

# Market brief

## Thailand

Calendar year 2022

### GLOBAL EXPORTS TO THAILAND

Rank #12 in the global dairy market (by volume)

Destination for over 324,000 tonnes of dairy product, worth over US\$1.1 billion (in 2022)

Exports to Thailand have increased by 16% over five years (2018 – 2022).

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

- Butter 69%
- WMP 26%
- Lactose 65%

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

- Buttermilk powder -20%
- Infant powder -9%

### AUSTRALIAN MARKET SHARE

Rank #4 in the share of Thailand's import volume

Destination for almost 28,000 tonnes of Australian dairy product, worth over US\$115 million (in 2022)

Exports to Thailand have decreased by 19% over five years (2018 – 2022)

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

- Milk 119%
- WMP 7%
- Cheese 33%

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

- Buttermilk powder -54%
- Whey powder -33%
- SMP -52%

### Market developments

Thailand is a prosperous country, with a growing middle class and increased demand for dairy. Ranked as the 12<sup>th</sup> largest dairy export market in the world, an increasingly mobile and modern consumer population are incorporating more dairy into their diets – driving dairy consumption overall. In line with wider trends across Southeast Asia (SEA), the approach to consuming dairy in Thailand is becoming increasingly health-conscious among both young shoppers and the aging population.

While Thailand's national herd and dairy production have been steadily growing over recent years, domestic demand continues to outpace local production. With a large portion of local milk supply typically diverted into schools as liquid milk, Thailand imports a substantial amount of ingredient type dairy products each year to bolster total supply and support processing applications. This is also an important step in the re-exporting of dairy across Southeast Asia, helping to increase Thailand's reach and export capacity throughout the region.

Whole milk powder (WMP) is the largest product exported to Thailand by volume, growing 26 per cent over the last five years. With local milk production tight, many processors use imported WMP to fill the gaps left by fluctuating milk collections. As such, the country has become a major WMP importer. During the initial years of the COVID-19 pandemic however, imported volumes of WMP declined, falling 19 per cent between 2020 and 2021. The closure of schools saw milk diverted out of school milk programs and into manufacturing. Nevertheless, with its use as a key ingredient in the production of reconstituted milk and fermented dairy products, importing growth is expected to return beyond 2022.

In appealing to the growing proportion of health-conscious Thai consumers, dairy protein fortification is emerging as a key value adding measure. Heightened health awareness continues as a longer-term trend, and a move toward ready-to-eat meals and healthier food products has been emphasised by the COVID-19 pandemic. Alongside the use of whey as a base ingredient, the growing focus on healthy foods has increased the popularity of high protein drinks made from the product. Behind WMP and skim milk powder (SMP), whey powder has remained the third most exported product to Thailand over the past five years.

While New Zealand and the European Union (EU) remain the largest dairy exporters to Thailand, free trade agreements, as well as geographical proximity, support Australian exporters looking to sell products to this market. At the start of 2021, tariffs were removed for WMP and cheese, and the SMP quota continues to be gradually phased out. Supporting the three most commonly exported products to Thailand, volumes of cheese and WMP imported from Australia have grown 33 per cent and 7 per cent over the last five years. While new to the Thai diet, demand for cheese has been growing alongside the addition of fast food and other chain outlets. Despite Australia being one of the largest exporters of cheese to Thailand, the growing appetite for cheese is creating an increasingly competitive export environment. As such, New Zealand product now accounts for almost half of all cheese exported to Thailand, whilst Australian cheese continues to represent roughly a third of the market (based on volume).

Yoghurt has become increasingly popular amongst consumers, supported by more health-conscious views of consumption in recent years. However, total imports of yoghurt into Thailand fell 27 per cent between 2018 and 2022. While the health benefits of yoghurt are well understood/established within Thailand, this decline can be attributed to the growing focus of domestic manufacturing and export of yoghurt and fermented dairy drinks across SEA.

### Tariff environment

The Thailand-Australia free trade agreement (TAFTA) entered into force on January 1st 2005, with an immediate reduction in tariff rates for all dairy products. From 1st of January 2020, the ASEAN Australia New Zealand free trade agreement (AANZFATA) replaced the TAFTA as the preferential agreement for export of dairy products to Thailand. This is for all dairy products except liquid milk and SMP. In these two cases, 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 major dairy categories imported by Thailand 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 Thailand. These include the Southeast Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australian dairy industry and the southeast Asian Alumni Program for past scholars. Outside of COVID-19 travel restrictions, Dairy Australia aims to regularly visit Thailand and present seminars to local industry players in key markets.

