

Dairy Ingredients - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2026 - 2031)

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Report description:

Dairy Ingredients Market Analysis

The dairy ingredients market is expected to grow from USD 65.01 billion in 2025 to USD 67.2 billion in 2026 and is forecast to reach USD 79.31 billion by 2031 at 3.37% CAGR over 2026-2031. The market growth continues due to increased consumer preference for protein-rich products, established processing technologies, and higher utilization of specialty powders in food security programs. Europe remains the largest regional market, supported by regulatory quality requirements and developed milk collection networks. The Asia-Pacific region demonstrates the highest growth rate, driven by higher income levels, urban population growth, and favorable government policies that increase milk production and ingredient demand. Market applications expand through sports nutrition products, infant formula, and functional foods, while advancements in fermentation processes and automated plant operations improve production efficiency and reduce environmental impact across the dairy ingredients market.

Global Dairy Ingredients Market Trends and Insights

Rising Demand for Protein-rich Foods

The protein market expansion is transforming the food industry, extending dairy ingredient applications beyond sports nutrition into mainstream food and beverage categories. Market demand indicates consumers require functional benefits, including muscle support, satiety, and sustained energy from standard products such as breakfast cereals and baked goods. Dairy Management

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Inc.'s research and technological investments facilitate the manufacturing of high-protein, shelf-stable beverages and convenient formats that maintain quality while preserving nutritional value. Market growth is evident in ready-to-drink shakes, protein bars, and functional dairy snacks, with whey and casein proteins delivering complete amino acid profiles that surpass many plant-based alternatives. Market analysis shows that Millennials and Gen Z consumers demonstrate significant demand, analyzing product specifications and evaluating protein content as a primary purchase factor. Companies integrating dairy proteins demonstrate strong market positioning in the expanding functional nutrition segment of the dairy ingredients market.

Increasing Adoption in Sports Nutrition Products

In 2024, Arla Foods Ingredients' strategic acquisition of Volac's whey nutrition business underscores the sector's growth potential, with the company anticipating significant sales growth in whey protein isolate over the next five years. The market expansion reflects broader lifestyle changes where fitness and wellness have become integral to consumer identity, creating demand for convenient, high-quality protein sources within the dairy ingredients market. Innovation in sports nutrition is driving product diversification beyond traditional protein powders into ready-to-drink beverages, protein bars, and functional snacks that incorporate advanced dairy ingredients. The sector benefits from increasing female participation in fitness activities and the growing popularity of plant-forward diets that still include high-quality animal proteins for performance optimization. Precision fermentation technologies are beginning to complement traditional dairy sourcing in the dairy ingredients market, with companies like Helaina developing human lactoferrin equivalents that offer superior bioavailability for athletic performance applications.

Lactose Intolerance and Dairy Allergies

According to the World Population Review data from 2025, 44% of Australians are lactose intolerant. The challenge is particularly acute in Asian markets where lactase persistence is less common, yet these regions represent the fastest-growing dairy consumption markets, creating a complex dynamic for industry players. Manufacturers are responding with advanced lactase enzyme technologies, including DSM-Firmenich's Maxilact Next, a fast-acting enzyme that enables efficient lactose-free dairy production while maintaining product quality and nutritional integrity. Prebiotic strategies using galactooligosaccharides are emerging as complementary solutions, potentially shifting gut microbiomes to improve lactose digestion without complete lactose removal. The constraint is driving innovation in alternative dairy proteins through precision fermentation for the dairy ingredients market, where companies can produce dairy-identical proteins without lactose content. Consumer education about lactose-reduced products and their health benefits is becoming crucial for market expansion, particularly in regions where dairy consumption has traditionally been limited by genetic factors affecting lactose metabolism.

Other drivers and restraints analyzed in the detailed report include:

Expansion of the Infant Formula Market
Growing Adoption in Functional Food and Beverage Sector
Growing Popularity of Plant-Based Alternatives

For complete list of drivers and restraints, kindly check the Table Of Contents.

Segment Analysis

Milk powders command 45.02% of the dairy ingredients market share in 2025 while simultaneously achieving the fastest growth rate of 3.58% CAGR among product types, reflecting their versatility across applications and critical role in global food security initiatives. This dual leadership position stems from technological advances in spray drying and roller drying methods that have enhanced product quality and functional properties, making milk powders increasingly attractive for manufacturers seeking cost-effective protein fortification solutions. Skimmed milk powder and whole milk powder represent the largest subsegments, with growing demand from emerging markets where shelf stability and nutritional density are paramount considerations for food

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security programs.

