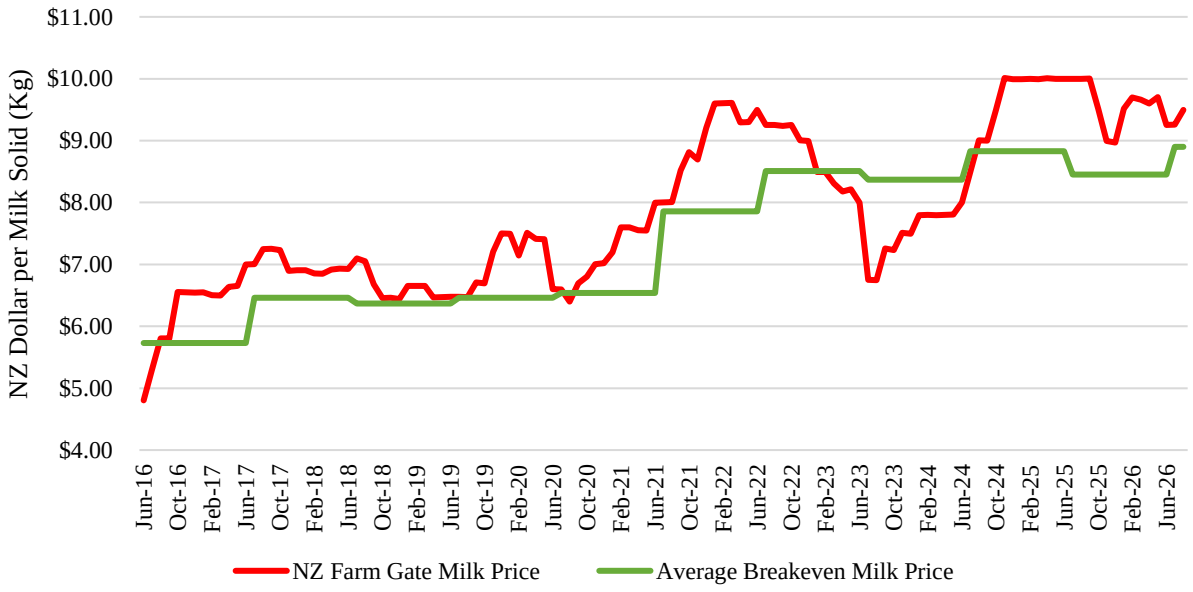


Source: DairyNZ

Dairy farms have a high share of variable and discretionary costs, which lets them absorb much of this increase by adjusting other spending. DairyNZ expects farmers to reduce repairs and maintenance, personal drawings, and debt principal repayments (Figure 4). Lower margins will also reduce income tax payments. Together, these adjustments are expected to offset much of the higher input costs, keeping the average farm above breakeven at current milk price forecasts. However, deferred maintenance and slower debt reduction could weaken farm resilience if cost pressures continue beyond MY 2027. Strong farm balance sheets following the outgoing year and the April 2026 Fonterra capital return give many farms a buffer to absorb these pressures.

-- Farmgate Milk Prices Remain Above Breakeven: New Zealand dairy farmers are expected to keep production high despite the El Niño outlook and other uncertainty, supported by strong milk price expectations. As of September 15, 2026, DairyNZ forecasts a farmgate milk price (FGMP) of NZ$9.64 (US$5.49) per kilogram of milk solids (KgMS) for the 2026/27 season. Other processors have indicated prices of NZ$9.00 to NZ$10.50 (US$5.13 to US$5.99) per KgMS. DairyNZ forecasts the average breakeven milk price at NZ$8.90 (US$5.07) per KgMS, which already accounts for the higher input costs discussed above (Figure 5). At DairyNZ's forecast price, the average farm margin is about NZ$0.74 (US$0.42) per KgMS, narrower than in recent seasons but still enough to support continued use of supplementary feed during drier conditions. Farms at the lower end of the processor range would operate close to breakeven and have little room to absorb further cost increases or a fall in global dairy prices.

Figure 5: Farmgate Milk Price and Average Breakeven Milk Price

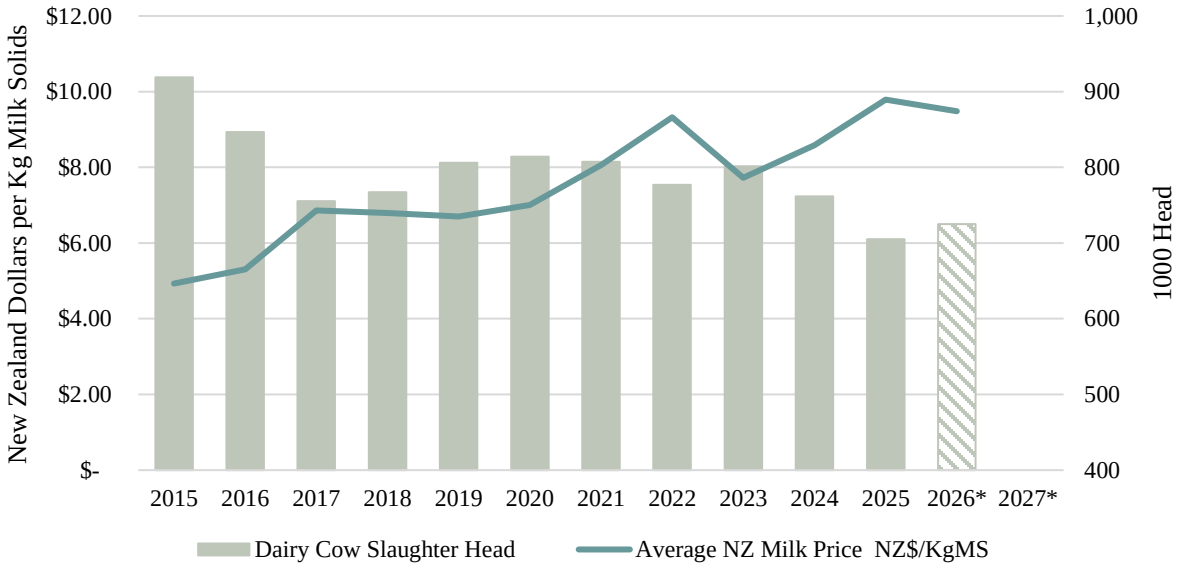


Source: DairyNZ and CLAL

--National Dairy Herd

FAS/Wellington forecasts cows in milk for MY 2027 to hold steady at 4.72 million head. In recent seasons, strong farmgate milk prices encouraged farmers to keep more cows in production instead of culling them. That trend is now easing. Dairy cow slaughter in MY 2026 is forecast to be about 20,000 head higher than in MY 2025 (Figure 6), as farmers respond to rising input costs and drier El Niño conditions. FAS/Wellington expects new dairy farm conversions to offset these higher culls and keep national herd numbers stable.

Figure 6: Annual Dairy Cow Slaughter and Average Milk Price



Source: Statistics New Zealand, *FAS/Wellington Forecast

--Dairy farm conversions: Strong returns are driving conversions of cropland to dairy in the South Island and parts of the lower North Island. Industry contacts estimate that these conversions could add 30,000 to 60,000 cows to the national herd over several years, subject to regional consents. At recent average production per cow, that would raise national milk production by roughly 135,000 to 285,000 MT, or about 0.6 to 1.3 percent (Table 2). In MY 2027, conversions are expected mainly to offset higher cow culling rather than add to herd numbers. Higher input costs and dry conditions may also slow new conversions, so most of the production gains are likely to come after the forecast period.

