

# MARKET BRIEF

## PHILIPPINES

### Global exports to Philippines

- Rank #3 in the global dairy market (by volume).
- Destination for over 635,000 tonnes of dairy product, worth US\$1,354 million (in 2020/21).
- Exports to Philippines have increased by 22.7% over five years (2016/17 – 2020/21).
- The biggest volume growth (product categories exceeding US\$20 million) has been in:
  - Ice Cream (504%)
  - Buttermilk (368%)
  - Infant Powder (94%)
- The biggest volume decline (product categories exceeding US\$20 million) has been in:
  - Casein (-11%)
  - Butter (-2%)

### Australian market share

- Rank #6 in the share of Philippines import volume.
- Destination for 34,000 tonnes of Australian dairy product, worth over US\$75 million (in 2020/21).
- Exports to Philippines have increased by 12% over five years (2016/17 – 2020/21).
- The biggest volume growth (product categories exceeding US\$1 million) has been in:
  - Butter Oil (702%)
  - Cheese (75%)
  - Milk (45%)
- The biggest volume decline (product categories exceeding US\$1 million) has been in:
  - SMP (-61%)
  - Buttermilk Powder (-52%)

### Market developments

While being the second most populous country in the ASEAN region, historically a large portion of the Philippine population has remained below the poverty line. Traditionally, dairy has not played a key part of the local diet, with only a small share of the market purchasing these products. Over time, the Philippines' expanding economy and population has seen dairy consumption rise with an increase in household purchasing power. Recent developments in cold chain capacity and the food processing industry, and an increase in supermarket numbers, have also contributed to the rising demand for dairy.

With the introduction of new dairy breeds and government initiatives, such as the herd build-up program, the Philippines national herd has been slowly growing over recent years. According to the Philippine Statistics Authority (PSA), in early 2020 the country was milking less than 12,000 cows – for perspective, this is equivalent to less than 1% of Australia's national herd. Current management practises and dairy infrastructure, with high production costs, have tempered per cow yields and milk flows. Domestic demand has been outpacing local milk supply and seen the Philippines become one of the world's largest dairy importers, with global dairy exports to this market increasing 22.7% over the past five years.

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. While 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 coffee interest has seen demand for fresh milk grow, reportedly due to its superior

frothing abilities compared to UHT. With a gap between domestic milk production and this rising demand, imports of Australian milk have increased by 45% over the past five years.

A significant portion of the Philippines' domestic liquid milk supply consists of milk reconstituted from imported milk powders. Skim milk powder (SMP) is the most common product to export to the Philippines, accounting for approximately one-third of total dairy imports. Adding to strong demand for SMP, the Philippine government reinstated the Nutribun initiative; a program first created in the 1970's to combat malnutrition. The COVID-19 pandemic prompted the revival of this program, delivering small bread-like buns filled with nutritious ingredients to children via school programs. Imports of Australian SMP have decreased 61% over the past five years, with most milk powder exports to the Philippines now originating from the United States. However, Australia's market access to the Philippines is supported by the ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA), which has allowed for consistent imports of dairy products via reduced tariffs. Exports of Australian cheese to the Philippines have grown 75% over the past five years, accounting for about 25% of all imported cheese.

In the Philippines, there are regulations in place that present challenges for companies exporting products to the country. The Food and Drug Authority (FDA) has put in place regulatory processes, outlining 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 Figure 7.