Whey ingredients constitute the second-largest category, with whey protein concentrates and isolates experiencing robust demand from sports nutrition and functional food applications. The segment benefits from increasing consumer awareness of whey protein's superior amino acid profile and bioavailability compared to plant-based alternatives. Milk protein concentrates and isolates are gaining traction across the dairy ingredients market. Manufacturers seek ingredients that provide both functional and nutritional benefits in clean-label formulations. Lactose and derivatives, while representing a smaller market share, are experiencing renewed interest through innovative applications like lactulose production for prebiotic benefits.

Conventional dairy ingredients maintain an 88.10% market share in 2025, reflecting their established supply chains and cost advantages, while organic ingredients achieve the highest growth rate at 6.71% CAGR through 2031, driven by consumer willingness to pay premium prices for perceived health and environmental benefits. The USDA reported a 15.5% increase in organic whole milk sales in September 2024 compared to the previous year, with total organic fluid milk sales reaching 249 million pounds, demonstrating robust consumer demand despite higher price points. Organic milk exports increased by 36.2% year-to-date, signaling premium momentum in the dairy ingredients market. Compared to the previous year, this indicates strong international demand for premium dairy ingredients.

The organic segment's growth is supported by expanding retail distribution and increasing availability of organic feed ingredients, which historically constrained production capacity. Conventional ingredients continue to dominate due to their reliability, consistent quality, and established processing infrastructure that supports large-scale manufacturing operations. The price differential between organic and conventional ingredients is narrowing in some regions as organic production scales increase and conventional prices face upward pressure from sustainability requirements. Regulatory frameworks are evolving to support organic certification processes while maintaining stringent quality standards that ensure consumer confidence in premium positioning.

The Dairy Ingredients Market Report is Segmented by Product Type (Milk Powders, Milk Protein Concentrates and Isolates, Whey Ingredients, and More), Nature (Conventional and Organic), Livestock Origin (Cow, Buffalo, and Goat and Sheep), Application (Bakery and Confectionery, Dairy Products, Infant Milk Formula, Sports and Clinical Nutrition, and More), and Geography. The Market Forecasts are Provided in Terms of Value (USD).

Geography Analysis

Europe holds the largest regional market share at 29.55% in 2025, supported by its advanced processing infrastructure, strict quality standards, and robust consumer demand for premium dairy products. The region's increasing milk production directly contributes to higher dairy ingredient output. The well-established dairy processing facilities, combined with technological advancements in production methods, enable efficient conversion of raw milk into various dairy ingredients. The United Kingdom recorded total milk production of 14,890 million liters in 2024, according to DEFRA data. This substantial production volume underscores the region's capacity to meet both domestic and international demand in the dairy ingredients market.

The Asia-Pacific dairy ingredients market demonstrates the highest growth rate at 5.32% CAGR through 2031, fueled by increasing disposable incomes, population expansion, and growing health consciousness. The region's dairy ingredient market benefits from modernizing production facilities, improving supply chain infrastructure, and rising adoption of Western dietary habits. According to the United States Department of Agriculture, India's milk production is expected to reach 216.5 million metric tons in 2025, bolstered by government support and favorable weather conditions. The country's domestic fluid milk consumption is projected to reach 91 million metric tons. This growth trajectory reflects the region's expanding dairy processing capabilities and increasing consumer preference for dairy-based products.

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North America benefits from advanced processing technology in the dairy ingredients market and strong domestic demand for protein-rich products, while facing increased competition from plant-based alternatives in urban markets. The region's strength lies in innovation capabilities and established supply chains that support large-scale ingredient production for both domestic and export markets. South America and the Middle East, and Africa represent emerging opportunities where rising disposable incomes and urbanization are driving increased dairy consumption, though infrastructure limitations and price sensitivity create challenges for premium ingredient penetration.

List of Companies Covered in this Report:

Arla Foods amba Fonterra Co-operative Group Ltd Royal FrieslandCampina N.V. Groupe Lactalis (Lactalis Ingredients) Kerry Group plc Dairy Farmers of America Inc. Saputo Inc. Glanbia plc Nestle S.A. Danone S.A. Agropur Co-operative Hilmar Cheese Company Inc. Cargill Inc. Sodiaal Group Volac International Ltd Hoogwegt International B.V. Kanegrade Ltd Valio Ltd DMK Group Meggle Group

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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