Table 2: Dairy Expansion Scenario on National Milk Production

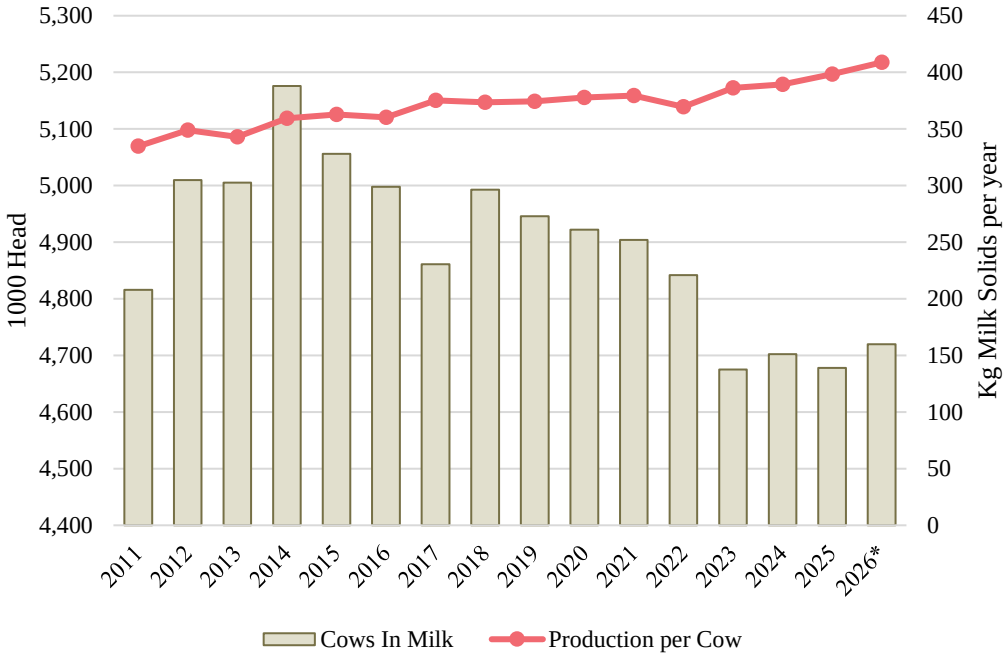
		Cows in Milk								
Milk Production Increase (MT)		30,000	35,000	40,000	45,000	50,000	55,000	60,000	65,000	70,000
Production per Head (Kg MS/year)	383	135,178	157,707	180,237	202,766	225,296	247,826	270,355	292,885	315,414
	388	136,942	159,766	182,590	205,413	228,237	251,061	273,885	296,708	319,532
	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

2026

FAS/Wellington has raised its MY 2026 milk production estimate to 22.7 MMT, up from the USDA official estimate of 22.5 MMT. If realized, this would represent the highest production level, despite the current national milking herd being over 300,000 cows less than peak numbers in 2014 (Figure 7).

Figure 7: Production Per Head for National Herd

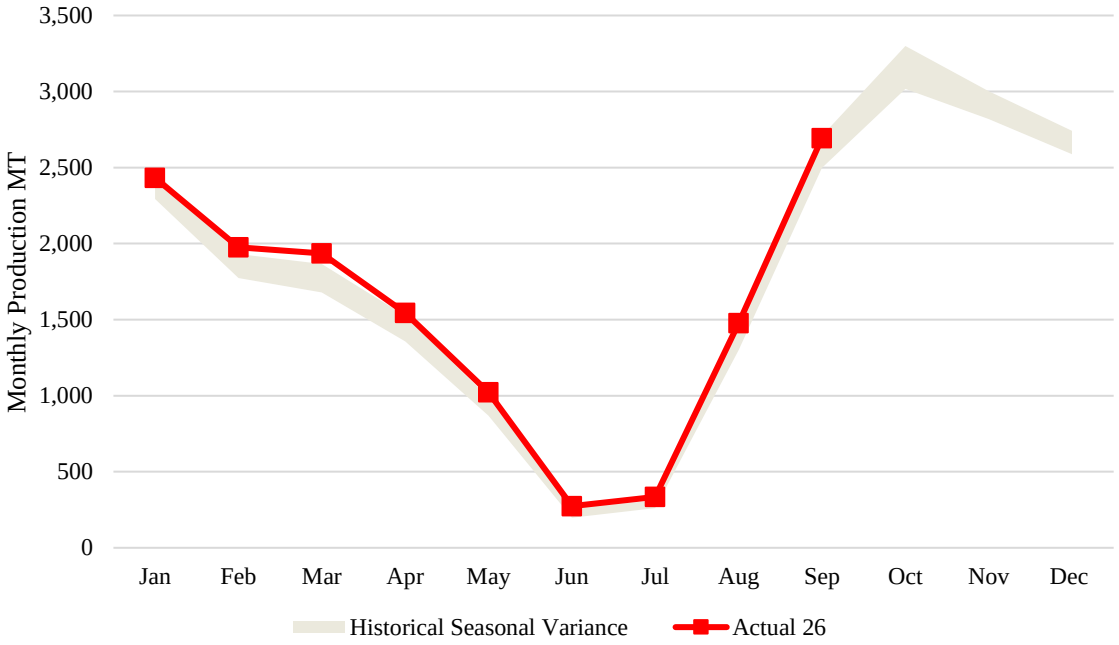


Source: New Zealand Exchange (NZX), DairyNZ, *FAS/Wellington Forecast

From January through September 2026, milk collections were 6.3 percent above the ten-year average for the same period. Industry contacts have credited this to nationally favorable weather conditions since the start of the year, as well as the current strong price environment encouraging farmers to maximize production.

--Favorable Pasture Conditions Supported MY 2026 Production: Industry contacts and Earth Sciences New Zealand reported favorable pasture growing conditions at the end of MY 2025, which set up strong milk production into MY 2026 (Figure 8). La Niña brought warm temperatures and regular rainfall over the 2025/26 summer, which supported strong pasture growth and let farmers build feed reserves. No key dairy region showed signs of drought at the start of MY 2026. Soil moisture was lower in some areas, but these were mainly irrigated dairy regions. The good conditions let cows stay in milk longer than usual late in the season. Current spring conditions are promising around the country, with September milk production being 3 percent over the long-term average, the forecast decline depends on El Niño dryness from late spring through autumn 2027, which would reduce days in milk and per-cow yields.

Figure 8: New Zealand Dairy Production 2026

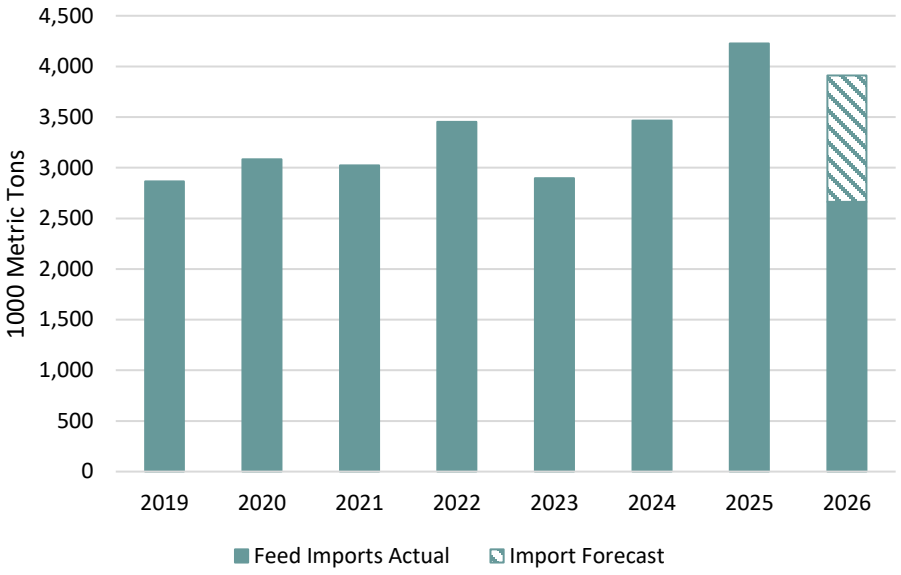


Source: New Zealand Exchange (NZX)

-- High Supplementary Feed Imports Support Production: High imports of supplementary feed have supported strong milk production in MY 2026. The dairy sector uses about 75 to 80 percent of New Zealand's imported animal feed. The main imported feed is palm kernel expeller (PKE), at about 60 percent of total feed imports. PKE imports averaged 1.9 MMT a year over the past six years and reached a record 2.6 MMT in MY 2025. This is a sharp recovery from 2023, when high interest rates squeezed farm finances and farmers cut back on feed purchases and deferred maintenance fertilizer applications.

