Final Report

# Market Research in Thailand: Cheese and dairy products

Date: October 2021

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# PART 1

## PROJECT BACKGROUND AND OBJECTIVES

# PROJECT BACKGROUND AND OBJECTIVE

*The primary objective is to conduct market research to assist Brazilian businesses in entering and growing their markets in Thailand*

## INTRODUCTION

The Trade and Investment Sector of the Brazilian Embassy in Bangkok - SECOM (hereinafter referred to as "the client") is responsible for promoting trade, investment, and business opportunities between Thailand and Brazil.

The client engaged Canvassco (Thailand) Co.,ltd to conduct market research focusing on **Cheese and dairy products**, to assist Brazilian businesses in entering and growing their markets in Thailand.

## PROJECT METHODOLOGY

There are two primary sources of data; secondary research and primary research. For secondary research we collected data from various sources including;

- Import and export statistics from the Customs Department, Ministry of Commers
- List of key industry players who are registered companies from the Department of Business Development, Ministry of Commerce
- Market report and industry reports from Food Intelligence Centers, under the National Food Institute (NFI)
- Annual reports of key players, Local news, Journal, article from business newspaper and trade magazine

For primary sources of data we collected by conducted in-depth interviews via telephone/zoom meetings with key industry players. There were total 10 companies interviewed during the primary data collection process.  List of key industry players are provided at the Appendix.

# PART 2

## CHEESE AND DAIRY PRODUCTS MARKET OUTLOOK

# CHEESE AND DAIRY PRODUCTS

*There are six major product categories under cheese and dairy products classification*

| Dairy products | HS Code | Example |
|---|---|---|
| Milk and cream | 0401.10 \| 0401.20 \| 0401.40 \| 0401.50 \| 0402.10 |  |
| Flavored UHT milk-based drinks | 2202.99 |  |
| Yogurt | 0403.10 \| 0403.90 |  |
| Whey protein | 0404.10 \| 0404.90 |  |
| Butter | 0405.10 \| 0405.20 \| 0405.90 |  |
| Cheese | 0406.10 \| 0406.20 \| 0406.30 \| 0406.40 \| 0406.90 |  |

## CHEESE AND DAIRY PRODUCTS

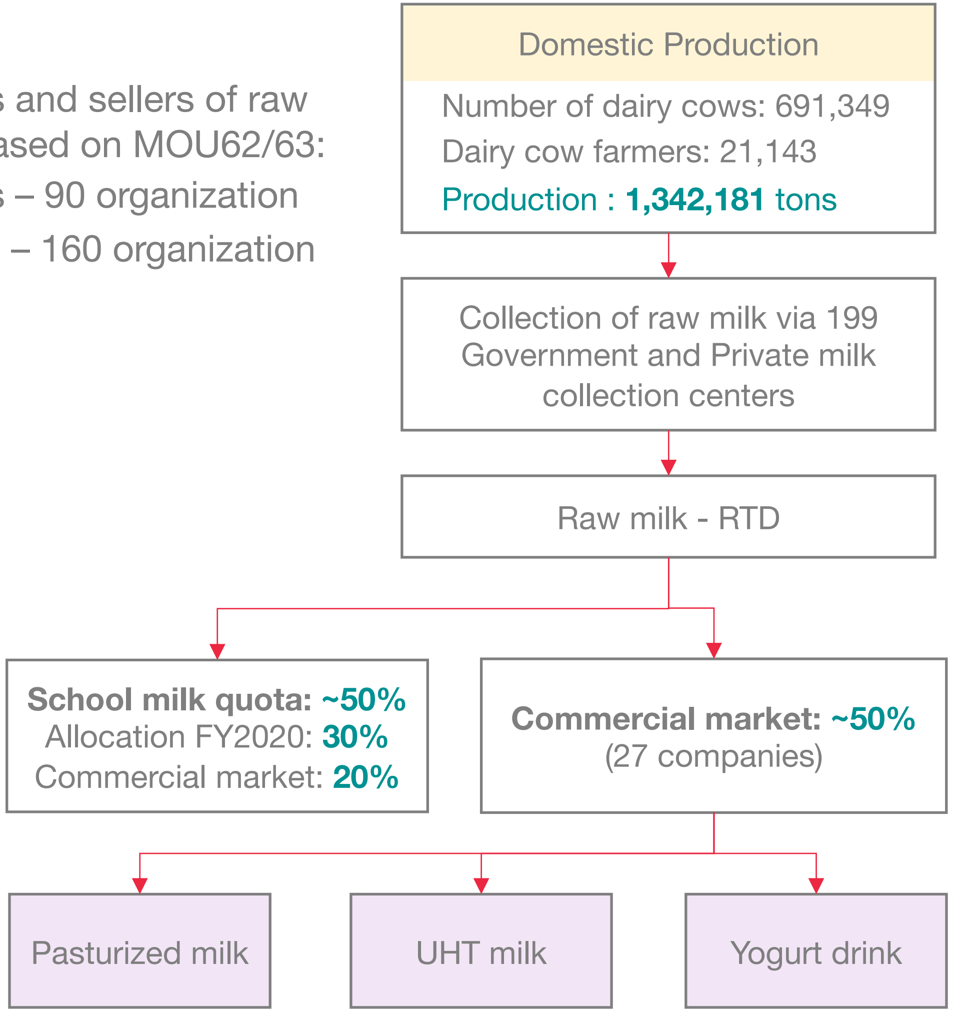
Product categories under cheese and dairy products can be classified into six major products as follow;

1. **Milk and cream** in liquid form not concentrated nor containing added sugar or other sweetening matter, skimmed and whole milk powder, or cream powder.
2. **Flavored UHT milk-based drinks**
3. **Yogurt** which also include other relevant product categories according to the HS Code classification which are buttermilk, curdled milk and cream, yoghurt, kephir, fermented or acidified milk or cream. Yogurt is classified as the main product category as it is the most common product available in Thailand under its HS Code classification.
4. **Whey protein** and products consisting of natural milk constituents
5. **Butter** and other fats and oils derived from milk; dairy spreads
6. **Cheese** including curd

# DAIRY MARKET STRUCTURE IN THAILAND – FY 2020

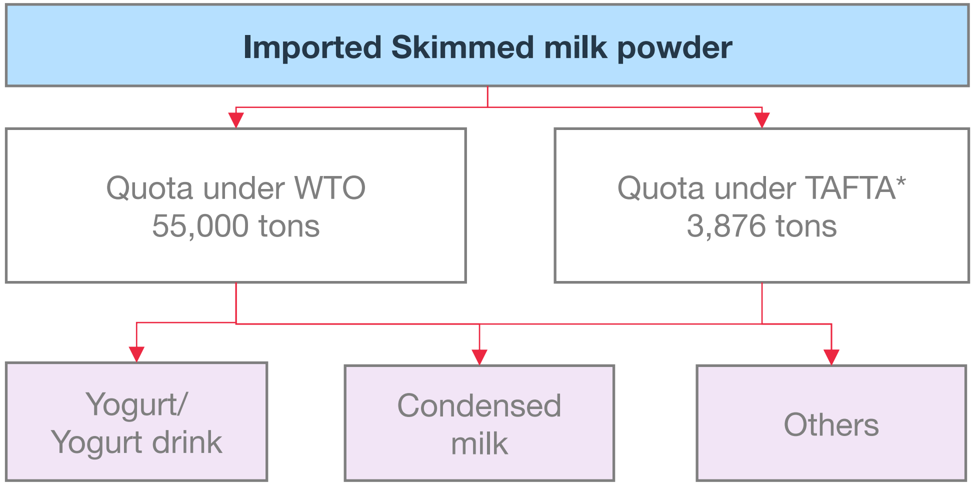
*Thailand's domestic raw milk supply is insufficient to meet the country's demand and relying on importing skimmed and whole milk powder for exporting UHT milk and other processed dairy products*

Buyers and sellers of raw milk based on MOU62/63:
Buyers – 90 organization
Sellers – 160 organization




FY 2020 - Quantity (tons)

| Product Group | Import | Export |
|---|---|---|
| Raw milk | 3,627 | 88,405 |
| Skimmed milk powder | 62,518 | 4,962 |
| Other milk and cream | 68,930 | 1,820 |
| Flavored UHT milk-based drinks | 13,555 | 2,855,762 |
| Yogurt and other buttermilk | 16,844 | 111,536 |
| Whey protein | 70,707 | 6,229 |
| Butter and other fats and oils derived from milk | 12,119 | 479 |
| Cheese | 17,440 | 604 |
| Grand Total | 265,739 | 3,069,797 |




*Thailand-Australia Free Trade Agreement

*Source: Customs Department, Cooperative Promotion Department and Bureau of Livestock Standards and Certificates – customised and updated data by Canvassco*

# DAIRY MARKET OUTLOOK

*Thailand produced about 1.39 million tons of raw milk which is all used for RTD milk while importing concentrated milk powder to supply to dairy food processing industry for export market*

## Overall Market Environment

Thailand has a low dairy consumption rate. The average Thai consumes 18 litres of milk per year, while Singaporeans consume 62 litres per person. According to a Suan Dusit Poll survey, 44.1% of Thais consume milk on a regular basis but in small quantities*.

Thailand's domestic milk consumption is set to exceed 1.3 million tons per year in 2021. Between 2016 and 2021, consumption continues to grow at a CAGR of 2%. The increase is attributed not only to increased demand for commercial consumption, but also to the Thai government's national agenda for public health specifically the National School Milk Program that offer free milk to all students, with the goal of increasing Thais' average milk consumption to 25 litres per person per year by 2027.

## Dairy Market Structure

Thailand's demand for dairy products are not only for domestic consumption but also for exporting dairy products. Thailand produced about 1.39 million tons of raw milk and increased about 2.38% annually. These raw milk supply is insufficient to meet domestic demand, as almost all domestic raw milk is used to make ready-to-drink milk and school milk.

In addition to its domestic consumption, Thailand also relies heavily on imported raw milk materials for the dairy food processing industry. Almost all of Thailand's dairy exports are made up of imported dairy products, such as skimmed and whole milk powder. Thailand's primary dairy exports are pasteurized and ultra-high-temperature (UHT) milk, condensed milk, evaporated milk, ice cream, drinking yogurt, and yogurt.

| Domestic Production/Consumption | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR |
|---|---|---|---|---|---|---|---|
| Number of dairy cows | 626,193 | 645,270 | 676,415 | 701,211 | 716,800 | 731,527 | 2.62% |
| Raw Milk Production (tons) | 1,214,193 | 1,210,482 | 1,277,654 | 1,284,177 | 1,371,133 | 1,398,700 | 2.38% |
| Domestic Milk Consumption (tons) | 1,156,569 | 1,150,325 | 1,213,949 | 1,196,847 | 1,255,046 | 1,302,739 | 2.00% |

Source: Office of Agriculture Economic, Ministry of Agriculture and Cooperatives

# THAILAND DAIRY FOOD PROCESSING INDUSTRY

*Thailand is the leading producer and exporter in ASEAN, and the world's 2nd exporter of flavored UHT milk-based drinks. Its dairy food processing industry is dominated by large global companies who imported skimmed milk powder to meet demand for both the domestic and international markets.*

## Dairy Food Processing Industry

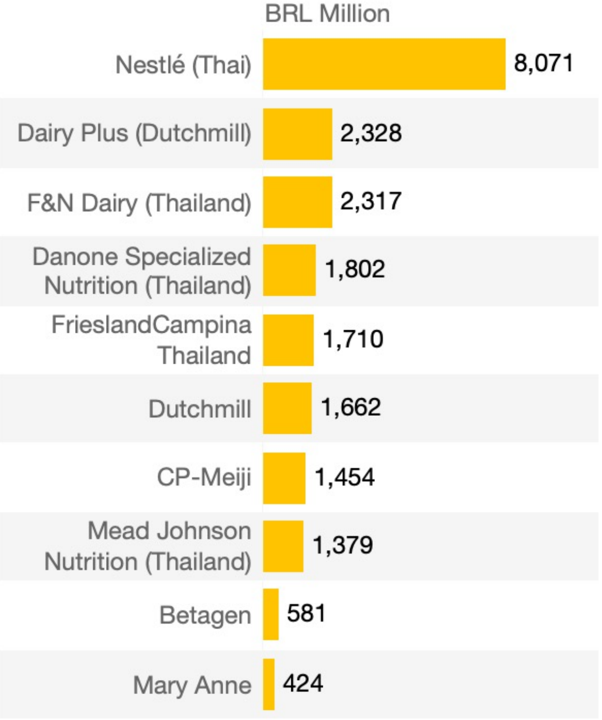
- **Thailand is Asia's top milk exporter.** Thailand is the leading producer and exporter among the 10 countries of ASEAN, and the world's 2nd exporter of flavored UHT milk-based drinks. There are approximately 361 dairy food processing companies in Brazil with an annual revenue of approximately 25,648 BRL million.
- **Dominated by large companies:** Nestle, Dairy Plus (Dutch Mill), F&N Dairy, Danon, FrieslandCampina Thailand, and CP Meiji dominate the Thai dairy food processing industry.
- **Dairy food processing based on imported skimmed milk:** Additionally, these companies are the largest importers of dairy products, which they use as ingredients in their milk products and other dairy foods destined to meet the demand of Thai consumers and the dairy food processing industry.