Figure 1 Dairy imports

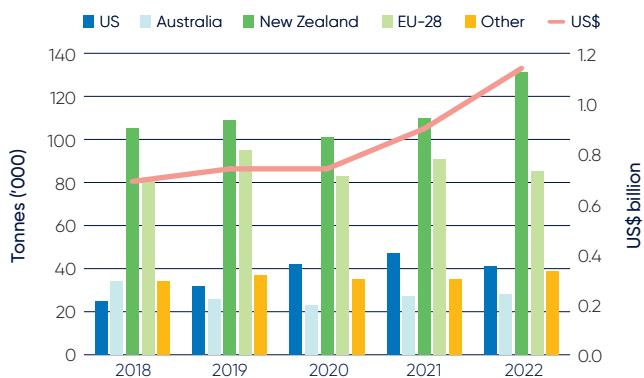


Figure 2 Top dairy exports to Thailand by volume

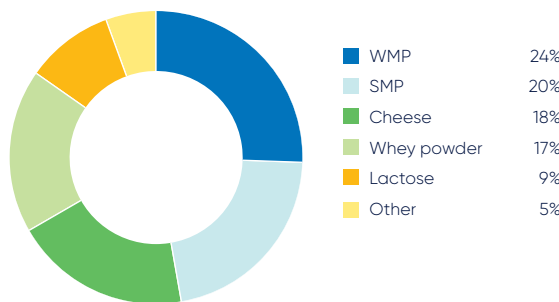
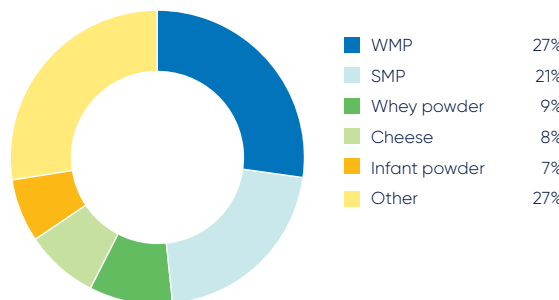
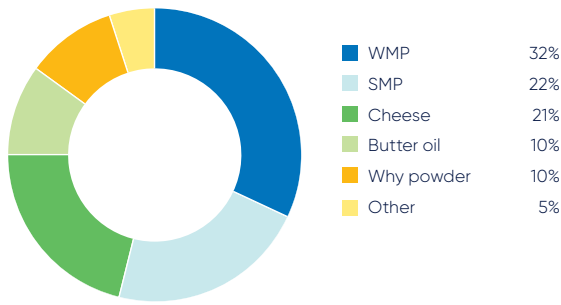


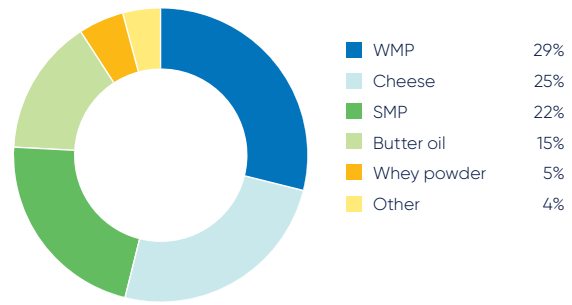
Figure 3 Top dairy exports to Thailand by US\$ value



**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
WMP	11	11	8.1	8.7	19.0	33.8
SMP	22	10	12.8	6.1	26.9	24.8
Cheese	29	32	4.5	5.9	20.4	29.1
Butter Oil	21	25	3.0	2.7	11.7	17.2
Whey Powder	12	5	4.0	2.7	5.8	5.5
<b>Total</b>	<b>13</b>	<b>10</b>	<b>34.0</b>	<b>27.6</b>	<b>88.0</b>	<b>115.1</b>

**Table 2** 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	2.0
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
0406	Cheese and curd: processed cheese not grated or powdered	0.0
0406.90	Other cheese, including cream cheese, cheddar, not processed	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 (JAPEA), The Republic of Korea (KAFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

**FURTHER INFORMATION**

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