FAS/Wellington expects demand for PKE to stay strong. High milk prices give farmers reason to keep feeding, and the expected El Niño is likely to reduce pasture growth. Imports of other feeds, including distillers' dried grains with solubles (DDGS) and soybean meal, are also expected to grow. Historically, about 30 percent of New Zealand's annual feed imports arrive in the last three months of the year as farmers maximize spring milk yields and prepare for drier summer conditions. January to September 2026 feed import volumes are currently 3.2 percent below the record MY 2025 level (Figure 9).

Figure 9: New Zealand Feed Imports



Source: Trade Data Monitor LLC, FAS/Wellington

Fluid Milk Exports

FAS/Wellington estimates MY 2026 fluid milk exports at 220,000 MT, above the USDA official figure of 200,000 MT but down 10 percent from 244,000 MT in MY 2025. MY 2027 exports are forecast to remain at 220,000 MT. From January to September 2026, fluid milk exports totaled 160,507 MT, 14 percent below the historical average of 186,696 MT for the same period. Industry contacts attribute the decline to processors directing more milk to higher-return products, particularly cheese. Exports to China are also falling, as China sharply increased its fluid milk imports from Australia and Germany over the past 18 months at New Zealand's expense. China remains the largest market for New Zealand fluid milk at 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 forecasts MY 2027 factory use at 21.04 MMT. MY 2026 factory use is revised up to 21.84 MMT, above the USDA official figure, reflecting the favorable season.

Trade and Policy

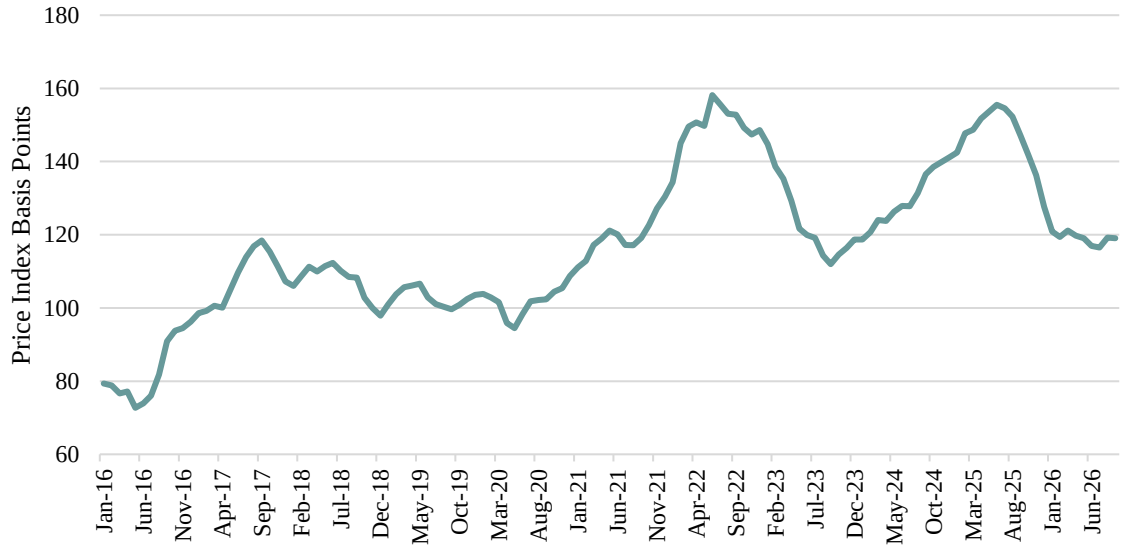
Global Market Outlook

New Zealand exports approximately 95 percent of its dairy production. As such, global supply and demand shape the sector's outlook more than domestic factors. The most recent official USDA forecasts show record global cow milk production for 2026, of 573 MMT. Compared to the previous year for major dairy producers:

- United States: Production is forecast to rise 2.1 percent to a record 107.4 MMT, with the dairy herd at 9.66 million head, the largest since the early 1990s.
- European Union (EU): Combined production continues to grow an estimated 1 percent on the year prior. If realized, this would also be a record, at 150 MMT, despite some herd consolidation.
- South America: Argentina and Brazil are forecast to expand production by 2.4 and 2.3 percent to 12.2 MMT and 26.2 MMT, respectively.
- China: Domestic production is forecast to hold at 40.9 MMT.

This additional supply is putting pressure on global prices. The FAO Dairy Price Index fell 19.1 percent between September 2025 and September 2026 (Figure 10). However, New Zealand producers are maintaining a stronger farmgate milk price forecast for suppliers. FAS/Wellington expects global supply growth to slow through MY 2027 as higher feed, fertilizer, and fuel costs squeeze producer margins. New Zealand's pasture-based system is less exposed to these costs than feed-based systems in the United States, the EU, and China.

Figure 10: Global Dairy Price Index



Source: FAO

Trade Agreements and Market Access

--New Zealand-India Free Trade Agreement (FTA): On April 27, 2026, New Zealand signed an FTA with India. The agreement initially lacked full support from the coalition partners, but it proceeded after bipartisan support was secured. The FTA entered into force officially on October 20, 2026. India is the world's largest milk producer, and New Zealand industry did not expect substantial dairy concessions. Tariffs remain in place for most dairy products. The exceptions are:

- Bulk infant formula, dairy-based food preparations, and peptones, which will see tariff reductions or eliminations over time.
- Albumins, which receive a new quota.

The FTA's non-tariff provisions will potentially have more benefit for dairy over time. Both sides commit to addressing non-tariff barriers, fast-track pending market access applications on a reciprocal basis, and simplify certification and import permit procedures. The agreement also provides simpler quota rules and fast-track duty-free entry for New Zealand products used as inputs in India's own exports. This could create openings for dairy ingredient suppliers to Indian food processors. New Zealand's dairy exports to India have historically consisted of fluid milk and whey products along with some cheese.

--Gulf markets: The UAE Comprehensive Economic Partnership Agreement (CEPA) has provided duty-free entry for 98.5 percent of New Zealand exports since August 2025, rising to 99 percent by 2027. New Zealand has also concluded an FTA with the Gulf Cooperation Council (GCC). Once both agreements are in force, over 50 percent of New Zealand exports to the region will enter tariff-free from day one, rising to 99 percent over ten years. The Ministry for Primary Industries (MPI) has also concluded memoranda of understanding with the UAE and Saudi Arabia that simplify trade in food and primary products.