### Key international marketing programs and activities

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

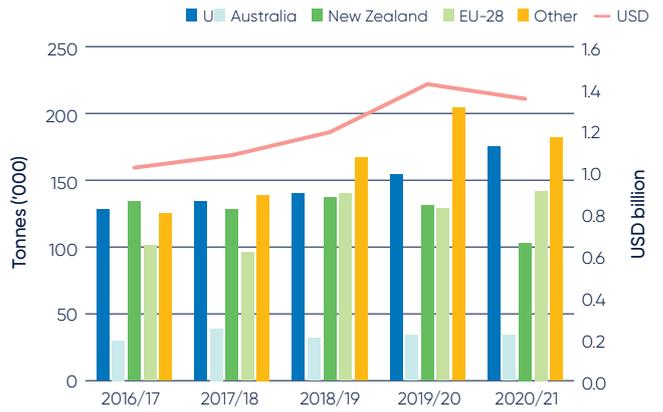


Figure 2 Top dairy exports to Philippines by volume

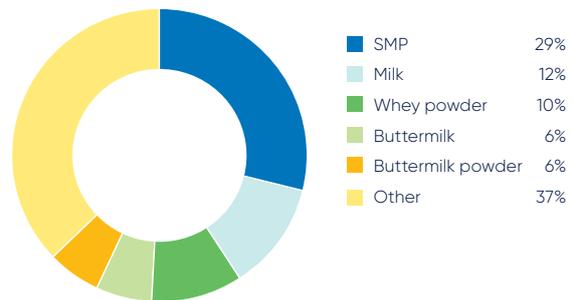


Figure 3 Top dairy exports to Philippines by US\$ value

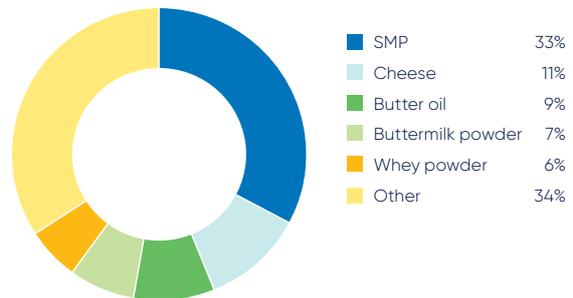


Figure 4 Top Australian dairy exports by volume

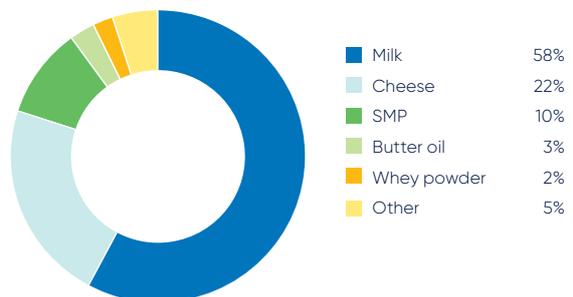
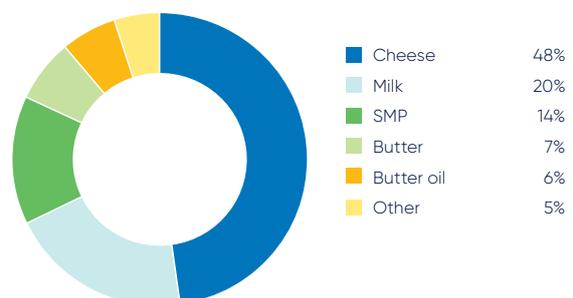


Figure 5 Top Australian dairy exports by US\$ value



**Figure 6** Australian exports

Product group	Market share (US\$ %)		Volume ('000)		Value (million US\$)	
	2016/2017	2020/2021	2016/2017	2020/2021	2016/2017	2020/2021
Butter Oil	0.5	4.1	0.1	1.1	0.6	4.8
Cheese	16.2	25.3	4.3	7.5	20.0	36.2
Milk	17.3	25.5	13.7	19.9	9.6	14.8
SMP	4.8	2.3	8.6	3.3	17.1	10.4
Whey Powder	1.8	1.0	1.7	0.5	1.2	0.7
Other	5.2	5.6	30.5	34.1	53.0	75.5

**Figure 7** Dairy tariffs

Tariff category	Product category	Applied tariff %
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	0
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	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
0406	Cheese and curd	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), Thailand (TAFTA), and the USA (AUSFTA).

**FURTHER INFORMATION**

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