## Manufacture of Dairy Products in Thailand

| TSIC Code | Business Description | Number of Registered Companies | Total Revenue (BRL Million) |
|---|---|---|---|
| 10501 | Manufacture of fresh liquid milk, pasteurized, sterilized, homogenized and/or ultra heat treated | 61 | 8,723 |
| 10502 | Manufacture of powdered milk and condensed or evaporated milk | 26 | 11,688 |
| 10503 | Manufacture of ice cream and sherbet | 181 | 893 |
| 10504 | Manufacture of yoghurt | 24 | 3,333 |
| 10505 | Manufacture of butter | 15 | 37 |
| 10509 | Manufacture of other dairy products | 54 | 974 |
| Grand Total | | 361 | 25,648 |

## Top 10 Dairy Manufacturers

Ranked by annual revenue




Source: Department of Business Development, Ministry of Commerce
Note: Total Revenue is based on annual turnover of companies registered under the relevant TSIC Code
Top 10 Dairy Manufacturers ranked by annual revenue

# OVERALL IMPORTED DAIRY PRODUCTS

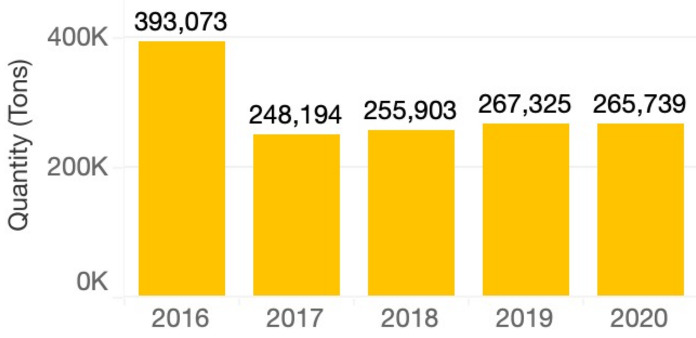
*Thailand imported dairy products increase about 2.3% annually. Its major trading partner for imported are New Zealand, United State and Australia*

## Overall Imported Dairy Products

- Thailand's imports of dairy products increased in 2016 as a result of a lack of raw milk producers and the export of large numbers of dairy cows to neighboring countries.
- Thailand imported 265,739 tons of dairy products worth approximately 3,417 BRL million in 2020. Imported products are mainly skimmed milk powder, whole milk powder, and whey protein, which are used as ingredients in flavored UHT milk drink and yogurt.
- Its imports increased by an average of 2.3% (CAGR between 2017 to 2020). Demand for dairy products and the expansion of export markets are the primary drivers of the industry's growth.
- New Zealand is the primary trading partner. Thailand imported from New. Zealand for 98,341 tons of dairy products in 2020 (37 %), followed by the United States (12.6%) and Australia (9.5%). Together, New Zealand and Australia account for nearly half (46.5 %) of Thailand's dairy imports due to the existence of free trade agreements (FTAs).

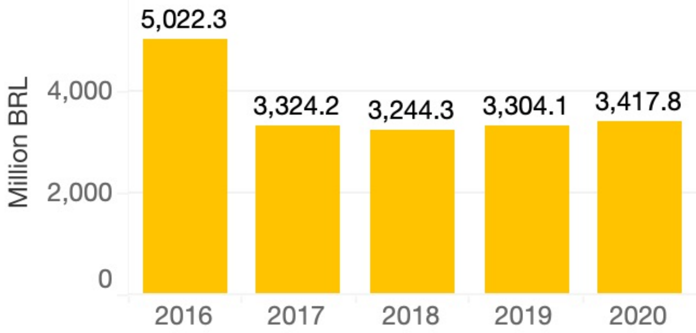
**Import Volume: Dairy Products**

Unit: Tons




**Import Value: Dairy Products**

Unit: CIF Value - BRL Million




Source: Customs Department, Ministry of Commerce

**Imported Countries FY 2020**

Unit: Tons

| | | | Market Share |
|---|---|---|---|
| 1 | NEW ZEALAND | 98,341 | 37.0% |
| 2 | U.S.A. | 33,528 | 12.6% |
| 3 | AUSTRALIA | 25,343 | 9.5% |
| 4 | MALAYSIA | 16,460 | 6.2% |
| 5 | FRANCE | 14,042 | 5.3% |
| 6 | GERMANY | 12,248 | 4.6% |
| 7 | BELGIUM | 10,875 | 4.1% |
| 8 | NETHERLANDS | 9,973 | 3.8% |
| 9 | SPAIN | 7,178 | 2.7% |
| 10 | POLAND | 6,990 | 2.6% |
| 11 | CZECH REPUBLIC | 5,942 | 2.2% |
| 12 | INDONESIA | 3,585 | 1.3% |
| 13 | IRELAND | 2,851 | 1.1% |
| 14 | ITALY | 2,591 | 1.0% |
| 15 | FINLAND | 2,452 | 0.9% |
| 16 | SINGAPORE | 1,852 | 0.7% |
| 17 | LATVIA | 1,750 | 0.7% |
| 18 | S. KOREA | 1,623 | 0.6% |
| 19 | UNITED KINGDOM | 1,098 | 0.4% |
| 20 | TURKEY | 1,073 | 0.4% |
| 46 | BRAZIL | 3 | 0.0% |

# IMPORT QUOTA

*FTAs provide an advantage for Australian and New Zealand-made products to be cost competitive. With the elimination of tariffs and special safeguards, Australian and New Zealand dairy products are expected to gain higher market share*

## WTO and Free Trade Agreement Import Quota

- Thailand is required by the WTO to import at least 50,000 tons of skim milk powder per year at a tariff rate of 20% (the actual rate is 5%, with a quota allocation of 55,000 tons), but in practice, the Thai government has granted access in excess of this committed volume due to high demand from these dairy processors.
- Thailand has also entered into free trade agreements with Australia and New Zealand. Thai agrees, under the Thai-Australia Free Trade Agreement (TAFTA), to apply a quota of 2,200 tons for skimmed milk powder imports beginning in 2005 and to increase its quota by 17% every five years.
- Additionally, since 2005 Thailand has an import quota of 2,200 tons of raw milk and packaged milk under the WTO, and 120 tons each for Australia and New Zealand, which increases by 17% every five years.
- Additionally, tariffs and import quotas on Australian and New Zealand dairy products under Special Safeguard measures (SSG), such as whole milk powder, whey, cheese, and anhydrous milk, were eliminated on January 1, 2021, under TAFTA and TNZCEP, while tariffs and import quotas on milk and cream, flavored milk, and skim milk powder were eliminated in 2025.

Skimmed milk powder Import Quota and Tariff Rate

| Year | WTO | TAFTA | Add-on Quota | Tariff rate - WTO | | Tariff rate - TAFTA | | Actual rate within quota |
|---|---|---|---|---|---|---|---|---|
| | | | | Quota | Non quota | Quota | Non quota | |
| 2015 | 55,000 | 3,011.58 | 22,172.88 | 20% | 216% | 10% | 194.4% | 5% |
| 2016 | 55,000 | 3,011.58 | - | 20% | 216% | 9% | 194.4% | 5% |
| 2017 | 55,000 | 3,011.58 | - | 20% | 216% | 8% | 194.4% | 5% |
| 2018 | 55,000 | 3,011.58 | - | 20% | 216% | 7% | 194.4% | 5% |
| 2019 | 55,000 | 3,011.58 | 2,993.02 | 20% | 216% | 6% | 194.4% | 5% |
| 2020 | 55,000 | 3,011.58 | - | 20% | 216% | 5% | 194.4% | 5% |

Raw milk and packaged milk Import Quota and Tariff Rate

| Year | Raw milk | Packaged milk | TAFTA – Raw milk | TNZCEP – Packaged milk | Tariff rate within quota | |
|---|---|---|---|---|---|---|
| | | | | | WTO | TAFTA/ TNZCEP |
| 2015 | 2,372.74 | 27.26 | 162.40 | 1.87 | 20% | 10% |
| 2016 | 2,372.74 | 27.26 | 162.40 | 1.87 | 20% | 9% |
| 2017 | 2,372.74 | 27.26 | 162.40 | 1.87 | 20% | 8% |
| 2018 | 2,372.74 | 27.26 | 162.40 | 1.87 | 20% | 7% |
| 2019 | 2,372.74 | 27.26 | 162.40 | 1.87 | 20% | 6% |
| 2020 | 2,372.74 | 27.26 | 190.00 | 2.19 | 20% | 5% |

Source: Customs Department, Ministry of Commerce

# IMPORT BY DAIRY PRODUCT

*Demand for imported flavored UHT milk-based and cheese products continues to grow at a faster rate than demand for other imported dairy products for household consumption.*

## Imported Dairy Products

Unit: tons

| | 2016 | 2017 | 2018 | 2019 | 2020 | CAGR '17 - '20 |
|---|---|---|---|---|---|---|
| Raw milk | 4,594 | 2,713 | 3,271 | 4,221 | 3,627 | 10.16% |
| Skimmed milk powder | 140,799 | 64,345 | 66,914 | 68,313 | 62,518 | -0.96% |
| Other milk and cream | 95,875 | 56,855 | 70,622 | 69,895 | 68,930 | 6.63% |
| Flavored UHT milk-based drinks | | 10,885 | 6,835 | 8,151 | 13,555 | 7.59% |
| Cheese | 18,688 | 14,885 | 15,894 | 17,012 | 17,440 | 5.42% |
| Whey protein | 67,421 | 69,373 | 62,198 | 69,482 | 70,707 | 0.64% |
| Butter and other fats and oils derived from milk | 24,242 | 12,425 | 12,787 | 13,339 | 12,119 | -0.83% |
| Yogurt and other buttermilk | 41,454 | 16,713 | 17,381 | 16,910 | 16,844 | 0.26% |

Unit: BRL Million

| | 2016 | 2017 | 2018 | 2019 | 2020 | CAGR '17 - '20 |
|---|---|---|---|---|---|---|
| Raw milk | 56.9 | 42.6 | 54.0 | 59.7 | 48.7 | 4.52% |
| Skimmed milk powder | 1,800.7 | 826.0 | 698.3 | 800.3 | 907.0 | 3.17% |
| Other milk and cream | 1,316.5 | 922.4 | 1,043.1 | 943.9 | 1,012.0 | 3.14% |
| Flavored UHT milk-based drinks | | 58.3 | 46.7 | 45.7 | 69.5 | 6.02% |
| Cheese | 464.0 | 406.3 | 428.9 | 428.6 | 418.8 | 1.01% |
| Whey protein | 361.8 | 446.2 | 334.8 | 397.9 | 404.7 | -3.20% |
| Butter and other fats and oils derived from milk | 509.8 | 398.6 | 425.7 | 386.3 | 306.3 | -8.40% |
| Yogurt and other buttermilk | 512.6 | 223.7 | 212.7 | 241.8 | 250.9 | 3.89% |

Source: Customs Department, Ministry of Commerce

## Imported Dairy Products

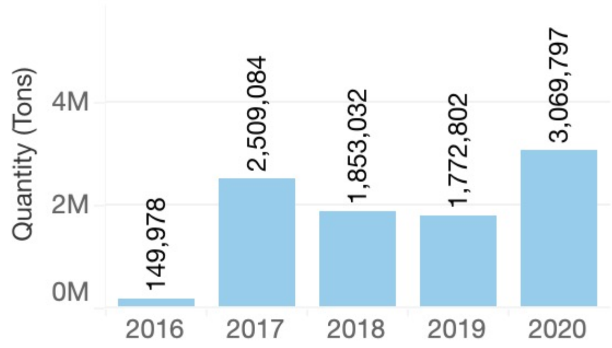
- Apart from raw dairy milk powder for food processing, Thailand imports a lot of cheese, butter, yogurt, and flavored UHT milk-based drinks such as coffee-based milk drinks or functional drinks that cater to a more premium segment that has recently grown at an average rate of 7.59% between 2017 and 2020.
- Additionally, cheese is a popular imported dairy product. In Thailand, the majority of cheese is imported. Thailand imported approximately 17,440 tons of cheese in 2020, a 5.42% increase on average.
- Butter and yogurt are also popular imported products that are available for household consumption in retail stores. Thailand imported a total of 12,119 tons of butter and approximately 16,844 tons of yogurt from other countries.

# OVERALL EXPORTED DAIRY PRODUCTS

*Thailand exported 3 million tons of dairy products in 2020. Its main export markets are Cambodia, Vietnam, and Myanmar. Between 2017 and 2020, its export volume grew 6.95% annually*

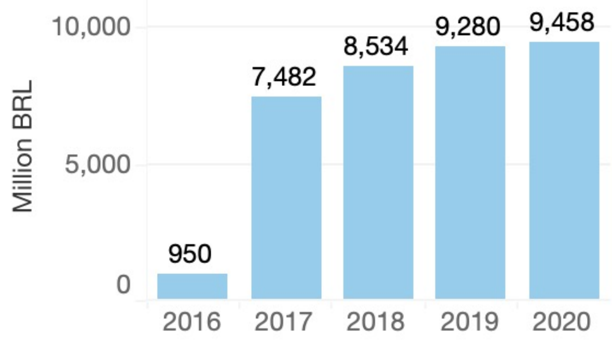
**Export Volume: Dairy Products**

Unit: Tons




**Export Value: Dairy Products**

Unit: FOB Value - BRL Million




Source: Customs Department, Ministry of Commerce

**Top 20 Export Destination FY 2020**

Unit: Tons

| | | | % Share |
|---|---|---|---|
| 1 | CAMBODIA | 1,748,413 | 57.0% |
| 2 | VIETNAM | 315,916 | 10.3% |
| 3 | MYANMAR | 214,215 | 7.0% |
| 4 | TAIWAN | 144,837 | 4.7% |
| 5 | CHINA | 132,365 | 4.3% |
| 6 | PHILIPPINES | 112,480 | 3.7% |
| 7 | LAOS | 102,404 | 3.3% |
| 8 | SINGAPORE | 67,015 | 2.2% |
| 9 | INDONESIA | 31,891 | 1.0% |
| 10 | HONG KONG | 24,211 | 0.8% |
| 11 | MALAYSIA | 21,297 | 0.7% |
| 12 | S. KOREA | 18,106 | 0.6% |
| 13 | GHANA | 16,622 | 0.5% |
| 14 | U.S.A. | 14,286 | 0.5% |
| 15 | YEMEN | 12,703 | 0.4% |
| 16 | INDIA | 10,678 | 0.3% |
| 17 | NEW ZEALAND | 8,840 | 0.3% |
| 18 | NIGERIA | 8,143 | 0.3% |
| 19 | ISRAEL | 6,523 | 0.2% |
| 20 | U. ARAB EMIRAT.. | 6,353 | 0.2% |

## Overall exported Dairy Products

- Thailand exported approximately 3 million tons of dairy products in 2020, totaling BRL 9,458 million. Its primary export market is ASEAN neighbors Cambodia, Vietnam, and Myanmar. Cambodia accounted for 57% of dairy exports by 2020.
- Thailand's exports continue to grow in volume. Between 2017 and 2020, it grew at an average annual rate of 6.95%. The growth was primarily attributed to aggressive market expansion by multinational corporations with local manufacturing operations in Thailand to capture growth in neighboring countries.
- Major global brands have established local manufacturing facilities to serve both the domestic and export markets. Imports of raw milk powder are expected to rise in tandem with export demand for dairy products. The upcoming removal of tariffs and special safeguards on Australian and New Zealand dairy ingredients in 2025 will support Thailand in becoming a hub for dairy production.