--United Kingdom and European Union: Since the FTAs with the UK and the EU entered into force, New Zealand's primary industry exports to the UK have risen 69 percent and exports to the EU have risen 56 percent. Dairy access to both markets operates mainly through tariff-rate quotas. New Zealand cheese exports to the EU grew significantly in MY 2025, but they remain below 2 percent of total cheese exports.

--United States: New Zealand does not have a bilateral FTA with the United States. Its dairy exports enter at Most Favored Nation (MFN) tariff rates under World Trade Organization (WTO) rules, which means New Zealand is treated no less favorably than any other WTO member without a preferential agreement. Historically, trade has centered on high-value specialty products such as milk protein concentrates (MPC), anhydrous milk fat (AMF), butter, and caseinates. The United States took about NZ$910 million (US$533 million) of New Zealand dairy products from January to September in 2026.

United States is the largest destination for New Zealand casein and protein products, at 29 percent of exports, and remains the largest market for MPC. Industry leaders attribute growing demand for dairy protein to specialty nutrition products, GLP-1 weight-loss medications, and an aging population.

In April 2025, the United States applied a 10 percent tariff on imports from New Zealand. The rate rose to 15 percent in August 2025, which was reduced after the May 2026 Supreme Court ruling.

Dairy trade between the two countries is largely complementary. New Zealand supplies specialty proteins and fats to U.S. food and beverage manufacturers. U.S. suppliers provide inputs that support New Zealand milk production and processing:

- Distillers' dried grains with solubles (DDGS) are New Zealand's second-largest imported feed, at just over 15 percent of total feed imports. U.S. DDGS exports to New Zealand grew more than 62 percent in MY 2025. As of September 2026, DDGS imports from the United States are 19.5 percent ahead year-on-year.
- New Zealand imported NZ$208 million (US$119 million) of lactose in MY 2025, almost 70 percent of it from the United States. Lactose alone accounts for 1.8 percent of New Zealand's total imports from the United States by value. It is used mainly in WMP production to meet specification requirements.

Middle East Situation: Impact on Shipping

Most of New Zealand's dairy trade with Asia and the Pacific does not pass through the Strait of Hormuz. The effects reach New Zealand indirectly, through:

- higher fuel and freight costs
- higher insurance premiums
- tighter vessel availability and how shipping lines allocate vessels and containers

Global container shipping costs rose about 42 percent after the conflict began. New Zealand is far from its major export markets, and industry contacts note that it is more sensitive to these costs than agricultural exporters located closer to their buyers.

--Singapore: A vital transit and fuel hub: Vessels serving New Zealand come from a wide range of trade routes, but Singapore is by far the most common last international port of call before arrival (Figure 11). Singapore's role as a global maritime and bunkering hub matters especially for New Zealand. Since its only oil refinery closed in 2022, New Zealand has imported all its refined fuels, and those fuels are priced against regional benchmarks, mainly Singapore's. Industry contacts identify Singapore bunker fuel prices and availability as a key driver of shipping costs on New Zealand routes.

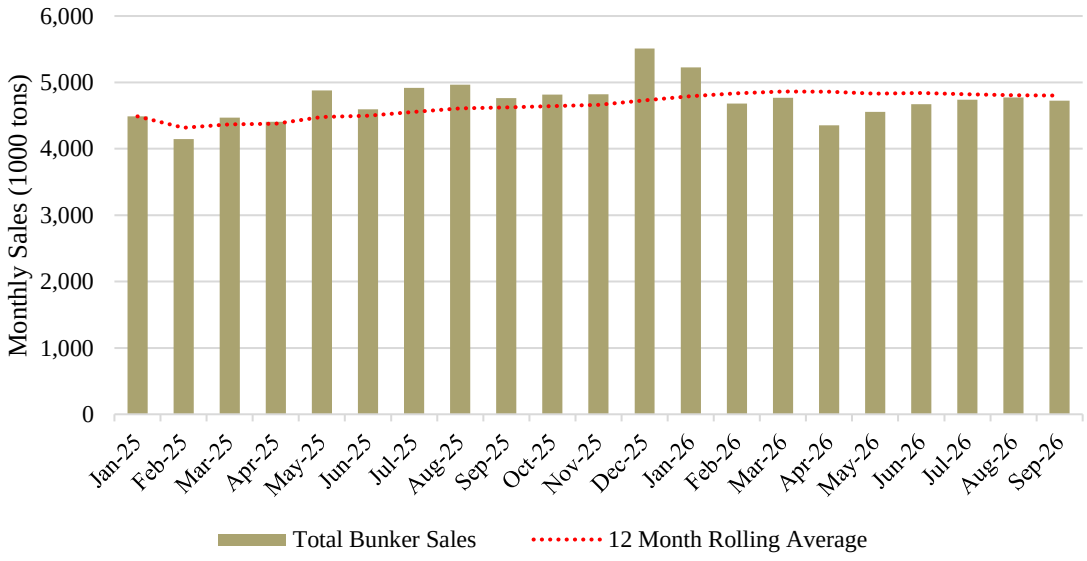
Figure 11: New Zealand Ship Flows from the Last International Port



Source: New Zealand Ministry of Transport

Figure 12 shows monthly Singapore bunker sales, which stakeholders treat as a benchmark for voyage economics and freight pricing. Preliminary data from the Maritime and Port Authority of Singapore showed April 2026 sales 10 percent below the rolling 12-month average, which suggests shipping activity slowed. Sales have since recovered and stabilized.

Figure 12: Singapore Bunkering Sales



Source: Maritime and Port Authority of Singapore (MPA)

In early May 2026, 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 (media release).

Despite the higher costs, contacts report no significant disruption or material delays to New Zealand dairy exports. Vessel schedules and export flows to key markets have stayed relatively stable. Outbound shipping reflects New Zealand's overall export profile, including large, containerized flows to the United States and Asia. Contacts say shipping lines are increasingly prioritizing higher-value, time-sensitive cargo that earns stronger freight returns. This has helped premium exports, including dairy, keep reliable access to vessels and schedules.

Domestic Structural Developments

--Fonterra shareholder payout: On April 14, 2026, Fonterra Co-operative Group Limited, New Zealand's largest dairy processor, paid NZ$3.86 billion (US$2.20 billion) to its mainly farmer shareholders. The payment followed the sale of Fonterra's global consumer businesses to Lactalis and is equivalent to almost 0.9 percent of New Zealand's 2025 Gross Domestic Product. Industry sources report that farmers are directing the proceeds mainly toward debt reduction and capital investment in machinery and infrastructure. Stronger farm balance sheets should help producers absorb rising input costs, which supports New Zealand's export competitiveness into MY 2027. FAS/Wellington has published a separate voluntary report on the payout (report link).

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

--Dairy Industry Restructuring Act Review and Potential Changes: The Ministry for Primary Industries (MPI) is conducting a statutory review of the Dairy Industry Restructuring Act 2001 (DIRA), which governs Fonterra's milk collection and independent processors' access to Fonterra raw milk. Following Fonterra's sale of its consumer business to Lactalis, the review will assess whether these provisions should be retained, amended, or repealed. This review is due to Parliament by June 1, 2027.

In August 2026, coalition partner and political party New Zealand First announced its 'Use It or Lose It' policy for the next parliamentary term. If adopted, this policy would raise the volume of regulated Fonterra milk available to qualifying domestic manufacturers from 50 million to as much as 500 million liters a year. Access would last six years, then taper over four, priced at the farmgate milk price plus efficient collection costs. The policy could lower entry barriers and encourage value-added processing. However, its temporary structure may weaken incentives for long-term investment. Its prospects depend on the November 7 election, coalition negotiations, and the DIRA review outcome.
--November Government Election: New Zealand's next general election is scheduled for November 7, 2026. The current center-right led coalition government came to power following the 2023 election, replacing the Labour-led government that had governed for two consecutive terms. Agricultural policy was a significant area of policy change following the shift in government.

