

# MARKET BRIEF

## THAILAND

### Global exports to Thailand in 2019–2020

- Rank at #15 in the global dairy market (by volume).
- Destination for more than 304 thousand tonnes of dairy product, worth US \$743.9 million (October 2018 to September 2019).
- Exports to Thailand have increased by 21.8% over five years.
- The biggest volume growth (product categories exceeding US\$20 million) has been in: Lactose (49%), Cheese (35%), WMP (35%), Infant Powder (33%) and Whey Powder (14%).
- The biggest volume decline (product categories exceeding US\$20 million) has been in: Casein (-9%) and Butteroil (-9%).

### Australian market share in 2019–2020

- Rank at #4 in the share of the Thailand import volume.
- Destination for close to 27 thousand tonnes of Australian dairy product, worth US \$70.4 million (October 2018 to September 2019).
- Exports to Thailand have increased by 16.2% over five years.
- The biggest volume growth (product categories exceeding US\$1 million) has been in: Yogurt (205%), WMP (114%), Whey Powder (94%), Cheese (60%) and Butteroil (37%).
- The biggest volume decline (product categories exceeding US\$1 million) has been in: Buttermilk Powder (-47%) and SMP (-32%).

### Market developments

Thailand is a relatively prosperous upper-middle income country with a population of almost 70 million people, making it the second largest economy in the ASEAN region. Thailand is a regional hub for many businesses in southeast Asia and has extensive trading relations with other countries in the region.

Within Thailand there is a stark socio-economic divide between the wealthier, urban population, concentrated in and around Bangkok, and the larger, rural population in the less developed north and northeast of the country. This divide in turn has contributed to ongoing political instability in Thailand, which was under military rule from the 2014 coup to the 2019 election. As the seven-party alliance failing to form a government, Prayut Chan-o-cha was re-elected prime minister. With Prayut re-election the military still looks set to play a prominent role in Thai politics, and it is unclear what effect this will have on Thailand's political stability, and thus its business climate.

Dairy consumption has grown strongly in Thailand over the past five years. Liquid milk remains the largest dairy segment by volume. Liquid milk is predominantly UHT, and often sold in smaller pack sizes, such as 180ml or 250ml single serve sizes, in part due to the limited storage availability. Flavoured and sweetened milk is also particularly popular with consumers. Another fast-growing dairy category has been yogurt, driven by effective marketing portraying it as a healthy product and lifestyle aide. The yogurt sold is predominantly flavoured and sweetened, often containing fruit pieces such as strawberry or lychee.

Dairy farming in Thailand is relatively inefficient and remains heavily protected. The Thai government has invested resources into raising productivity, as part of larger efforts to revitalise the lagging agricultural sector. Annual milk production is not sufficient to satisfy domestic demand and thus dairy imports to Thailand have grown 21.8% over the past five years. With the scheduled end of safeguard volumes on some Australian dairy imports in 2020 under TAFTA, the proportion of imported dairy consumed is expected to increase. Some dairy tariffs, such as on skim milk powder, liquid milk and cream will see quotas phased out by 2025.

## Tariff environment

The Thailand–Australia FTA entered into force on January 1st, 2005, with an immediate reduction in tariff rates for all dairy products. From 1st of January 2020 the AANZFATA will replace the TAFTA as the preferential agreement for export of dairy products to Thailand, for all dairy products except liquid milk and skim milk powder. For liquid milk and skim milk powder the TAFTA agreement remains the preferred agreement with special safeguard volume restrictions set to be phased out by 2025. Exporters are advised to consult a specialist customs broker before entering the Thai market. A summary of current tariffs for the six major dairy categories imported by Thailand can be found in Figure 7\*.

## Key international marketing programs and activities

Dairy Australia runs or is involved in a number of marketing programs and activities in Thailand. These include the South East Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australian dairy industry and the South East Asian Alumni Program for past scholars. Dairy Australia regularly visits Thailand and presents seminars to local industry players in key markets.