# EXPORT BY DAIRY PRODUCT

*Thailand exports mostly flavored UHT milk drinks, yogurt, and buttermilk products. Flavored UHT milk-based beverages account for 93% of total dairy exports, which increased 7.59% between 2017 and 2020.*

## Exported Dairy Products

Unit: tons

| | 2016 | 2017 | 2018 | 2019 | 2020 | CAGR '17 - '20 |
|---|---|---|---|---|---|---|
| Raw milk | 26,212 | 29,204 | 31,799 | 60,369 | 88,405 | 10.16% |
| Skimmed milk powder | 8,075 | 9,710 | 12,398 | 9,965 | 4,962 | -0.96% |
| Other milk and cream | 2,420 | 1,232 | 1,616 | 1,697 | 1,820 | 6.63% |
| Flavored UHT milk-based drinks | | 2,336,177 | 1,671,115 | 1,566,269 | 2,855,762 | 7.59% |
| Cheese | 378 | 421 | 562 | 691 | 604 | 5.42% |
| Whey protein | 12,362 | 22,396 | 6,977 | 6,103 | 6,229 | 0.64% |
| Butter and other fats and oils derived from milk | 931 | 1,576 | 983 | 656 | 479 | -0.83% |
| Yogurt and other buttermilk | 99,599 | 108,370 | 127,582 | 127,051 | 111,536 | 0.26% |

Unit: BRL Million

| | 2016 | 2017 | 2018 | 2019 | 2020 | CAGR '17 - '20 |
|---|---|---|---|---|---|---|
| Raw milk | 193 | 227 | 260 | 462 | 639 | 4.52% |
| Skimmed milk powder | 62 | 83 | 89 | 76 | 61 | 3.17% |
| Other milk and cream | 46 | 37 | 59 | 48 | 50 | 3.14% |
| Flavored UHT milk-based drinks | | 6,402 | 7,336 | 7,924 | 8,020 | 6.02% |
| Cheese | 13 | 14 | 20 | 25 | 21 | 1.01% |
| Whey protein | 71 | 67 | 44 | 37 | 37 | -3.20% |
| Butter and other fats and oils derived from milk | 11 | 17 | 13 | 11 | 7 | -8.40% |
| Yogurt and other buttermilk | 553 | 636 | 713 | 698 | 622 | 3.89% |

Source: Customs Department, Ministry of Commerce

### Exported Dairy Products

- Thailand exports primarily flavored UHT milk-based beverages, yogurt, and other buttermilk products.
- Flavored UHT milk-based beverages account for 93% of total dairy exports, which increased by an average of 7.59% between 2017 and 2020.
- In 2020, yogurt and other buttermilk were exported approximately 111,536 tons, with 62% being yogurt and 38% being other buttermilk. However, this product group's growth has slowed to a CAGR of 0.26%.
- Raw milk was the third most exported dairy product in terms of volume. Thailand exported approximately 88,405 tons in 2020, the majority of which are packaged milk with a fat content of greater than 1% but less than 6% by weight.

## CHEESE AND DAIRY PRODUCTS MARKET

- Overall cheese and dairy market
- Packaged milk market
- Yogurt market
- Butter market
- Cheese market
- Whey protein market

# DOMESTIC MARKET SIZE

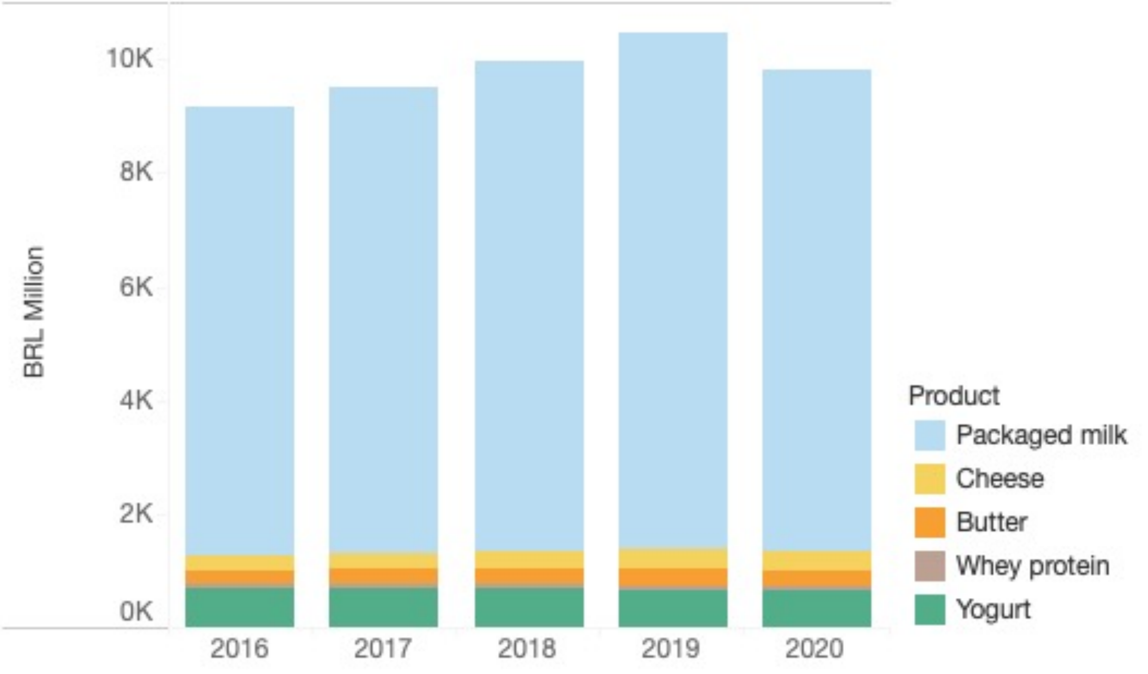
*Thailand dairy domestic consumption is worth total BRL 9,819 million and increased on average of 1.77% annually*

### Estimated Market Size

Unit: BRL Million

YOY -6.3%

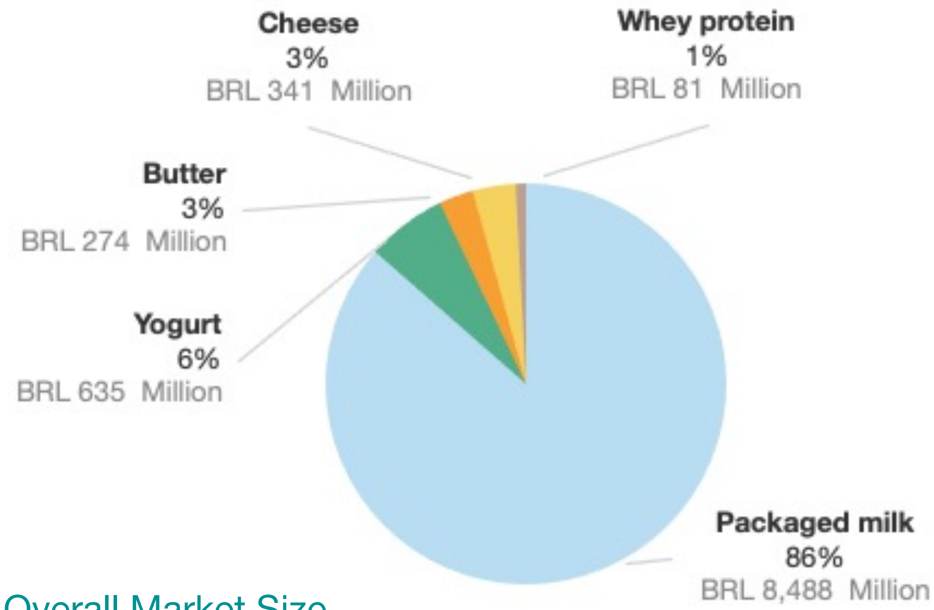
| | | | | | | CAGR '16 - '20 |
|---|---|---|---|---|---|---|
| Total | 9,154 | 9,516 | 9,976 | 10,483 | 9,819 | 1.77% |




Source: National Food Institute, Thailand

### Share by Dairy Product FY 2020

Unit: % to total BRL Million

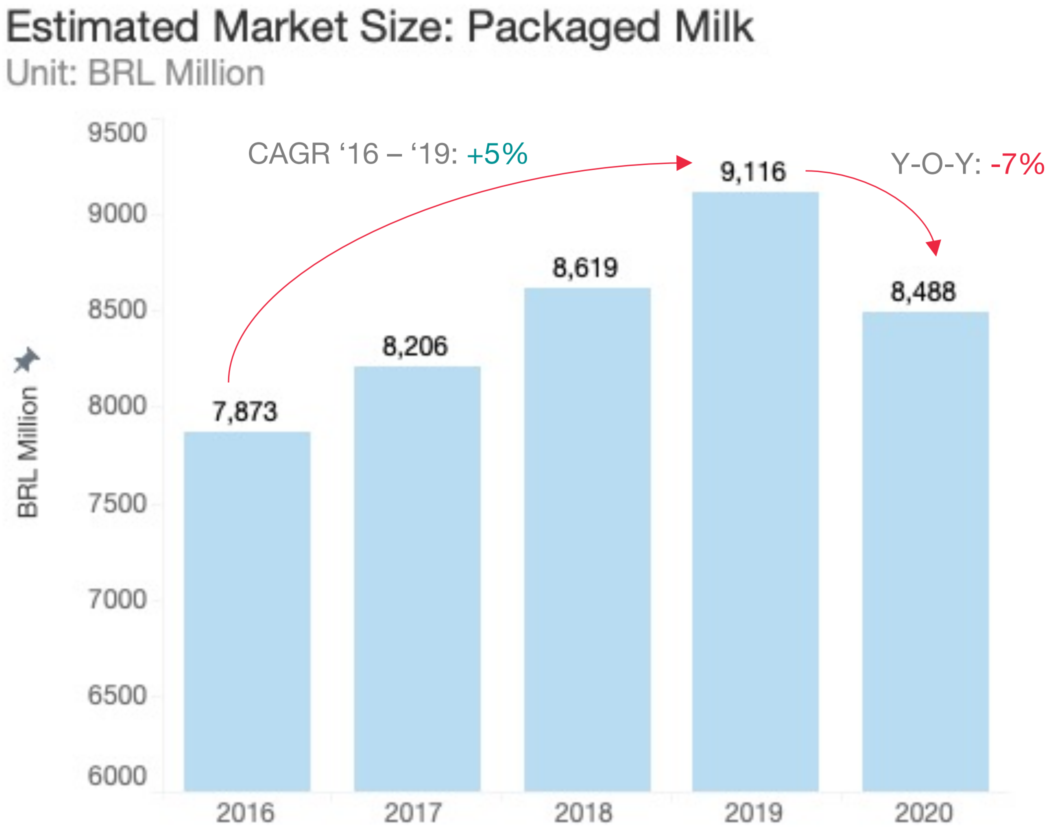



### Overall Market Size

In 2020, it is estimated that domestic consumption of dairy products reach BRL 9,819 million. The largest market is for packaged milk, which accounts for 86% of all dairy products, followed by yogurt (6%). Other dairy products include butter, cheese, and whey protein, which each account for approximately 1% to 3% of total dairy products.

# PACKAGED MILK: MARKET SIZE AND GROWTH

*Thailand's packaged dairy milk market is estimated to worth BRL 8,488 million in 2020. COVID-19 caused retail disruption and reduced consumer spending, causing the market to fall by 7%.*




## Packaged Milk Market Size and Growth

- In 2020, Thailand's packaged dairy milk market is expected to be valued approximately BRL 8,488 million. The market fell by 7% from the previous year due to retail disruption and consumer spending reductions as a result of COVID-19.
- However, Thai packaged dairy milk sales have been steadily increasing in the past. Prior to the pandemic, the market increased at a healthy pace of 5% per year on average between 2016 and 2019. The growth was primarily fueled by new product developments in the premium segment.
- UHT dairy milk is the largest market (about 50%) while pasteurized milk is estimated at 19% of the market. Drinking yogurt for pasteurized and UHT drinking yogurt also has considerable high market value of about 31%.
- The market is likely to revive in 2021 as consumers adapt to the new normal. Growth is predicted to be between 6% and 7%, bringing the value back to pre-COVID19 levels.