The previous government had planned to price agricultural greenhouse gas emissions from 2025, either through a farm-level system or by bringing agriculture into the New Zealand Emissions Trading Scheme (ETS). Industry groups also opposed rules that they said encouraged the conversion of productive farmland to forestry, and stricter requirements to keep livestock out of waterways. Ministry for Primary Industries estimated at the time that the proposed agricultural emissions policies would contribute to a substantial reduction of farming operations of 20 percent for sheep and beef and 10 percent for dairy by 2030.

The coalition government reversed or amended several of these policies. In 2024, it passed legislation that removed agriculture from the ETS and ended the plan to price agricultural emissions from 2025. It also introduced limits on registering whole farms on productive land in the ETS for conversion to exotic forestry and began revising national freshwater and stock exclusion rules.

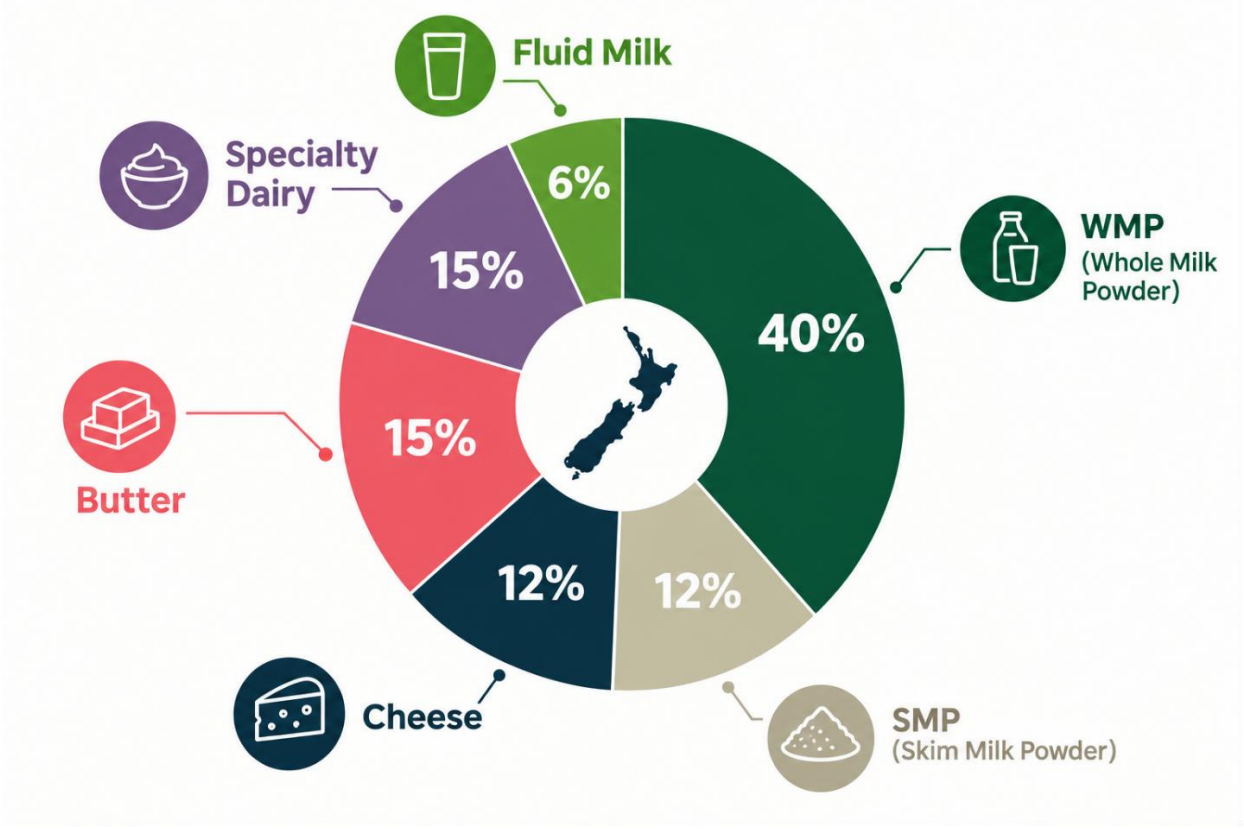
The election result could therefore change the regulatory environment for dairy producers. As of October 2026, no major party has released detailed proposals that would materially change current dairy policy settings. The exceptions are New Zealand First's proposed changes to regulated milk supply and proposals from minor left-wing parties to introduce land, wealth and emissions taxes, as well as limits on fertilizer use. These parties would need to enter government as coalition partners and secure their policies in a coalition agreement.

Policy uncertainty over agricultural emissions, land use, freshwater regulation, and environmental requirements therefore remains a factor in longer-term production and investment decisions for the dairy sector.

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, 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 40 percent of export volumes year-to-date in 2026 (Figure 13). 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 13: Proportion of New Zealand Total 2026 Dairy Export Volumes Year-to-Date



Source: Trade Data Monitor LLC

Figure 14 illustrates year-on-year export volume changes between January to September 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 from January to September increased by 6.97 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 14: New Zealand Dairy Exports Jan to Sep 2025 vs 2026



	Whole Milk Powder	Skim Milk Powder	Cheese	Butter	AMF	IMF	Whey	MPC	Casein	Cream
China	50,623	-13,435	12,699	7,808	9,693	378	2,124	4,077	2,624	15,458
Rest of the World	64,874	40,748	-1,050	13,581	-18,175	-10,346	3,962	-2,611	-1,655	4,773

Source: Trade Data Monitor LLC

Whole Milk Powder (WMP)

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

Dairy, Dry Whole Milk Powder	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	250	250	325	325	0	262
Production (1000 MT)	1420	1420	1430	1455	0	1350
Other Imports (1000 MT)	1	1	1	0	0	0
Total Imports (1000 MT)	1	1	1	0	0	0
Total Supply (1000 MT)	1671	1671	1756	1780	0	1612
Other Exports (1000 MT)	1328	1328	1500	1500	0	1400
Total Exports (1000 MT)	1328	1328	1500	1500	0	1400
Human Dom. Consumption (1000 MT)	2	2	2	2	0	2
Other Use, Losses (1000 MT)	16	16	16	16	0	16
Total Dom. Consumption (1000 MT)	18	18	18	18	0	18
Total Use (1000 MT)	1346	1346	1518	1518	0	1418
Ending Stocks (1000 MT)	325	325	238	262	0	194
Total Distribution (1000 MT)	1671	1671	1756	1780	0	1612
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2027