Figure 1 Dairy imports



Figure 6 Australian exports

Product group	Market share (US\$)		Volume (1000 of tonnes)		Value (million US\$)	
	2015–16	2019–20	2015–16	2019–20	2015–16	2019–20
Butteroil	30.1	20.0	2.7	3.8	10.7	10.6
Cheese	24.9	31.1	2.7	4.6	11.9	19.7
SMP	13.7	12.2	10.9	7.9	28.9	18.3
Whey powder	5.6	10.0	1.6	4.5	3.5	6.3
WMP	4.2	7.2	1.9	5.2	5.7	13.0
Total	9.5	9.5	22.2	27.5	66.8	71.8

Figure 2 Top dairy imports by volume

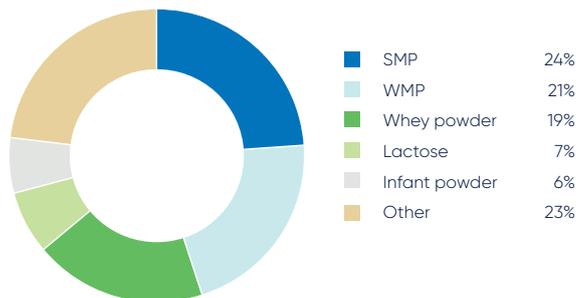


Figure 3 Top dairy imports by USD value

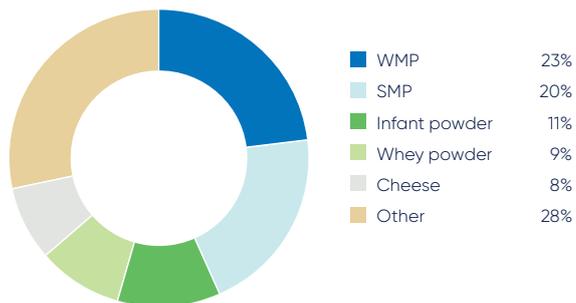


Figure 4 Top Australian dairy exports by volume

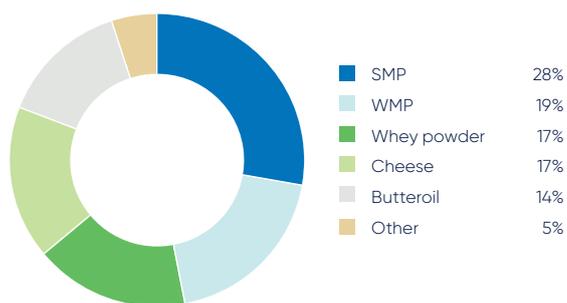
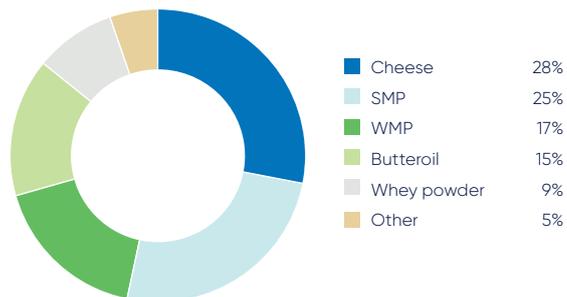


Figure 5 Top Australian dairy exports by USD value



**Figure 7 Dairy tariffs**

Tariff category	Product category	Applied tariff %
0402.10	Milk and cream, concentrated or containing added sugar or other sweetening matter: skim milk powder	6.0
0404.10	Whey, whether or not concentrated or containing added sugar or other sweetening matter: whey and modified whey in liquid form	0.0
0405.90	Butter and other fats and oils derived from milk: Anhydrous Milkfat	0.0–2.0
0406	Cheese and curd: Processed cheese not grated or powdered	0.0–2.0
0406.90	Other cheese, including cream cheese, cheddar, not processed	2.0

**FOR FURTHER INFORMATION**

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