Source: National Food Institute, Thailand and Canvassco Analysis
*Growth for the 2020 is estimated based on in-depth interviews with key players and desk research from various sources e.g., Kasikorn Research, Neilson Survey and etc



*Estimated market size for the overall packaged dairy milk exclude drinking yogurt. Drinking yogurt market size is estimated at the Yogurt Market section*

# PACKAGED MILK PRODUCT GROUP

## *Thailand packaged milk can be commercially categorized as follow*

### Packaged milk market

Thailand packaged dairy milk products can be commercially categorized as follow;

- **General Milk:** UHT white milk & flavored milk. No fortification.
- **Pasteurize Milk**: packaged fresh milk that go through the pasteurization process
- **Chocolate Malt Beverage (CMB):** Chocolate malt drinks, mainly Ovaltine and Milo
- **Adult Milk:** Fortified milk targeting adult segment, usually Calcium added.
- **Children Milk:** Fortified milk targeting children. Usually DHA, Omega added
- **Growing Up Milk (GUM):** Powdered milk-based drinks targeting young children (12 – 36 months) usually made of same formula as powder milk with DHA, Omega, multivitamin and minerals added
- **UHT Drinking Yogurt:** Fermented drinks containing more than 50% dairy ingredients. Not required refrigeration but contains no live culture
- **Pasteurize Drinking Yogurt:** Fermented drinks containing more than 50% dairy ingredients. Required refrigeration but contains no live culture.
- **Cultured Drinking Yogurt:** Fermented drinking containing more than 50% dairy ingredients. Required refrigeration and contain live beneficial bacteria (probiotics)


Source: Data originally from Tetra Pak (Thailand) and Nielsen available via Agricultural Sector Cooperative and Farmer Group Development Division (Link).

# PACKAGED MILK CONSUMPTION

*Domestic packaged dairy milk consumption in Thailand is estimated to cross 755 million liters* in 2020. Domestic demand has slowed by 7% overall as a result of the disruption caused by COVID-19.*

## Packaged dairy milk product segment

Unit: Million liters

| Segment | Million liters | % Share | % Growth YOY |
|---|---|---|---|
| General Milk | 204 | 26.3% | -9% |
| Pasteurized Milk | 157 | 20.3% | -5% |
| UHT Drinking Yogurt | 96 | 12.4% | -6% |
| Cultured Drinking Yogurt | 88 | 11.4% | -15% |
| Chocolate Malt Beverage | 82 | 10.6% | -1% |
| Children Milk | 43 | 5.5% | -3% |
| Adult Milk | 38 | 4.9% | -14% |
| Pasteurizing Drinking Yogurt | 34 | 4.4% | -10% |
| Growing Up Milk | 33 | 4.3% | 2% |

## Packaged Dairy Milk Consumption

- In 2020, Thailand's domestic consumption of packaged milk is expected to reach approximately 755 million liters. Domestic demand has slowed, as a result of COVID-19's disruption of the retail business. Overall, packaged milk consumption dropped by 7% .
- Among packaged milk products, general milk and pasteurized milk are the most prevalent, accounting for 26.3 % and 20.3 % of total packaged dairy milk consumption. These product groups are typically marketed to the wide range of customers, similar to UHT drinking yogurt and cultured drinking yogurt, as well as chocolate malt beverages. Other packaged dairy milk products, including children's milk, adult milk, pasteurized drinking yogurt, and growing up milk, typically cater to a certain demographic of clients.
- As consumers cut back on their spending, the majority of products aimed at the mass market saw decreased consumption. The sole product sector that is rising is the growing up milk segment (% year on year), as these milks are critical nutritional components for children.

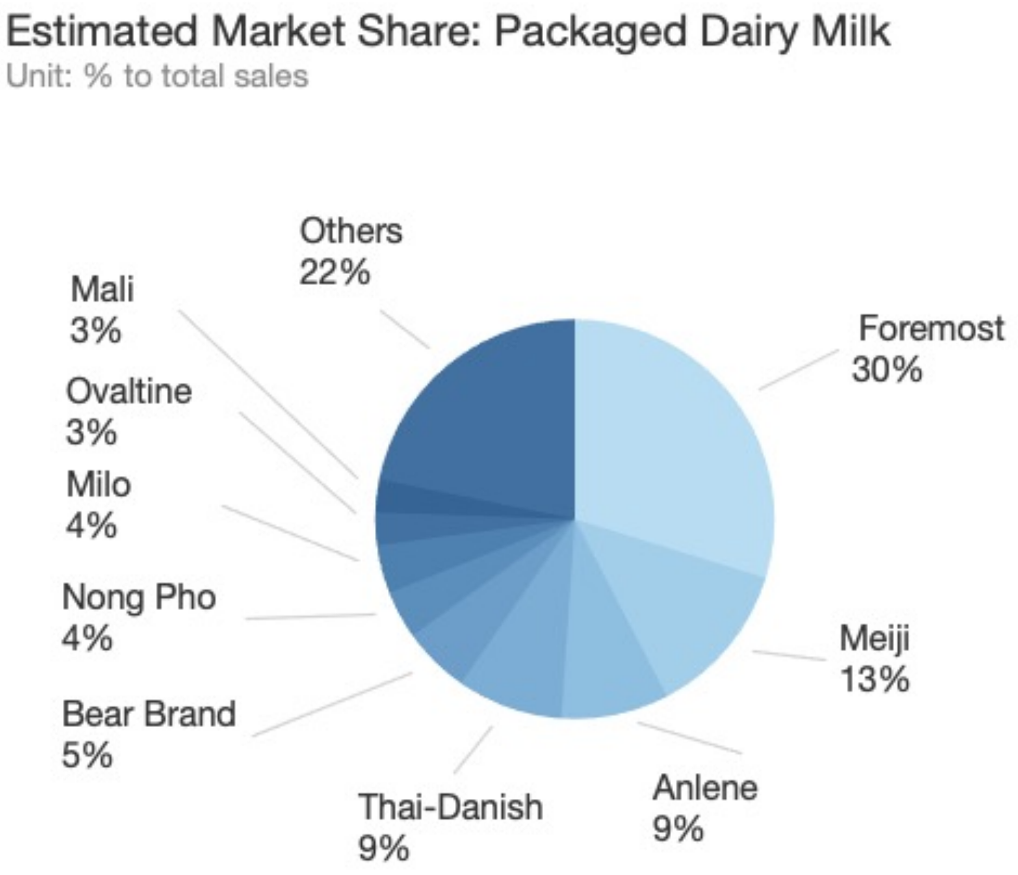
Source: Data originally from Tetra Pak (Thailand) and Nielsen available via Agricultural Sector Cooperative and Farmer Group Development Division (Link)



**Excluding school milk program*

# PACKAGED MILK – MARKET SHARE

*Foremost is the market leader with approx. 30% of market share*




### Key Players – Packaged Dairy Milk

- For packaged dairy milk (excluding drinking yogurt), Foremost is the market leader (30%), followed by Meiji (12%), a joint venture between CP Group — Thailand's retail titans — and Meiji, a Japanese dairy company. Anlene, a brand owned by Fonterra - a New Zealand dairy nutrition firm – held the third position with a market share of approximately 9%, with its products primarily targeting the adult milk segment.
- Other significant players include Thai-Danish, which is owned by the Dairy Farming Promotion Organization of Thailand, Bear Brand by F&N, Nong Pho by the Nongpho Ratchaburi Dairy Cooperative, Milo by Nestle, Ovaltine by Associated British Foods Plc (ABF), and Mali by The Thai Dairy Industry.

### Key Players – Drinking Yogurt

- Yakult, Betagen, Dutchmil, and CP-Meiji are all significant players in the drinking yogurt market. Yakult and Betagen are known for their cultured drinking yogurt, whilst Dutchmill and CP-Meiji are known for their pasteurized and ultra-pasteurized drinking yogurt.
- Along with the established competitors in the drinking yogurt category, additional dairy milk companies such as Anlene and Foremost have introduced drinking yogurt products to compete in this market.

Source: National Food Institute, Thailand and Canvassco Analysis

# PACKAGE MILK – RETAIL PRICE

**General Milk**

Foremost
Pack: 180 ml
4 Packs
Price: THB  40

**Children Milk**

Foremost
Pack: 180 ml
12 Packs
Price: THB  118

**Growing Up Milk**

Enfagrow
Pack: 180 ml
12 Packs
Price: THB  226

**Adult Milk**

Anlene
Pack: 180 ml
4 Packs
Price: THB  52

**Chocolate Malt Beverage**


Milo
Pack: 180 ml
4 Packs
Price: THB  46

**Pasteurized Milk**

Chokchai
Pack: 800 cc
1 Pack
Price: THB  44

**Pasteurized Milk**


Meiji
Pack: 200 cc
4 Packs
Price: THB  48

**Cultured DY**

Yakult
Pack: 80 ml
1 Pack
Price: THB  10

**Pasteurized DY**

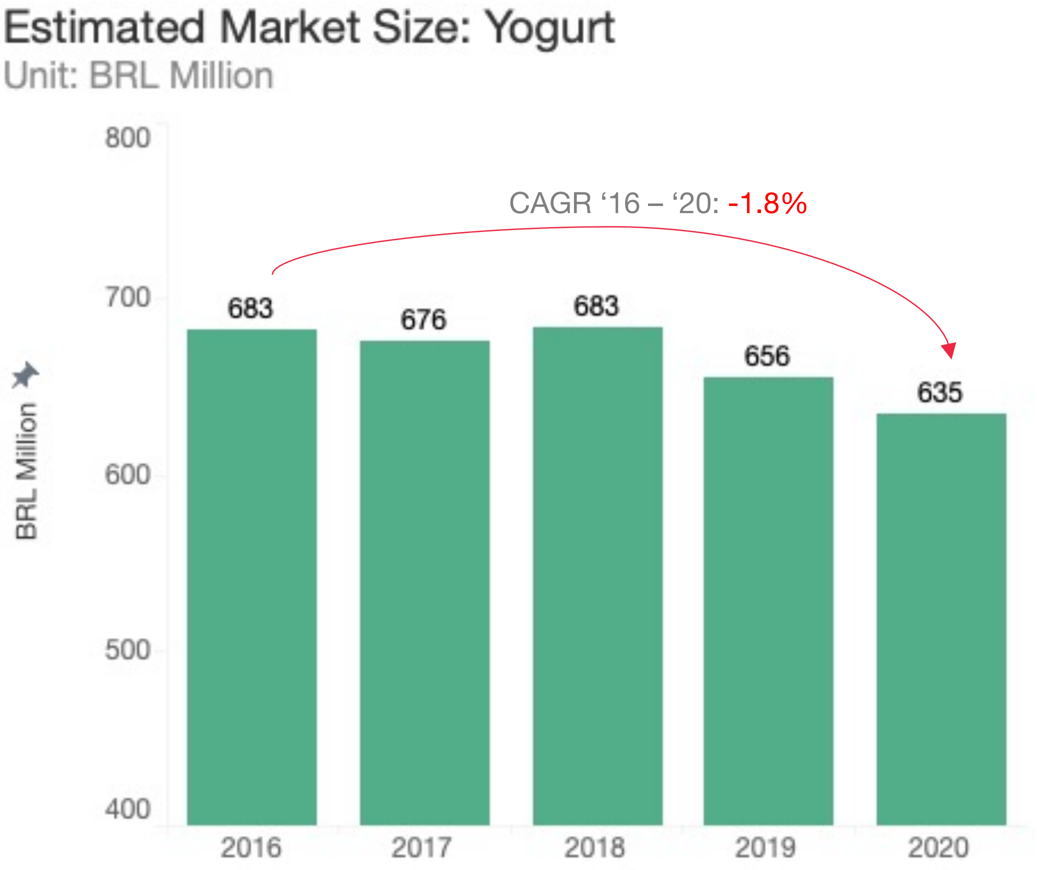
Betagen
Pack: 85 ml
6 Packs
Price: THB  39

**UHT DY**

Dutchmill
Pack: 180 ml
4 Packs
Price: THB  35

# YOGURT: MARKET SIZE AND GROWTH

*Thailand has a low yogurt consumption rate and a declining market for the product.*




Source: National Food Institute, Thailand and Canvassco Analysis
*Growth for the 2020 is estimated based on in-depth interviews with key players and desk research from various sources e.g., Kasikorn Research, Neilson Survey and etc

### Yogurt Market Size and Growth

- Thailand's yogurt market is expected to reach BRL 635 million in 2020. Since 2016, the market has continued to decline. This is not only because the retail sector has been hard hit by COVID-19, but also because consumer perception of yogurt consumption is more as a snack than a healthy food.
- The primary reason yogurt is perceived as a snack is because the sweetness level of the mainstream yogurt sold in Thailand is typically high, whereas plain yogurt with no sugar is positioned as a premium product.
- However, there has been a shift in consumer perception that are increasingly concerned with the health benefits of their purchases. Consumers of yogurt cups, on the whole, prefers flavor yogurt especially fruit flavors while, consumers of premium products are more concerned with their health by increasing your consumption of yogurt that is high in probiotics, particularly the 0% fat and sugar-free formulas and low calories.
- The yogurt market is expected to remain relatively stable in 2021 compared to 2020. The yogurt market is expected to grow slowly, as more consumers are becoming health conscious.