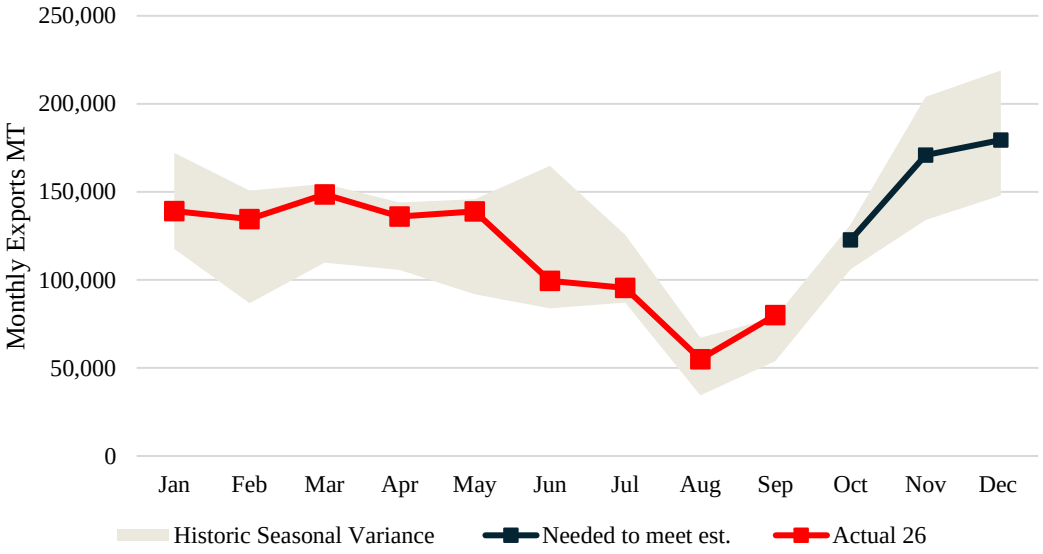
FAS/Wellington forecasts MY 2027 WMP production at 1.35 MMT, down 7.2 percent from MY 2026. The decline mainly reflects lower forecast milk supply, as El Niño conditions and higher input costs are expected to reduce output during the incoming MY. Processors use WMP to absorb seasonal surges in milk, so lower peak-season volumes usually reduce WMP output first. Processors are also continuing to direct milk toward cheese, dairy fats and specialty proteins, which have delivered higher returns.

WMP exports are forecast at 1.4 MMT, down 6.7 percent from the record MY 2026 level. Exports are expected to exceed production. Higher beginning stocks carried over from MY 2026 will make up the difference, and ending stocks are forecast to fall to 194,000 MT. Industry contacts expect demand for New Zealand WMP to remain strong in key markets, including China, the United Arab Emirates and ASEAN countries. WMP is a staple ingredient in food manufacturing, so demand for it is expected to hold up better than demand for discretionary dairy products if economic conditions weaken. The forecast decline in exports therefore reflects lower New Zealand milk supply rather than weaker overseas demand.

2026

FAS/Wellington has raised its MY 2026 WMP production estimate to 1.455 MMT, above the USDA Official figure of 1.43 MMT and up 2.5 percent from MY 2025. Record milk collections produced more milk than processors' cheese, butter and specialty capacity could use, and the surplus was dried into WMP. Exports are estimated at a record 1.5 MMT, up 13 percent from MY 2025. The additional output goes into stocks, raising ending stocks to 262,000 MT, above the USDA Official figure of 238,000 MT. From January to September 2026, WMP exports totaled 1.03 MMT, 12.6 percent above the same period in 2025, Record spring production should support reaching this estimate (Figure 15).

Figure 15: 2026 WMP Exports and Projections



Source: Trade Data Monitor LLC, FAS/Wellington

China remains year-to-date the largest WMP market at 30 percent of export volumes, followed by the United Arab Emirates (8.4 percent). Year-on-year volumes to China have increased 19.6 percent. New Zealand WMP was exported to 118 countries, where it is used mainly as an ingredient in food manufacturing.

Skim Milk Powder (SMP)

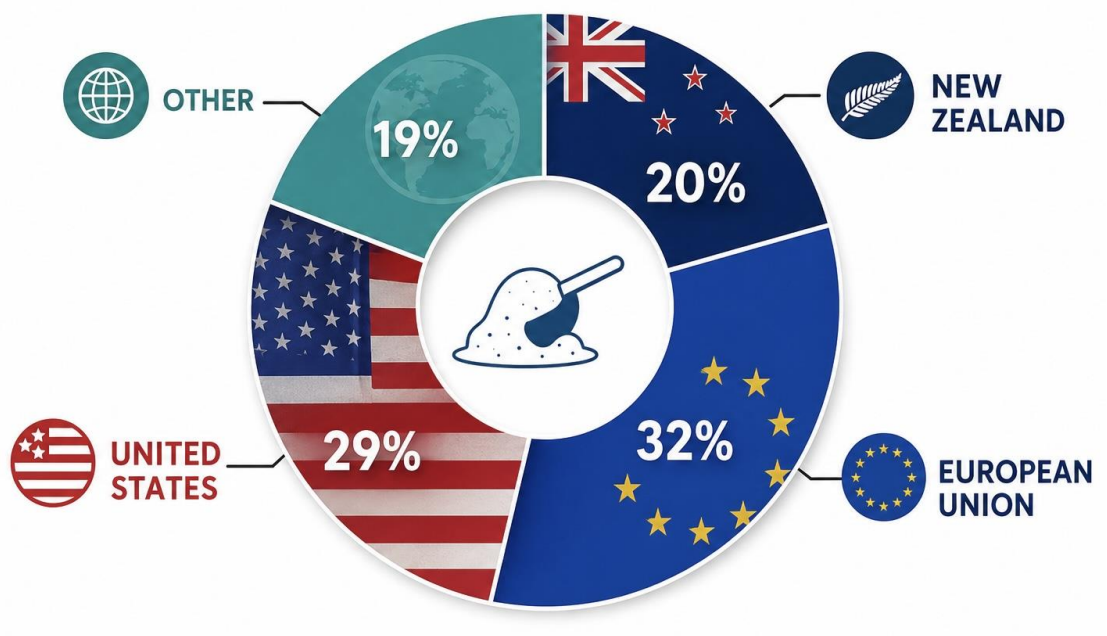
Table 5: Production, Supply and Distribution - Dairy, Milk, Nonfat Dry

Dairy, Milk, Nonfat Dry	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	60	60	96	98	0	86
Production (1000 MT)	450	450	450	450	0	450
Other Imports (1000 MT)	5	7	5	3	0	5
Total Imports (1000 MT)	5	7	5	3	0	5
Total Supply (1000 MT)	515	517	551	551	0	541
Other Exports (1000 MT)	409	409	435	450	0	435
Total Exports (1000 MT)	409	409	435	450	0	435
Human Dom. Consumption (1000 MT)	10	10	10	15	0	15
Total Dom. Consumption (1000 MT)	10	10	10	15	0	15
Total Use (1000 MT)	419	419	445	465	0	450
Ending Stocks (1000 MT)	96	98	106	86	0	91
Total Distribution (1000 MT)	515	517	551	551	0	541
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2027

FAS/Wellington forecasts MY 2027 SMP production at 450,000 MT, unchanged from MY 2026. SMP is mainly a co-product of butter and cream processing, and butter and AMF production is also forecast to hold steady. Continued investment in dairy fat capacity is expected to keep SMP output stable even as total milk supply falls.

