

# Market brief

## Philippines

Calendar year 2022

### GLOBAL EXPORTS TO THE PHILIPPINES

Rank #3 in the global dairy market (by volume)

Destination for over 699,000 tonnes of dairy product, worth close to US\$1,827 million (in 2022)

Exports to Philippines have increased by 21% over five years (2018 – 2022)

The biggest volume growth (product categories exceeding US\$20 million) has been in:

- Ice cream 464%
- Yoghurt 68%
- Buttermilk 47%

The biggest volume decline (product categories exceeding US\$20 million) has been in:

- WMP -31%
- Butter oil -25%

### AUSTRALIAN MARKET SHARE

Rank #5 in the share of the Philippines' import volume

Destination for 43,000 tonnes of Australian dairy product, worth over US\$90 million (in 2022)

Exports have increased by 13% over five years (2018 – 2022)

The biggest volume growth (product categories exceeding US\$1 million) has been in:

- Ice cream 703%
- Butter oil 117%
- Milk 39%

The biggest volume decline (product categories exceeding US\$1 million) has been in:

- SMP -52%
- Buttermilk powder -50%

### Market developments

Even though the Philippines is the second most populous country in the ASEAN region, dairy consumption has historically been limited by a large portion of the population living below the poverty line. However, in recent years this has slowly started to shift, with an expanding middle class and recovering economy improving purchasing power. While dairy has not traditionally played a key role in the local diet, recent developments and investment in cold chain infrastructure have increased access to dairy products for a broader range of the population.

Typically, a very small portion of the Philippines' dairy consumption is supported by local milk supply, with the remainder sustained by imports. As such, the country has emerged as one of the world's largest dairy importers, with total exports to this market increasing 21 per cent over the last five years. In an effort to improve local production, the Philippines' national herd has been slowly growing in recent years, supported by government led incentives and programs. Such initiatives aim to improve the overall profitability of the domestic dairy industry by addressing the three key challenges to growth: land availability, a lack of private investment and the difficulty of matching dairy breeds to the tropical environment.

Maintaining the quality of fresh milk is a challenge in the Philippines, due to the lack of processing and distribution systems, and a still-inefficient cold chain system. Milk is produced and distributed based on four farm types: smallholder producers, smallholder cooperatives, commercial farms, and government farms. Although milk from the government type farms is mainly utilised in school programs, most milk produced through other enterprises is sold domestically as fresh milk.

Alongside fresh milk being one of the main dairy products consumed in the Philippines, a significant portion of this supply is purchased by coffee shops. Increasing interest in coffee has seen demand for domestic fresh milk grow, due to its superior frothing abilities compared to ultra-

high temperature (UHT) milk. To help fill the gap created between domestic milk supply and this rising demand, Australian milk exports to this market increased 39 per cent over the past five years.

Skim milk powder (SMP) is the most commonly exported product to the Philippines, accounting for approximately one-third of total dairy imports. Imported SMP is typically used in the production of reconstituted milk, which in-turn supplements a significant portion of the Philippines' domestic liquid milk supply. Adding to this strong demand for SMP, is the revival of the Nutribun initiative by the Philippine government, prompted by the COVID-19 pandemic. While first created in the 1970's to combat malnutrition, throughout the pandemic this led to SMP being an important component in delivering nutritious food to children via school programs.

The majority of milk powders used in the Philippines originate from the US, with imports of Australian SMP having decreased 52 per cent over the last five years. However, Australia's market access to the Philippines remains supported by the ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA), which has allowed for consistent imports of dairy products via reduced tariffs. Behind milk, cheese is the second most imported product from Australia, with exports having grown 22 per cent over the last five years. Australian cheese now represents 23 per cent of all cheese imported into the Philippines.

In the Philippines, there are regulations in place that present challenges for companies exporting products to the country. Regulatory processes from the Food and Drug Authority (FDA), outline the need for Philippine companies to obtain a license to operate (LTO) and a certificate of product registration (CPR). This is required when importing, exporting, distributing, or manufacturing a new product, with the CPR valid for one to two years, and subject to renewal upon expiration. These regulatory processes may prolong the period it takes for exporters to get products onto Philippines' shelves.

### Tariff environment

Australia and the Philippines are both party to the multilateral ASEAN, Australia, New Zealand, Free Trade Agreement (AANZFTA). The agreement came into force in January 1st 2010, with a reduction in tariffs for selected dairy products. Since 2020, these tariffs have now been removed. While this provides advantages for the Philippines to export products within the agreement, their focus on the domestic market and reliance on imports restricts potential exports. A schedule of Philippine tariffs can be found in Table 2.