# YOGURT PRODUCTS

*The yogurt market can be divided into two segments: mainstream and premium*

### Mainstream Yogurt

Example


## ~80% of the market

- Most are fruit flavor
- Sweetness levels vary usually very sweet
- Available in most convenient stores and retail outlets
- Price is about BRL 2.2 – 2.4 per unit for ~100 – 130 grams

### Premium Yogurt

Example


## ~20% of the market

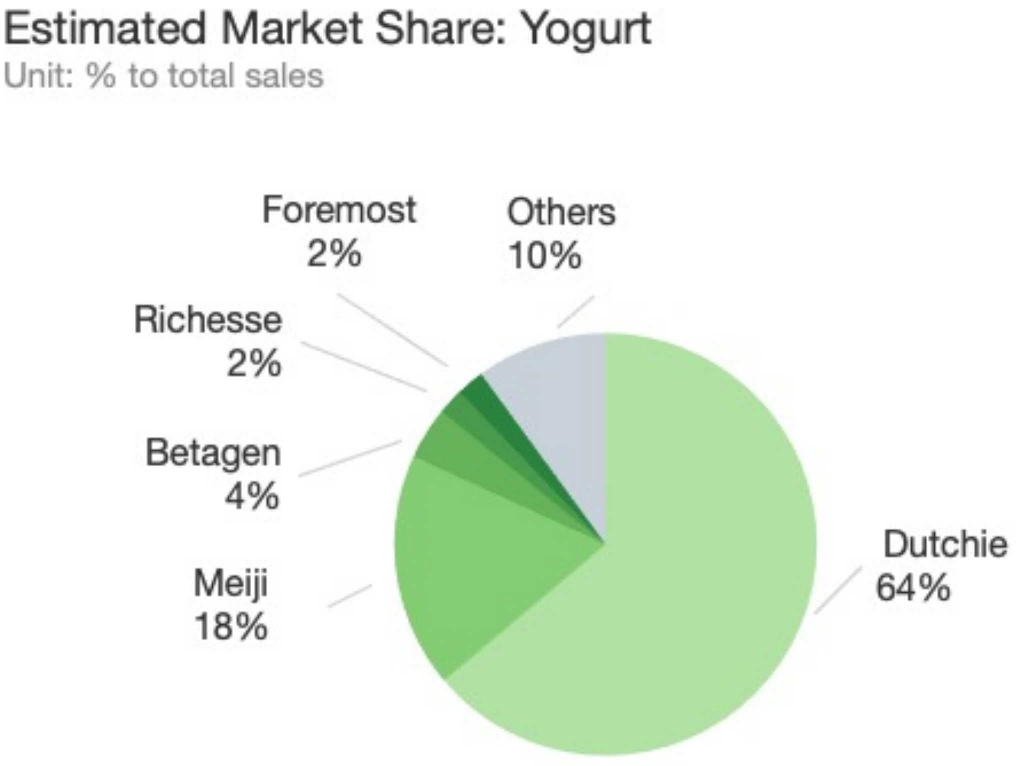
- Most are plain yogurt especially imported yogurt
- Promote health benefits such as probiotic, zero sugar, low calories
- Available in retail outlet usually in city areas
- Price starts from BRL 3.2 per unit up to BRL 11 per unit for ~100 – 130 grams

### **Yogurt Consumption**

- Thais, on average, consume four kilograms of yogurt per year. In comparison, 135 grams of yogurt is consumed on average over a two-week period / time / person. which is a small sum in comparison to Japan, which consumes 1.5 times the amount of yogurt consumed in Thailand, and Europe, which consumes five times the amount consumed in Thailand, or approximately 2-3 days / time / person ever.
- The yogurt market can be divided into two segments: mainstream and premium. The majority of mainstream yogurts are fruit-flavored, have a high level of sweetness, and are widely available in the majority of retail outlets. Typically, the price ranges between BRL 2.2 and 2.4 per unit (or THB 14-15 per unit).
- Premium yogurt is frequently imported. The majority of flavors are plain yogurt, and the marketing emphasizes the product's health benefits, which include probiotics to aid digestion and zero sugar or low calories to aid in weight management. Prices typically begin at BRL 3.2 per unit (or THB 20 or more per unit).
- The market for mainstream yogurt is estimated to account for approximately 80% of the market, while premium yogurt accounts for approximately 20%.

# YOGURT – MARKET SHARE

*There are mainly 5 brands of yogurt in the market, which is led by Dutchie, the brand under Dutchmill, a dairy food processing manufacturer in Thailand*




Source: AC Neilson FY2019 and in-depth interview with key players

### Key Player - Yogurt

- For the yogurt market, Dutchie is the leading brand with approximately 64% of the market share. Dutchie is the brand under Dutchmill, a dairy food processing manufacturer in Thailand that focus on domestic and export market. Other key brands in the Thai market are Meiji (18%), Betagen (4%) and Foremost (2%)
- Meiji is the brand under CP Meiji. Betagen is the Thai established brand in yogurt market, Richesses is the brand under Saha Pathanapibul and Foremost is the brand owned by FrieslandCampina Thailand.
- Dutchie is strong in the mainstream yogurt while Meiji is the leading player for the premium market with the sub brand “Bulgaria”. Most players introduced their products in premium segment in order to captivate potential growth along with the health-conscious trend

# YOGURT – RETAIL PRICE

## Mainstream Yogurt

Foremost
Pack: 140 ml
4 Packs
Price: THB 48

Dutchie
Pack: 135 ml
4 Packs
Price: THB 52

Thai - Danish
Pack: 135 g
4 Packs
Price: THB 52

Richess
Pack: 135 g
4 Packs
Price: THB 56

Yolida
Pack: 450 g
1 Pack
Price: THB 59

## Premium Yogurt

Meiji - Bulgaria
Pack: 110 ml
4 Packs
Price: THB 78


Caroline
Pack: 500 g
1 Pack
Price: THB 129

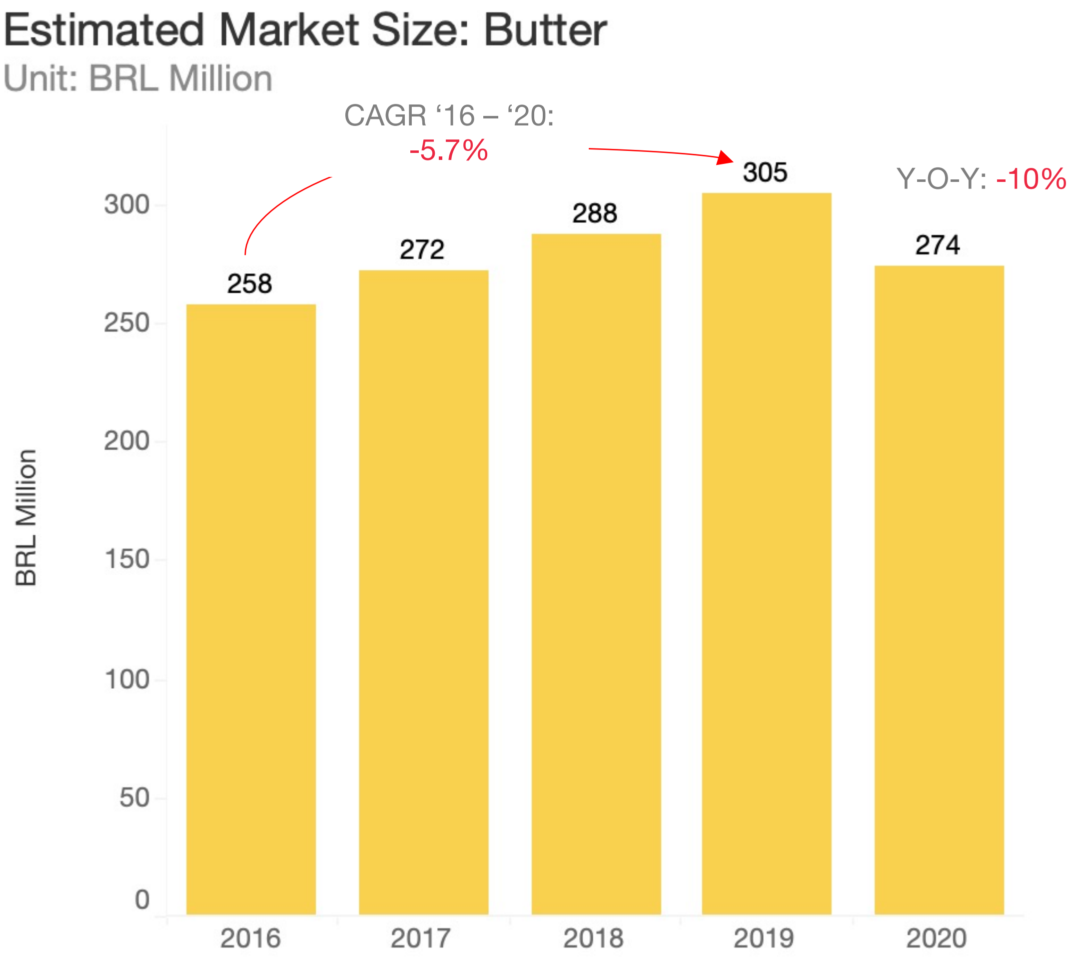

Dairy Home
Pack: 450 g
1 Pack
Price: THB 180

Yoplait
Pack: 1,000 g
1 Pack
Price: THB 249


Butterfly
Pack: 100 g
1 Pack
Price: THB 28

# BUTTER MARKET SIZE AND GROWTH

*The butter market in Thailand is estimated at BRL 321 million with an average growth rate of 5.7%*




## Butter Market Size and Growth

- The butter market in Thailand is expected to reach BRL 321 million in 2020. Since 2016, the market has grown at an average annual rate of 5.7% up to the year 2019. The increase is primarily due to an expansion of the bakery market and a shift in food regulation that prohibits the use of margarine and shortening.
- Margarine and shortening have traditionally been used in place of butter in cooking and baking. However, in June 2018, the Ministry of Public Health prohibited the manufacture, sale, and importation of partially hydrogenated oil or trans fatty acids, as well as foods containing hydrogen as an ingredient.
- Butter is not widely consumed by Thai; it is primarily used in baking and cooking western recipes, which are quite popular with the younger generation. The growth of coffee shops and cafés has aided the growth of the butter market, as butters are frequently used as an ingredient in bread and bakery products.
- In 2020, the butter market dropped by 10% due to COVID-19 impact to consumer expenditure. In 2021, the market is expected to grow by 1% to 2% as consumer spending and retail product spending begin to recover.

Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

# BUTTER PRODUCT

*Unsalted butter is the major product in butter category because Unsalted butter is used for most bakeries*

PROCESSED CHEESE

**Regular Butter**
**Plain Butter**


**Salted Butter**


UNPROCESSED CHEESE

**Premium Butter**
**Plain Butter**

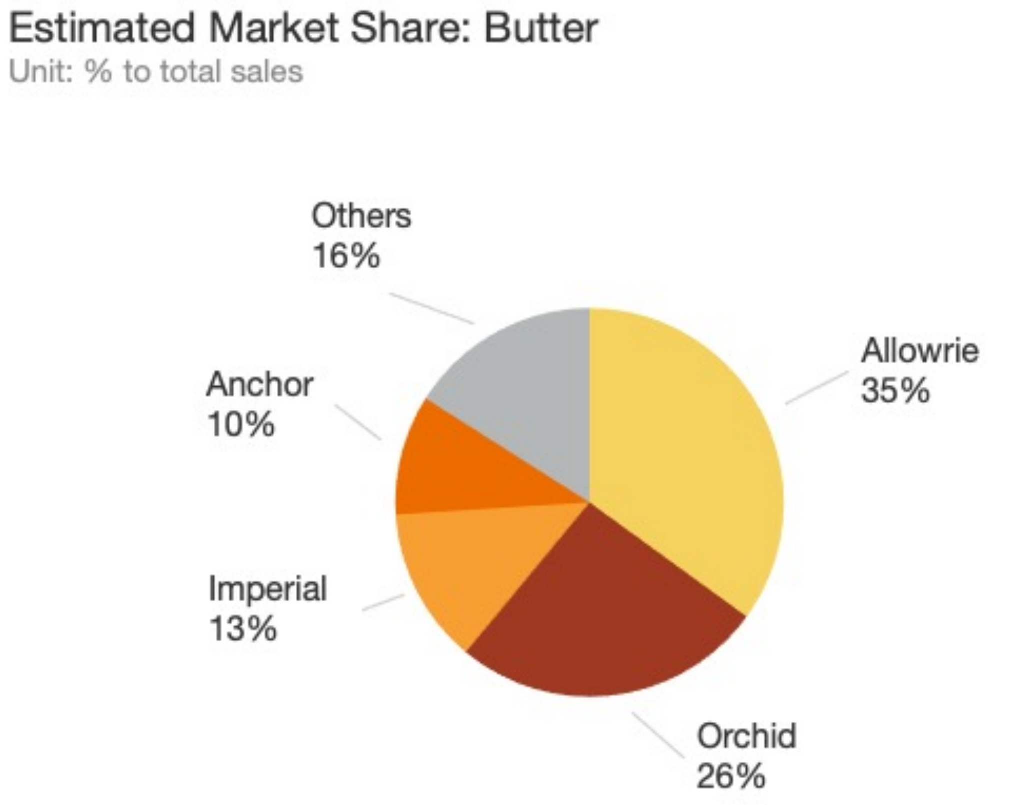

**Salted Butter**


## Butter Consumption

- The rising influx of trendy cafés and bakery products have also increased consumer-awareness of various cuisines, particularly, on the popularity of croissants and doughnuts. Thais cooking from home tend to cook a broader variety of food and better-quality food, which requires the use of premium products. More frequent eating out has also made consumers more willing to spend on more expensive ingredients. However, butter is the ingredient the producer keep it low cost, hence, local lower priced brand is more demand on market such as Allowrie, Imperial and Orchid.
- Unsalted butter is the major product in butter category because Unsalted butter is used for most bakeries. Salted butter contains less fat than unsalted butter since it contains a little quantity of salt (up to 1.5%) as a preservative. As a result, salted butter can be kept for a longer period of time. Salted butter is frequently used to spread over bread or to cook with.
- Premium butter is often priced between 15% and 50% more than regular butter. Elle & Vire is a premium butter with a lower fat content that is commonly used in premium catering and foodservice. Imperial also has a premium butter range.