Figure 16: World SMP Exporters



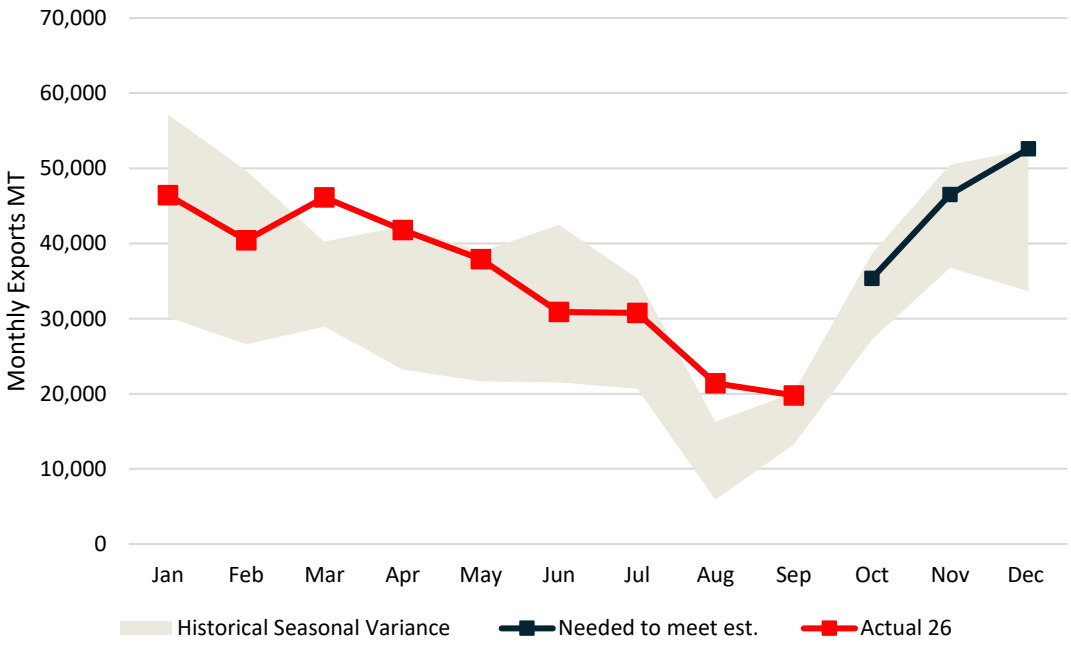
Source: Foreign Agricultural Service, Official USDA Estimates

Exports are forecast at 435,000 MT, down 3.3 percent from MY 2026, and ending stocks are forecast to be 91,000 MT. SMP remains a key ingredient for beverage, bakery and reconstituted dairy manufacturing. Because it is a staple, demand for it is expected to hold up better during an economic slowdown than demand for discretionary dairy products. New Zealand is the world's third-largest SMP exporter, after the European Union and the United States (Figure 16).

2026

FAS/Wellington maintains MY 2026 SMP production estimate at 450,000 MT, in line with the USDA Official figure. Exports are revised up to 450,000 MT from the USDA Official 435,000 MT, up 10 percent from MY 2025. Domestic consumption is revised up to 15,000 MT from the USDA Official 10,000 MT. Drawing down ending stocks to 86,000 MT. From January to September 2026, SMP exports totaled 315,537 MT, 9.48 percent above the same period in 2025 (Figure 17).

Figure 17: 2026 SMP Exports and Projections



Source: Trade Data Monitor LLC, FAS/Wellington

China remained the largest SMP market at 30 percent of export volumes, followed by Indonesia (20 percent), the Philippines (11 percent) and Thailand (7 percent). Industry contacts report that processors are using more SMP domestically to manufacture higher-value specialty products, such as infant milk formula (IMF) and protein ingredients. This trend is expected to continue into MY 2027 as new specialty processing capacity comes online. At the same time, China is becoming more self-sufficient in SMP, which is reducing its demand for imported product, which has been seen in figure 14.

Cheese

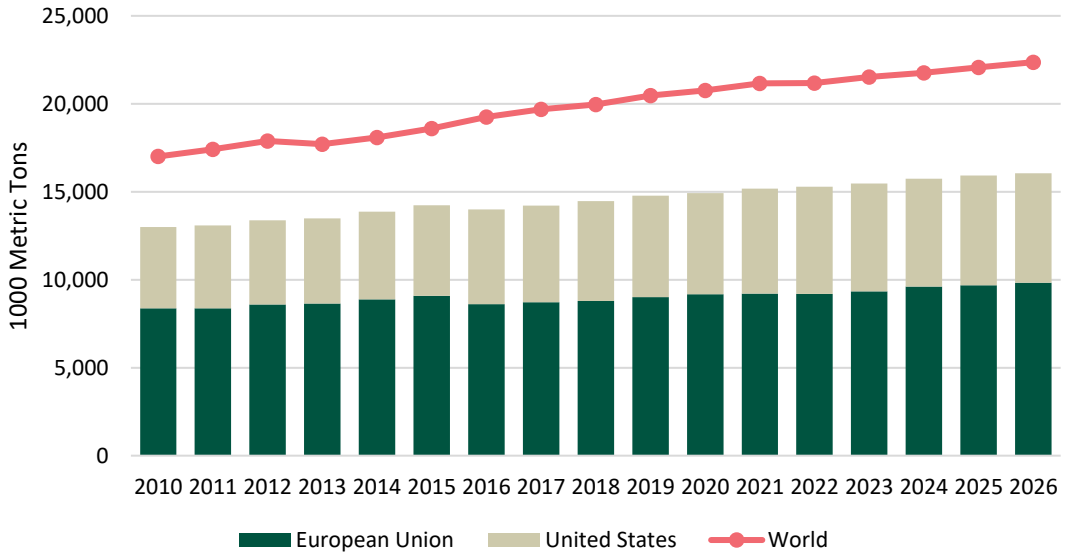
Table 6: Production, Supply and Distribution – Dairy, Cheese

Dairy, Cheese	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	75	75	56	56	0	55
Production (1000 MT)	425	425	450	450	0	450
Other Imports (1000 MT)	11	11	15	15	0	15
Total Imports (1000 MT)	11	11	15	15	0	15
Total Supply (1000 MT)	511	511	521	521	0	520
Other Exports (1000 MT)	415	415	425	425	0	425
Total Exports (1000 MT)	415	415	425	425	0	425
Human Dom. Consumption (1000 MT)	40	40	41	41	0	41
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	40	40	41	41	0	41
Total Use (1000 MT)	455	455	466	466	0	466
Ending Stocks (1000 MT)	56	56	55	55	0	54
Total Distribution (1000 MT)	511	511	521	521	0	520
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2027

FAS/Wellington forecasts MY 2027 cheese production to stay at a record 450,000 MT, unchanged from MY 2026 despite lower milk supply. Processors are expected to protect cheese output because it continues to earn better returns than commodity powders, and recent capacity investment supports this. Most of the drop in milk supply is expected to come out of WMP production instead. Growth is focused on cheddar, mozzarella and processed cheese for food service and business-to-business markets.

Figure 18: Global Cheese Consumption



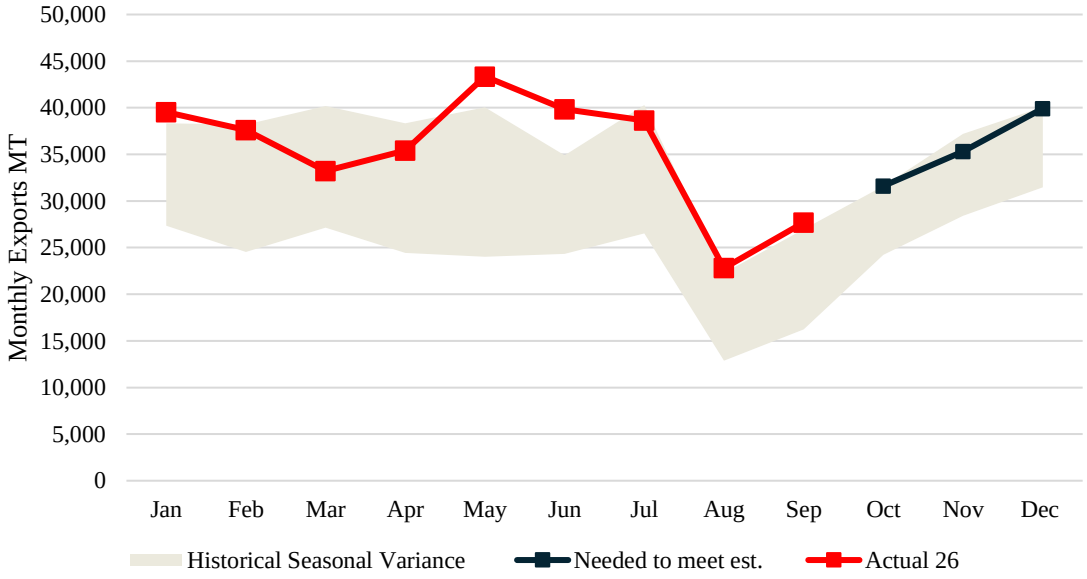
Source: Foreign Agricultural Service, Official USDA Estimates

Cheese exports are forecast to hold at a record 425,000 MT, supported by strong international demand. Domestic consumption is forecast at 41,000 MT. Imports are forecast at 15,000 MT, mainly specialty and branded cheeses for retail and food service that are not widely made in New Zealand. Ending stocks are forecast at 54,000 MT. New Zealand is only the ninth-largest cheese producer in the world, but it is the third-largest exporter, behind the United States and the European Union. Global cheese consumption continues to grow by nearly 2 percent a year (Figure 18).