### Key international marketing programs and initiatives

Dairy Australia runs or is involved in a number of marketing programs and activities in the Philippines. These include the Southeast Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australia dairy industry and the Southeast Asian Alumni Program for past scholars. Outside of COVID-19 travel restrictions, Dairy Australia aims to regularly visit the Philippines and present seminars to local industry players in key markets.

Figure 1 Dairy imports

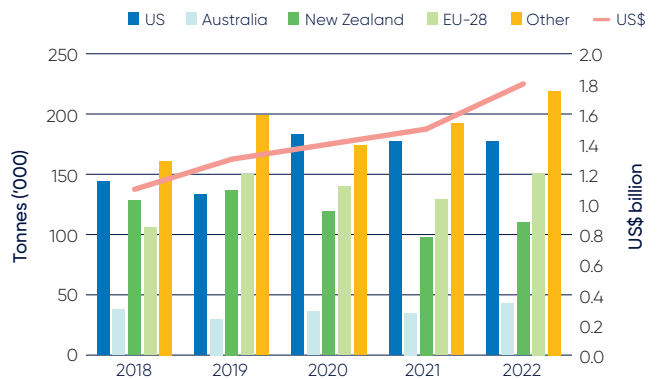


Figure 2 Top dairy exports to the Philippines by volume

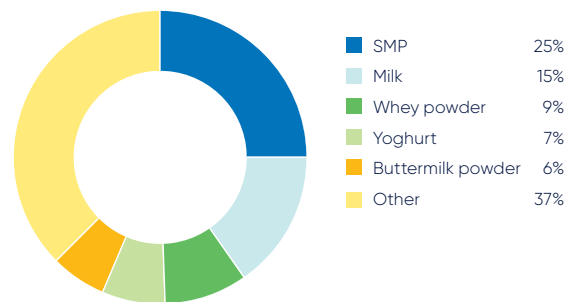
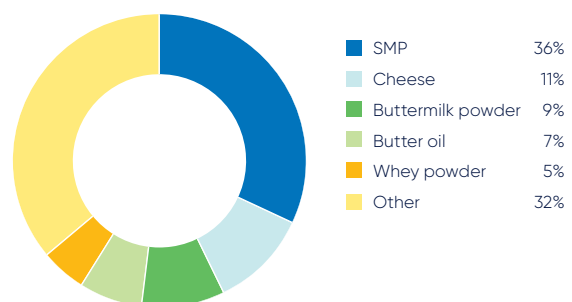
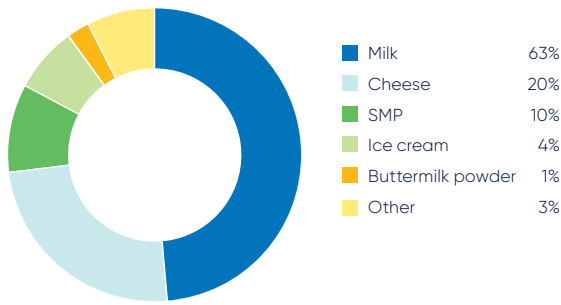


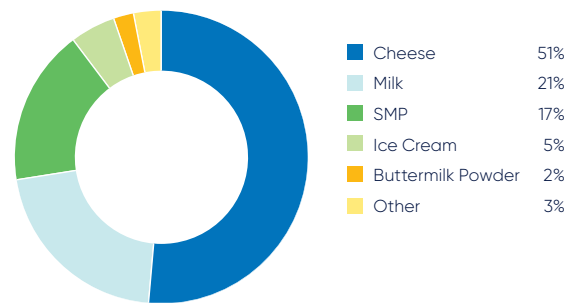
Figure 3 Top dairy exports to the Philippines by US\$ value



**Figure 4** Top Australian dairy exports by volume



**Figure 5** Top Australian dairy exports by US\$ value



**Table 1** Australia exports

Product group	Market share (US\$ %)		Volume ('000)		Value (million US\$)	
	2018	2022	2018	2022	2018	2022
Milk	25	22	19.3	26.8	14.8	18.7
Cheese	23	23	6.9	8.5	29.8	45.7
SMP	6	2	8.7	4.2	16.7	15.4
Ice Cream	3	5	0.2	1.7	0.6	4.4
Buttermilk Powder	9	4	0.9	0.5	1.8	1.8
<b>Total</b>	<b>6</b>	<b>5</b>	<b>37.9</b>	<b>42.8</b>	<b>66.8</b>	<b>89.1</b>

**Table 2** Dairy tariffs

Tariff category	Product category	Applied tariff %
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	0.0
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	0.0
0404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	0.0
0406	Cheese and curd	0.0

Applied tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the applied rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the applied rate for qualifying product is as per that agreement. The countries with specific agreements in place are: China (ChAFTA), Indonesia (AANZFTA), Japan (JAEPA), The Republic of Korea (KAFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Philippines (TAFTA), and the USA (AUSFTA).

#### FURTHER INFORMATION

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