# BUTTER – MARKET SHARE

*KCG Corporation is the market leader for butter market. The company distributes Allowrie and also manufacture the brand “Imperial” and ”President”*




Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

## Butter Market Share and Key Players

- Butter market in Thailand is concentrated with few brands. Top four brands; Allowrie, Orchid, Imperial and Anchor accounted total about 84% of the total market
- Allowries is imported butter and cheese brand from Australia and distributed by KCG Corporation. KCG Corporation is a leading importer and also manufacture of butter and cheese products as well as biscuit and cookie and other bakery ingredients. KCG Corporation also manufacture and distribute ”Imperial” and “President”, local brands which its price is 5% - 10% lower than Allowries. Allowries is the market leader for butter market with the market share estimated at 35%, while Imperial ranked 3rd with its market share of 13%.
- Orchid is the brand under the Thai Dairy Industry, the local dairy food procession company with its famous brand ”Mali”, sweetened condensed milk. Orchid is estimated to share about 26% of the butter market.
- Anchor is the brand under Fonterra - a New Zealand dairy nutrition firm. Its market share is estimated at about 10% for butter market.
- Other importing brands include Elle&Vire (France), Isigny (France), Casino (France, Lurpak (Denmark), Emborg (Belgium), Olive Grove (Australia), Nuttelex (Australia)

# BUTTER – RETAIL PRICE

## Plain Butter

Allowrie
Pack: 227 g
1 Pack
Price: THB 114


Orchid
Pack: 100 g
1 Pack
Price: THB 60


Anchor
Pack: 100 g
1 Pack
Price: THB 63

Imperial
Pack: 250 g
1 Pack
Price: THB 170


Ell & Vire
Pack: 200 g
1 Pack
Price: THB 143

## Salted Butter

Imperial
Pack: 10 g
10 Packs
Price: THB 52


Orchid
Pack: 227 g
1 Pack
Price: THB 114

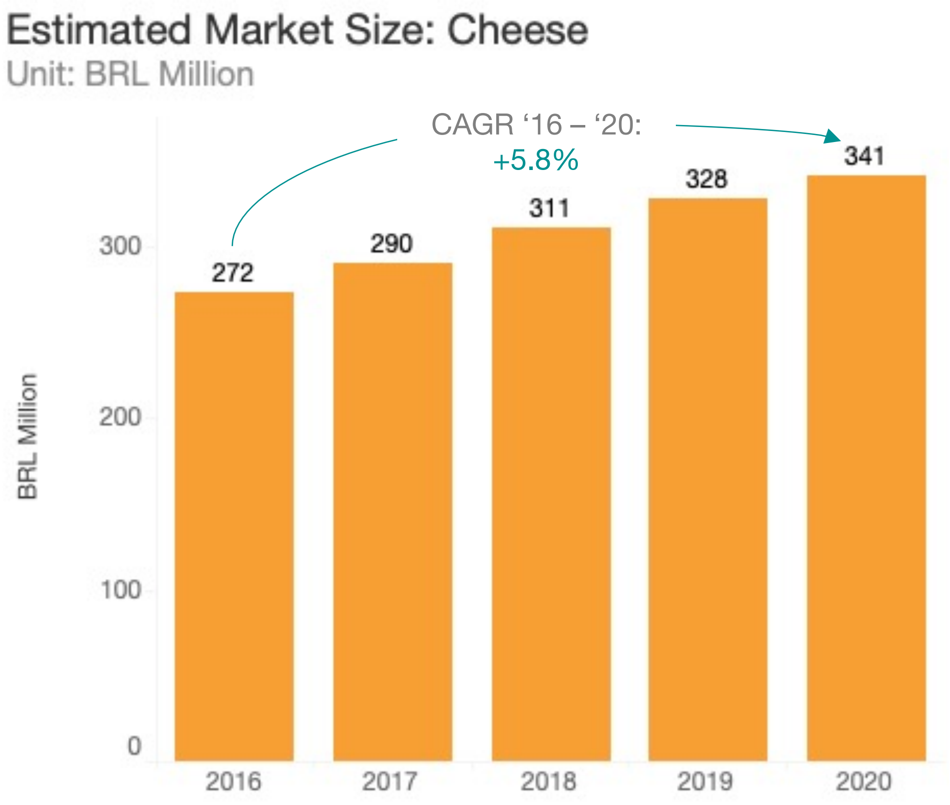

Anchor
Pack: 227 g
1 Pack
Price: THB 110


Allowrie
Pack: 454 g
1 Pack
Price: THB 205


Ell & Vire
Pack: 200 g
1 Pack
Price: THB 186

# CHEESE MARKET SIZE AND GROWTH

*Cheese market is estimated at about BRL 341 million with a constant growth rate of 5.8%*




### Cheese Market Size and Growth

- Thailand's cheese market is expected to reach BRL 341 million in 2020. Between 2016 and 2020, the market is expected to expand at a 5.8% compound annual growth rate.
- Restaurant services and retail sales to consumers who purchase cheese for self-cooking account for the majority of cheese consumption in Thailand. Despite the COVID-19 pandemic, retail sales volumes have been exceptional due to the continued desire of existing and new consumer groups for cheese, particularly processed spread cheese. Additionally, several new products in a variety of forms have been launched to meet consumer needs.
- In 2021, the cheese market is expected to grow by 3% to 4%. Retail sales for home cooking are expected to increase as more consumers learn to cook independently following the Covid-19 situation, as well as the expansion of cheese recipes for packaged foods such as instant noodle with cheese, cheese topping for hotpot, and cheese dip.

Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

# CHEESE PRODUCTS

*Processed cheese (spreadable and other processed cheese) is accounted for about 55% of the market and 45% are hard and soft cheese; unprocessed cheese*

PROCESSED CHEESE

**55% of total Cheese market**

**Spreadable processed cheese**

22%


**Other processed cheese**

33%


UNPROCESSED CHEESE

**45% of total Cheese market**

**Hard cheese**

24%

**Soft cheese**

21%


## Cheese Products

- Cheese is classified into two types: processed and unprocessed. Processed cheese accounted for slightly more than half (55 %) of the cheese market, while unprocessed cheese accounted for about 45%.
- **Processed cheese** is comprised of two distinct products: spreadable processed cheese (22 %) and other processed cheese (33% ). Other processed cheeses are popular as snacks, and their products include slices, cheese sticks, squeeze bottles, and square candies.
- **Unprocessed cheese**: It accounts for approximately 24% of the market for hard cheeses such as Parmigiano-reggiano or Parmesan cheese, Pecorino, Manchego, Emmental, Romano, and Grana-Padano. These cheeses are frequently used as pizza toppings, plaza toppings, and sauces. It is estimated that it accounts for 21% of the market for soft cheeses, which includes Mozzarella, Ricotta, Feta, Brie, and Neufchatel.
- As retail customers' demand for cheese for home cooking grows, many cheese suppliers repackage their products in smaller sizes to appeal to the home cooking segment.

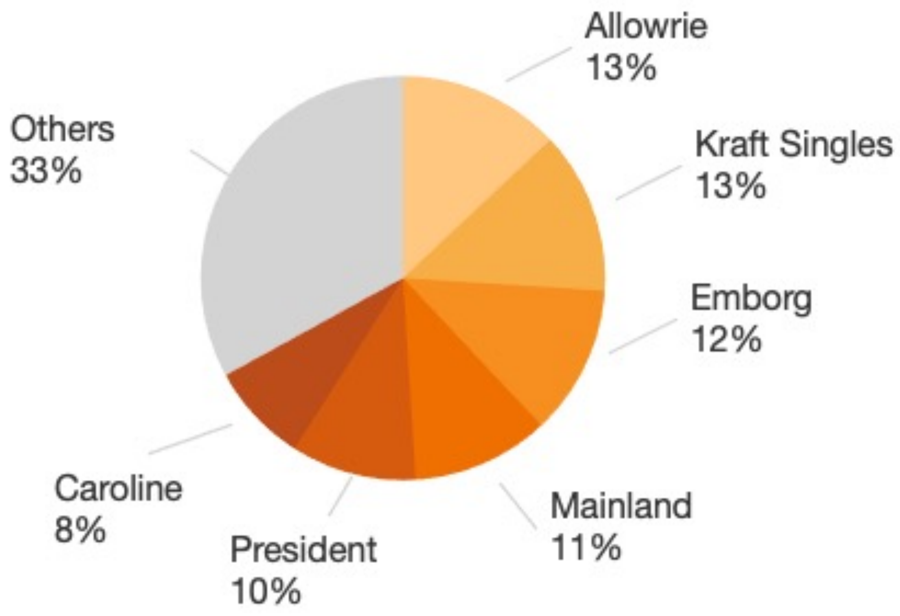
Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

# CHEESE – MARKET SHARE

*Key players for cheese market are mostly imported brands distributed by local distributors*

Estimated Market Share: Cheese

Unit: % to total sales




Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

### Cheese Market Share and Key Players

- Allowrie is not only the market leader for butter but also for the cheese market, which it shares about 13.4% of the total cheese market. Allowrie is the brand distributed by KCG Corporation that is also manufactured and distribute "President", a local butter and cheese brand. This roote KCG Corp to be the leader for the butter and cheese market.
- Other key players for cheese market are mostly imported brands. Kraft Singles has its share of 13%, the brand is imported from the US and distributed by Mondelez International (Thailand). Emborg (12% market share) is the brand from Denmark and distributed by Eurosia Foods Trading & Agencies which also imports and distributes other cheese brands including "The Laughing Cow" (France) and Prochiz Chedda Cheese (Indonesia).
- Mainland Cheese is a brand of cheese now owned by Fonterra Co-operative Group, its market share estimated at 11% and Coroline is the manufactured and distributed by Bangkok Fine Foods, a leading local manufacturer and importer of food products.
- Other imported cheese brands in Thailand include MyChoice (housebrand of Tops Supermarket), Frico (Netherland), Marin Food (Japan), Garcia Baquero (Spain) and etc

# CHEESE – RETAIL PRICE

## Processed Cheese

Kraft
Pack: 125 g
6 Packs
Price: THB 79

Mainland
Pack: 200 g
1 Pack
Price: THB 209

Allowrie Cheese Snack
Pack: 128 g
1 Pack
Price: THB 105

Allowrie Cheese Squeeze
Pack: 310 g
1 Pack
Price: THB 139

The living cow
Pack: 120 g
8 Pieces
Price: THB 139

## Unprocessed Cheese

Caroline
Pack: 200 g
1 Pack
Price: THB 140

Waitrose
Pack: 250 g
1 Pack
Price: THB 199

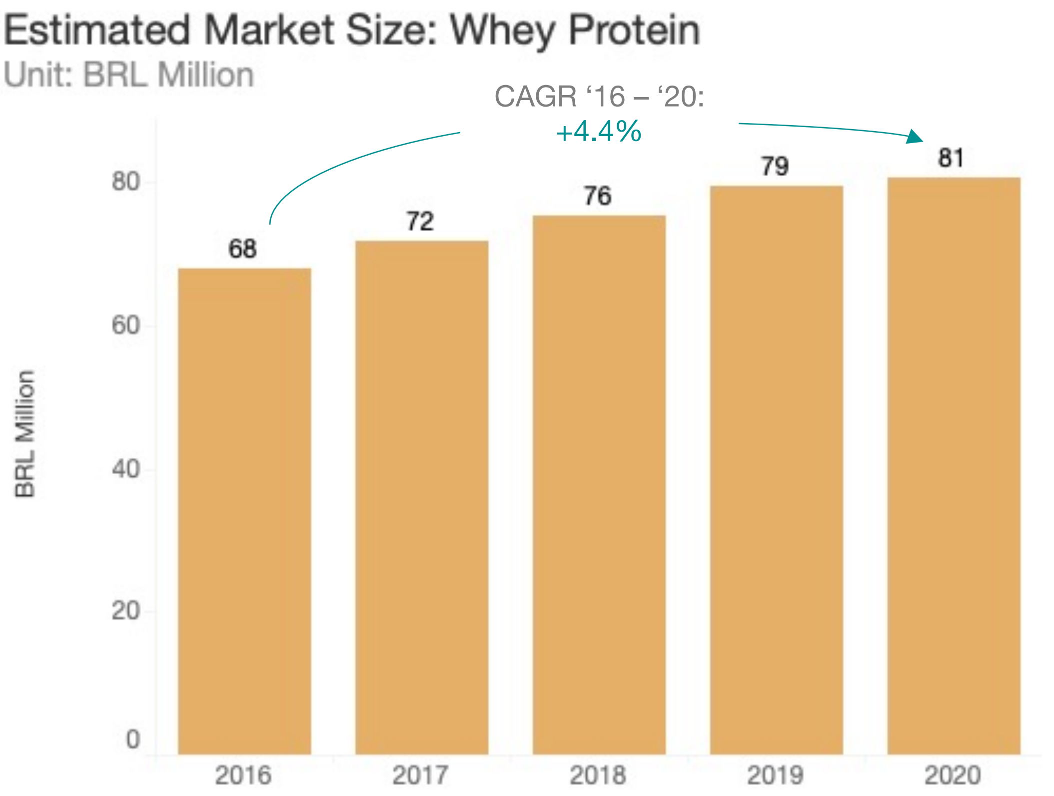
The President
Pack: 100 g
1 Pack
Price: THB 248

Gouda Cheese
Pack: 200 g
1 Pack
Price: THB 209

Emborg
Pack: 125 g
1 Pack
Price: THB 165

# WHEY PROTEIN MARKET SIZE AND GROWTH

*Whey protein market is estimated at about BRL 81 million with a constant growth rate of 4.4%*




Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

## Whey Market Size and Growth

- In 2020, Thailand's whey protein (dairy-based product) market is estimated to reach approximately BRL 81 million. Between 2016 and 2020, the market expanded at a compound annual growth rate of 4.4%.
- Increased awareness of the importance of a healthy diet and the growing demand for functional foods with nutritional value are the primary factors driving the market for health ingredients such as whey protein.
- However, the market is expected to contract by 9.4% in 2021 as a result of closed-down and social distancing policies that prevent all gyms and sports complexes from operating. As a result, gym-goers' lifestyles are impacted.
- Following the pandemic, the market is expected to recover and continue to grow, as Thailand is a significant market for healthy foods and nutrition, owing to its aging population, rising standard of living, and social economic status.