2026

FAS/Wellington's MY 2026 cheese estimates are in line with the USDA Official figures. Production is a record 450,000 MT and exports are a record 425,000 MT, up 2.4 percent from MY 2025. The record output reflects recent processor investment in new and expanded cheese capacity, as processors shift milk away from commodity powders toward cheese, which earns higher returns. Domestic consumption is estimated at 41,000 MT, imports at 15,000 MT, and ending stocks at 55,000 MT.

Figure 19: 2026 Cheese Exports and Projections



Source: Trade Data Monitor LLC, FAS/Wellington

From January to September 2026, cheese exports totaled 318,136 MT, up 3.8 percent from the same period in 2025 (Figure 19). Strong shipments in May and June drove most of the increase. China remained the largest cheese market, taking 103,644 MT, or 32.6 percent of exports. Volumes to China rose 14 percent year-on-year. Japan was second at 15 percent.

Butter and Anhydrous Milk Fat (AMF)

Table 7: Production, Supply and Distribution – Butter

Dairy, Butter	2025		2026		2027	
Market Year Begins	Jan 2025		Jan 2026		Jan 2027	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	52	52	43	43	0	32
Production (1000 MT)	535	535	545	545	0	545
Other Imports (1000 MT)	1	1	1	1	0	1
Total Imports (1000 MT)	1	1	1	1	0	1
Total Supply (1000 MT)	588	588	589	589	0	578
Other Exports (1000 MT)	513	513	525	525	0	515
Total Exports (1000 MT)	513	513	525	525	0	515
Domestic Consumption (1000 MT)	32	32	32	32	0	32
Total Use (1000 MT)	545	545	557	557	0	547
Ending Stocks (1000 MT)	43	43	32	32	0	31
Total Distribution (1000 MT)	588	588	589	589	0	578
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

2027

FAS/Wellington forecasts MY 2027 butter and AMF production to stay at 545,000 butter equivalent tons (BET), unchanged from MY 2026 despite lower milk supply. Processors have expanded fat-processing capacity in recent years and are expected to keep it fully used. As with cheese, most of the drop in milk supply is expected to come out of WMP production instead. Stable butter output also keeps SMP production steady, because SMP is a co-product of butter and cream processing.

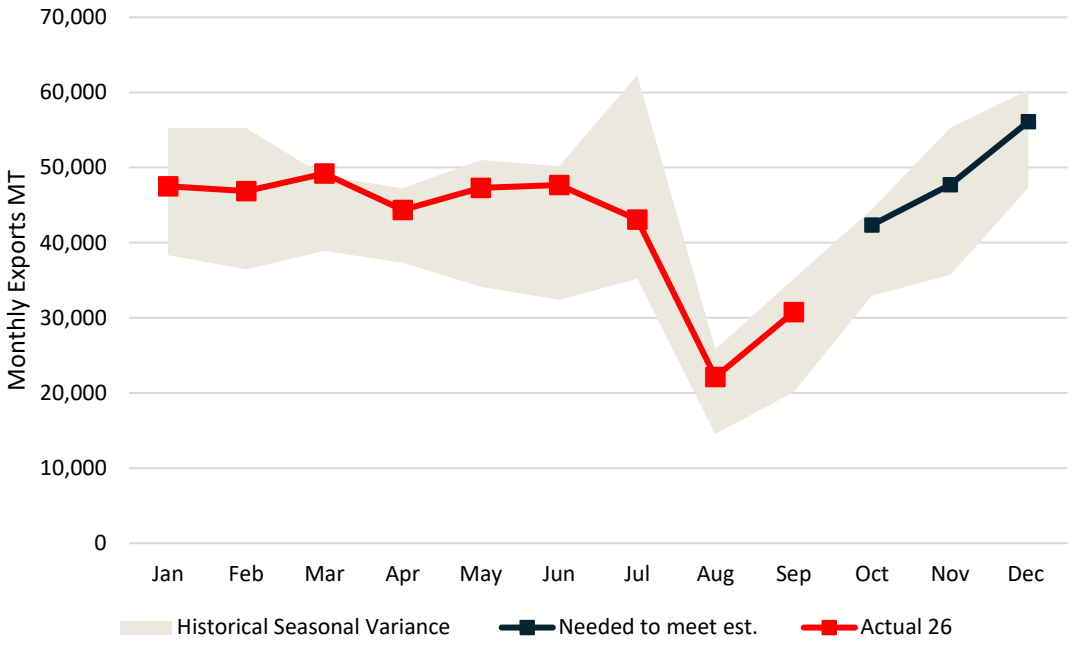
Exports are forecast at 515,000 BET, down 1.9 percent from MY 2026. Lower beginning stocks limit how much processors can ship, and ending stocks are forecast to ease slightly to 31,000 BET. Butter and AMF prices on the Global Dairy Trade (GDT) platform have been volatile through 2026. Fat products are expected to underperform staple powders in MY 2027 as discretionary demand softens. About 14 percent of New Zealand's butter, AMF and cream exports go to the Middle East, where demand is closely linked to hotels, restaurants and tourism. Any decline in visitor numbers linked to the conflict could reduce demand there. Higher vegetable oil prices, however, make it less attractive for manufacturers to replace butterfat, which should help support demand and prices.

2026

FAS/Wellington's MY 2026 butter and AMF estimates are in line with the USDA Official figures. Production is a near record of 545,000 BET, up 1.9 percent from MY 2025, and exports are 525,000 BET, up 2.3 percent. The record output reflects processor investment in fat-processing capacity, encouraged by strong GDT prices for butter and AMF. Over the past two years, a growing share of milk has gone into fat products rather than dried into powder. Exports draw ending stocks down to 32,000 BET.

From January to September 2026, butter and AMF exports totaled 378,819 BET, 3.5 percent above the same period in 2025 (Figure 20). Cream exports continue to grow, up 13.4 percent year-to-date. China remained the largest market for both butter and AMF at 30 percent of exports, followed by Australia for butter and the Philippines for AMF.

Figure 20: 2026 Butter and AMF Exports and Projections



Source: Trade Data Monitor LLC, FAS/Wellington

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. From January to September of 2026, exports of these products combined were 6.12 percent higher, led by whey, MPC, and casein, while infant milk formula exports declined. The United States continues to be the largest market for specialty products by value.

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 has imported NZ$202 million (US$115 million) of lactose in the first nine months of 2026, with almost 70 percent sourced from the United States. This commodity import alone represents almost 2 percent of New Zealand's total imports by value from the United States. These imports are primarily used in WMP production process to meet global specifications.

Attachments:

No Attachments