# WHEY PROTEIN PRODUCTS

*Whey Protein Concentrate is popular due to a lower price, however, WPI is gaining more popularity because the price has dropped to be competitive with WPC and increase in product variety for selection*

**Whey Protein Concentrate (WPC) and Mixed Whey Products**


**Whey Protein Isolate (WPI)**


**Whey Protein Hydrolyzate (WPH)**


## Whey Protein Products

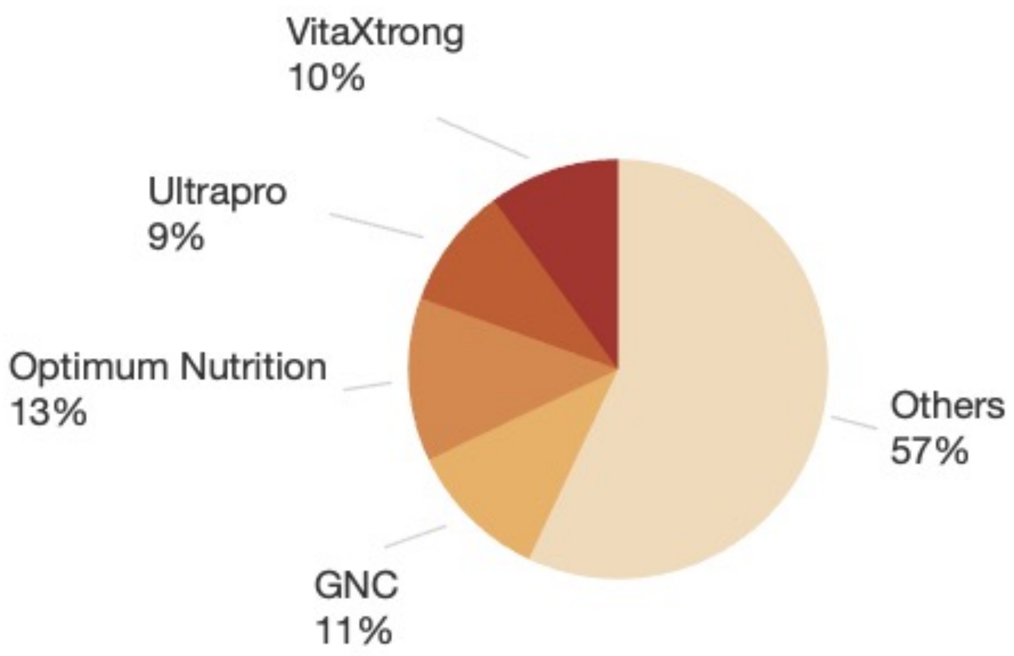
- Whey protein from dairy based product in powder form is the most popular whey protein product in Thailand mainly due to the taste is more favorable. There is also other type of whey products which is plant-based such as green peas or soybeans however, its price is usually more expensive and less popular due to taste reason.
- Whey can also be subdivided into three categories: Whey Protein Concentrate (WPC), Whey Protein Isolate (WPI), and Whey Protein Hydrolyzate (WPH). WPC has the lowest protein content with the most residual lactose, while WPH has the most protein, high purity and does not contain lactose. WPH however, is the most expensive.
- In Thailand WPC is more popular due to a lower price, however, WPI is gaining more popularity because the price has dropped to be competitive with WPC and increase in product variety for selection. Whey products mixed between WPC, WPI and WPH are also commonly found in the market
- Another disadvantage of Whey Protein Concentrate is the taste which is not as flavorful and delicious as Whey Protein Isolate.  However, consumers is brewing whey mixed with milk or juice to make taste better instead. WPC can be applied to food in many ways such as mix with yogurt, ice cream, smoothies or chocolate flavour.

# WHEY PROTEIN – MARKET SHARE

*Whey protein market is highly fragmented. Most products are imported and re-packaged into local brands which is promoted via sport influencers.*

Estimated Market Share: Whey Protein

Unit: % to total sales




Source: Source: National Food Institute, Thailand, Euromonitor and in-depth interview with key players

### Whey Protein Market Share and Key Players

- Whey protein market is highly fragmented. Most products are imported and re-packaged into local brands which is promoted via sport influencers. Key whey protein brands found in the market include Optimum Nutrition, GNC, VitaXtrong and Ultrapro.
- Optimum Nutrition is imported and distributed by Muscle Food Shop which is an e-commerce site that sells dietary supplements and products that are related to health and fitness. The company is an authorized online dealer for OPTIMUM NUTRITION, ULTIMATE NUTRITION, PROMAX.
- GNC is the brand from the US which is imported and distributed by GNC Thailand, its market share estimated at about 10.9%. VitaXtrong is the local brand which is processed and packaged from the US and imported by FitWhey. FitWhey is the local company who is specialized in whey protein market, the company also has other house brands including BAAM and FITANGEL.
- Ultrapro is the brand under Mega We Care, it is imported and distributed by Mega Life Science PTY. The brand has about 9.4% of the market share. Others are mainly OEM brands which is sold mainly via online channel and promoted by sport influencers.

# WHEY PROTEIN – RETAIL PRICE

## Whey Protein Concentrate (WPC)


Optimum Nutrition Gold
Pack: 2lb
Price: THB 1,077


Mattell
Pack: 2lb
Price: THB 599


Biovitt
Pack: 2lb
Price: THB 849


MS
Pack: 2lb
Price: THB 579


BAAM
Pack: 2lb
Price: THB 568

## Whey Protein Isolate (WPI)


GNC
Pack: 0.4lb
Price: THB 1,200


Lowell
Pack: 5lb
Price: THB 1,790


Now Foods
Pack: 5lb
Price: THB 1,718

## Whey Protein Hydrolyzate (WPH)


Dymatize
Pack: 5lb
Price: THB 1,499


V Whey
Pack: 1.5lb
Price: THB 890

# PART 3

## REGULATORY STRUCTURE AND IMPORT RULES

# REGULATIONS PERTAINING TO IMPORTS OF THE PRODUCT

*Importing raw milk, skimmed powder milk and milk-based drinks are regulated under import quota, while importer other dairy products (e.g., Cheese, Butter, Whey Protein) require a permit from Bureau of Food and compliance on a premise for food importation is required to obtain a certification and import licenses*

**Import Quota**

Dairy products (raw milk, skimmed powder milk, Flavored UHT milk-based drinks) under import quota are required to obtain an import quota from the Department of Livestock Development and certification of purchased domestic raw milk from Dairy Farming Promotion Organization Of Thailand as importer is eligible to import only 1:2 of domestic raw milk production. Import quota includes the following HS Code; 0401.10.10.000, 0401.10.90.000, 0401.20.10.000, 0401.20.90.000, 0401.40.10.000, 0401.40.20.000, 0401.40.90.000, 0401.50.10.000, 0401.50.90.000, 2202.91.00.001, 2202.99.10.000, 2202.99.20.001
2202.99.40.001, 2202.99.50.001, 2202.99.90.001

**Import License**

To import food and beverage into Thailand, an importer is required to acquire a license from **Bureau of Food,** document required for importing are different for each type of import license* In general, on top of general documentation for import the following licenses is required as follow;

- A permit on Premise for Food Importation
- Register each product for FDA registration number.
  This is required for all food and drink products sold in Thailand
- Obtain "License per Invoice" from Food and Drug Administration and submit through the Customs Department

***Other import licenses include;**

- Import or Order the Food not for Distribution
- Import For raw material for production
- Temporary Import or Order Food into the Kingdom (Orr.12)
- For import food in the purpose of samples for food registration or for purchase consideration (Orr.16)

List of document require for each import license is available via [link]

# TARIFFS AND QUOTAS (1/2)

## *Thailand has Free Trade Agreement to fully open its market for dairy product by 2025 with Australia and New Zealand*

### Duty and tax on imports

As a WTO member, Thailand is required to liberalize its dairy market by lowering import duties and taxes on skimmed milk powder and related dairy products. Thailand is commited to import about 55,000 tons of skimmed milk power with import duty of 5%.

In addition to the WTO commitment, Thailand has a Free Trade Agreement with Australia and New Zealand that requires Thailand to fully open its dairy market by 2025.

As Australia and New Zealand are the world's leading dairy producers, with raw milk production costs approximately 35% to 50% lower than those of Thai farmers, more dairy products are expected to be imported into Thailand after the tariff and quota are eliminated completely in 2025.

| **Products** | **Thailand-Australia FTA (TAFTA)** | **Thailand-New Zealand FTA ( TNZCEP)** | **WTO** |
|---|---|---|---|
| Skim Milk Powder | • 4% for 2021(under quota) and will phase to zero in 2025 and 194.4% (over quota)<br>• Tariff and quota will completely be removed by January 1, 2025 | • Same as WTO (under quota) and 194.4% (over quota) | • 5% (under quota)<br>• 216% (over quota) |
| Milk powder and milk for infant | • Zero | • Zero | • 5% |
| Liquid milk and cream | • 4% for 2021(under quota) and will phase to zero in 2025 and 36.9% (over quota)<br>• Tariff and quota will completely be removed by January 1, 2025 | • 4% for 2021(under quota) and will phase to zero in 2025 and 36.9% (over quota)<br>• Tariff and quota will completely be removed by January 1, 2025 | • 20% (under quota)<br>• 41% (over quota) |
| Drinking milk (UHT) | • 4% for 2021(under quota) and will phase to zero in 2025 and 75.6% (over quota)<br>• Tariff and quota will completely be removed by January 1, 2025 | • 4% for 2021(under quota) and will phase to zero in 2025 and 75.6% (over quota)<br>• Tariff and quota will completely be removed by January 1, 2025 | • 20% (under quota)<br>• 84% (over quota) |
| Cheeses | • 33% | • 30% | • 30% |
| Whole milk powder | • 18% | • 18% | • 18% |
| Butter milk | • Zero | • Zero | • 18% |
| Whey powder | • Zero | • Zero | • 5% |
| Butter | • Zero | • Zero | • 30% |
| Yogurt | • Zero | • Zero | • 30% |

Source: Customs Department, USDA Foreign Agricultural Service - Bangkok, Thailand

# TARIFFS AND QUOTAS (2/2)

*Thailand has Free Trade Agreement to fully open its market for dairy product by 2025 with Australia and New Zealand*

**Duty and tax on imports**

Thailand, as an ASEAN member, has also committed to opening its market to ASEAN free trade agreement partners such as China and Korea. Additionally, Thailand and Japan and Chile have bilateral free trade agreements.

Imports from ASEAN Free Trade Areas are duty-free, and Chile has no import duty on dairy products.

Import of skim milk powder, milk powder and milk for infant, liquid milk and cream, and drinking milk are subjected to import duty around 1% - 4% depending on the FTA agreement for import within quota and subjected to a full WTO import duty rate for over quota.

| Products | ASEAN FTA (AFTA) | ASEAN-Korea FTA (AKFTA) | ASEAN–China FTA (ACFTA) | Thailand – Japan FTA | Thailand – Chile FTA | Other Countries outside agreement |
|---|---|---|---|---|---|---|
| Skim Milk Powder | • Zero | • 0.56%<br>• 216% (Over quota) | • 0%<br>• 216% (Over quota) | • 0%<br>• 216% (Over quota) | • Zero | • 25% |
| Milk powder and milk for infant | • Zero | • 0.56%<br>• 216% (Over quota) | • 0%<br>• 216% (Over quota) | • 0%<br>• 216% (Over quota) | • Zero | • 25% |
| Liquid milk and cream | • Zero | • 2.2%<br>• 41% (Over quota) | • 0%<br>• 41% (Over quota) | • 3.64%<br>• 41% (Over quota) | • Zero | • 40% |
| Drinking milk (UHT) | • Zero | • 2.2%<br>• 41% (Over quota) | • 0%<br>• 41% (Over quota) | • 3.64%<br>• 41% (Over quota) | • Zero | • 60% |
| Cheeses | • Zero | • Zero | • Zero | • Zero | • Zero | • 60% |
| Whole milk powder | • Zero | • Zero | • Zero | • Zero | • Zero | • 25% |
| Butter milk | • Zero | • Zero | • Zero | • Zero | • Zero | • 40% |
| Whey powder | • Zero | • Zero | • Zero | • Zero | • Zero | • 40% |
| Butter | • Zero | • Zero | • Zero | • Zero | • Zero | • 60% |
| Yogurt | • Zero | • 28.8% | • Zero | • 21.3% | • Zero | • 30% |

Source: Customs Department

# RELATED FOOD REGULATIONS

*Most of dairy products are categorized as standardized foods which do not require registration, but their quality and labeling must meet the standard requirements.*

**Food Regulations**

Under the Food Act B.E. 2522, dairy products (except Modified Milk for Infants and Follow-up Formula) are generally classified under the "Standardized Foods".

**Standardized foods** must adhere to the regulations' quality standards. This category was created to standardize the production of locally produced food encouraging food producers to maintain hygienic standards. Standardized foods do not require registration, but their quality and labeling must meet the standard requirements as specified in the Notification of the Ministry of Public Health as follow;

- No.156 / 2537(1994) Modified Milk for Infant and Modified Milk of follow up Formula for Infant [Link]
- No. 350 / 2556 (2013) Cow' s Milk [Link]
- No. 351 / 2556 (2013) Flavoured Milk [Link]
- No. 352 / 2556 (2013) Other Milk Products [Link]
- No.353 B.E.2556 (2013) Fermented Milk [Link]
- No. 209 / 2543(2000) Cheese [Link]
- No. 227 / 2544 (2001) Butter [Link]

Standard of relevant dairy products such as content of milk fat, water, usage of additive are specified for each of the related products.

The Food Act classifies foods into three main categories as follows:

(1) **Specially Controlled Foods** – Registrations are required for foods in this category. Legal provisions are related to food standard quality, specifications, packaging, and labeling requirements, as well as other aspects of good manufacturing practices

(2) **Standardized Foods** – Standard foods do not require registration, but their quality and labeling have to meet the standard requirements.

(3) **Other Foods** – Foods, raw or cooked, preserved or non-preserved, processed or non-processed, if not listed under category 1 or 2 will be considered as general foods. Although registrations are not required, general food products are controlled and monitored with regard to hygiene, safety, labeling and advertisement

# LABELLING STANDARD

## All dairy food products is required to meet the labelling standard

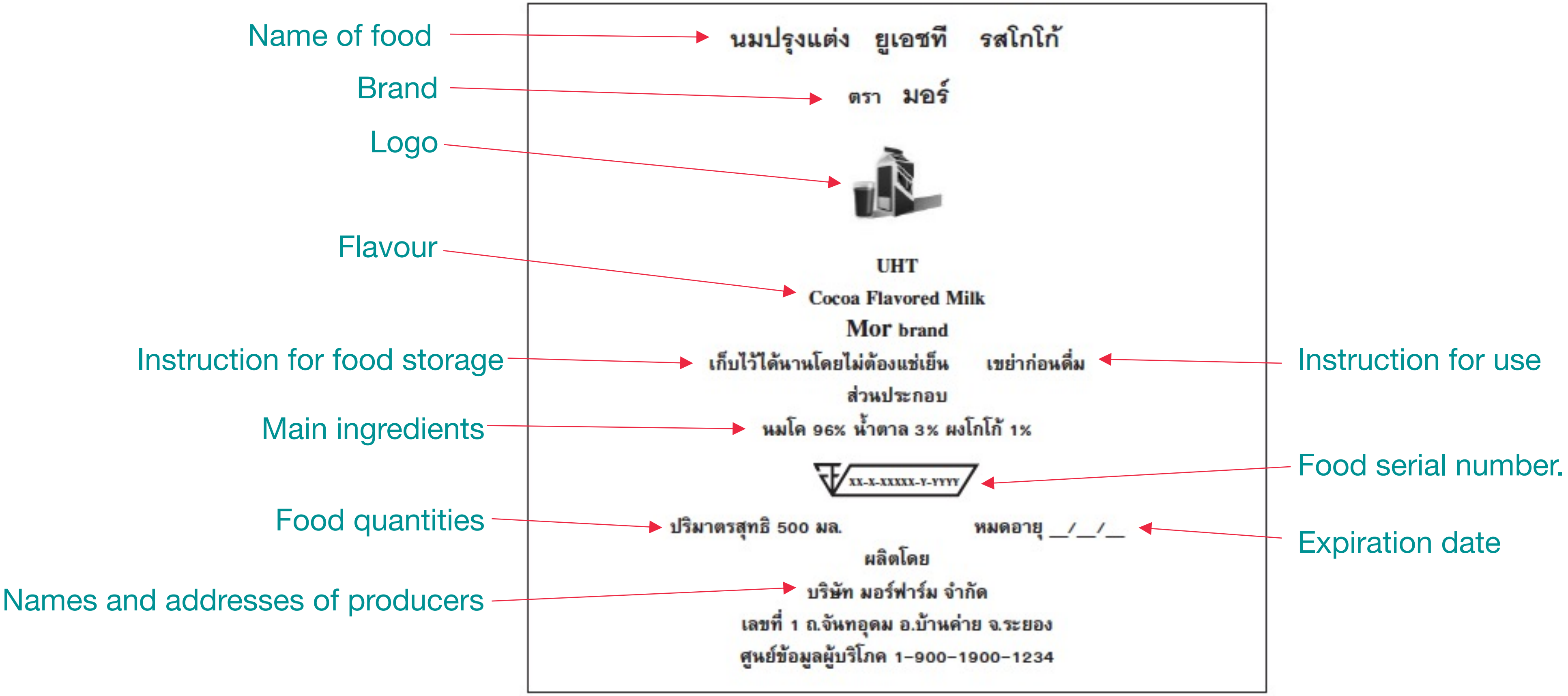
**Food Labelling**

All dairy food products is required to meet the labelling standard outline by the Ministry of Notification of the Ministry of Public Health No. 194 /2543 (2000).

Labels of foods to be sold to consumers must be expressed in Thai language alphabets but may contain some foreign language alphabets which are acceptable. Label must be expressed of the following declarations, except for the exception from the Food and Drug Administration:

1. Name of food.
2. Food serial number.
3. Names and addresses of producers or re-packers of food which is produced within the country, names and addresses of importers and country of producers as the case may be.
4. Food quantities shall be expressed in the metric system.
5. Main ingredients shall be expressed by percentage of approximate weight except for the ingredients in which the FDA require otherwise and shall be expressed in descending order by percentage.
6. Declaration of “Utilizing preservatives” for any usage
7. Declarations of “Natural colour” or “Artificial colour” for any usage cases
8. Declaration of “Utilize of .........for flavour enhancer” (the blank is for the name of flavour enhancer used.)
9. Declaration of “Utilize of ........as food artificial sweetener” (the blank is for the name of artificial sweetener.) by alphabets of not smaller than 2 millimeter height and colour of the text shall be highly contrast with the background of the label.
10. Declarations of “Natural flavour”, “Identical artificial flavour”, or “Artificial flavour” as the applicable case.
11. Declarations of date, month, and year of manufacture, expiry for consumption or date, month, and year of which foods are in good qualities
12. Instruction for food storage. (If any)
13. Food preparation method for consumption. (If any)
14. Instruction for use and necessary instruction for foods intend for infant or young children or any particular group.
15. Declarations in which the Food and Drug Administration prescribed to have on prescribed food.

# LABELLING STANDARD - EXAMPLE



# SANITARY AND PHYTOSANITARY REQUIREMENTS

*Importers of the dairy products must present an equivalent certificate of GMP for factories or plants that manufacture those products in line with the Thai GMP Law*

**GMP Standard**

Under Ministerial Notification No. 193, B.E. 2543 (2000), Method of Food Manufacturing and Equipment for Manufacturing Food and Food Storage, Thailand requires domestic manufacturers and foreign suppliers for 61 types of products must adhere to GMP. These also include dairy products as follow;

- Modified milk for infants and follow-up formula modified milk for infants and children
- Cow's milk
- Cultured milk
- Flavored milk
- Other milk products
- Cheese
- Butter
- Food and Beverages in sealed containers

Domestic manufacturers of these products must comply with the requirements outlined in Ministerial Notification No. 193, B.E. 2543 (2000). Meanwhile, importers of the covered products must present an equivalent certificate of GMP for factories or plants that manufacture those products in line with the Thai GMP Law. The acceptable GMP can be any of the following: a) GMP by Thai Law; b) GMP by Codex; c) HACCP; d) ISO 9000; and e) other practices and standards equivalent to (a)-(d).

In addition, for RTD milk, Thai FDA also set specific GMP guidelines which must be followed by both local and foreign food manufacturers for pasteurized ready-to-be consumed milk products (Ministerial Notification No.298 B.E.2549 (2006) Re: Production Processes, Production Equipment, and storage of ready-to-be-consumed milk products in liquid form which passed through pasteurization heat treatment) which describe the requirement as standard practices in the following topics

- Location and manufacturing building
- Tools, machineries and production equipment
- Process control
- Cleaning, sanitizing and maintenance
- Sanitization
- Hygiene of workers and personnel
- Records and reports

Full document is available via [link]

# POSSIBLE BARRIERS TO ENTRY

*Top three barriers to entry include import duty, branding on its country of origin and high market competitiveness*


## IMPORT DUTY

Australia and New Zealand have benefited from reduced import duties as a result of the FTA with Thailand. Tariffs and quotas on certain Australian and New Zealand dairy products were eliminated on January 1, 2021 (including whole milk powder, whey, cheese, and anhydrous milk), and those on milk, cream, flavored milk, and skim milk powder were eliminated in 2025. The removal of import tariffs and quotas on Australian and New Zealand dairy products will affect the competitiveness of Brazilian dairy products seeking to enter the Thai market.

## BRANDING: COUNTRY OF ORIGIN

When it comes to dairy products, the country of origin is critical for marketing and promoting the product's quality ingredients. The majority of products imported from European Countries or Australia and New Zealand will bear the country of origin's brand and will typically sell at a premium price. Brazil is more closely associated with authentic sources of coffee beans than dairy products in Thailand, which may have an effect on marketing promotion, putting Brazilian products at a disadvantage because their brand is not yet well recognized as a source of high-quality dairy products among Thais.

## MARKET COMPETITIVENESS

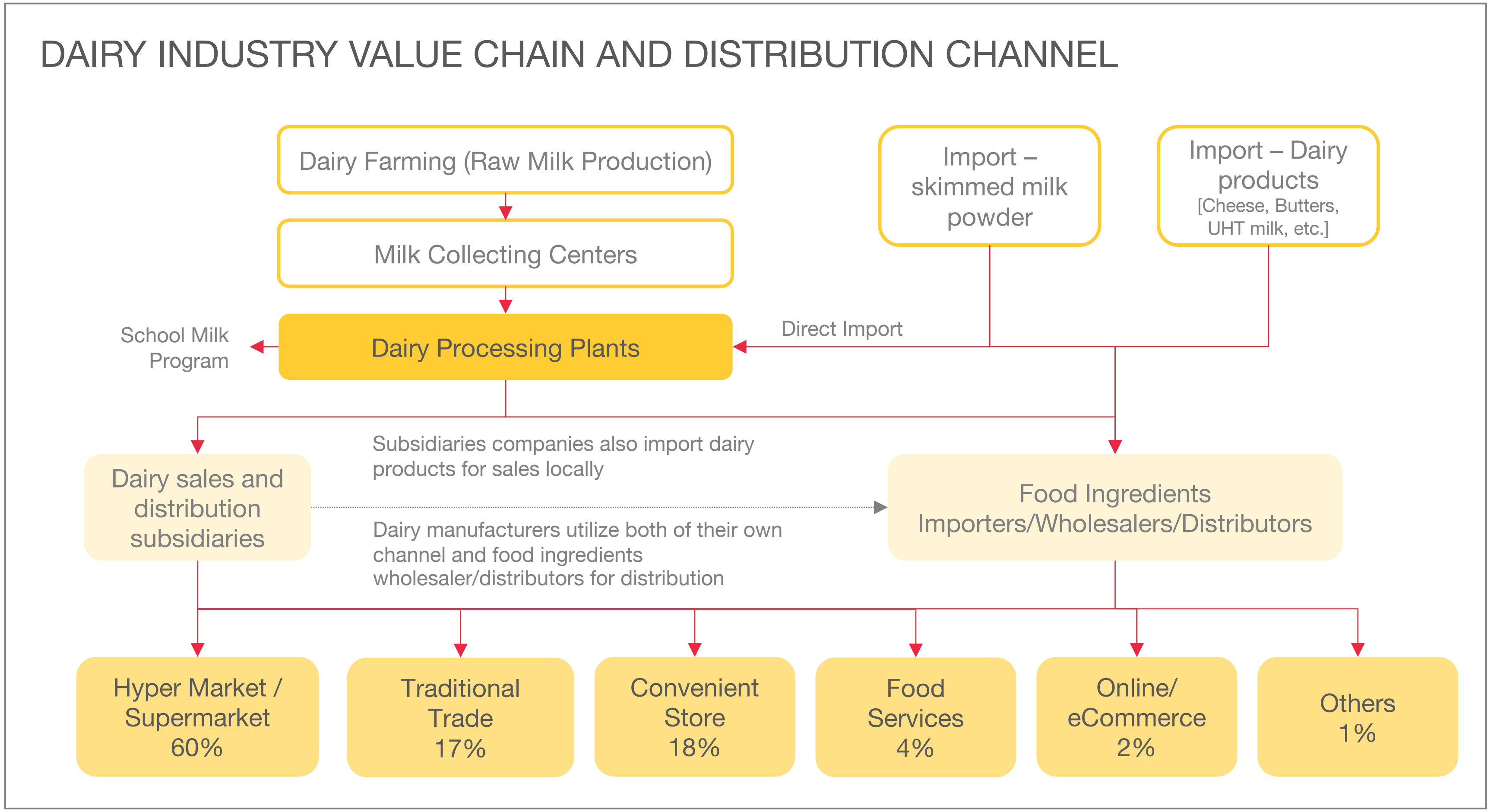
Thailand dairy market is highly competitive with established brands that have long history in the market. Most of global key players including Nestle, F&N Dairy, Danon, FrieslandCampina, and Meiji dominate the Thai dairy food processing industry with local dairy processing factories not only to serve local market but also for export market. These players offers variety of dairy products from UHT/pasterized milk, yogurt, drinking yogurt, cheese, butter and etc to all segment including mass market and premium market.

# PART 4

## LOGISTICS AND DISTRIBUTION CHANNEL

# DAIRY INDUSTRY VALUE CHAIN

*Dairy product consumption in Thailand are supplied by both local production and imported products*




Source: In-depth interviews with key players

## DAIRY INDUSTRY VALUE CHAIN

Around 21,143 dairy farmers in Thailand supply raw milk to dairy processing plants through 180 milk collection centers run by local dairy cooperatives. These cooperatives act as intermediaries between raw milk producers and dairy processors in their local area.

Dairy processors make dairy products such as RTD milk, condensed milk, yogurt, butter, cheese, and ice cream using both domestic raw milk and imported skimmed milk powder. Most of dairy processing plants usually import skimmed milk powder directly for dairy production to distribute via their subsidiaries companies as well as food ingredients wholesalers/distributors.

For cheese, butter, and whey protein, these products are usually imported via food ingredients importers.

# DAIRY PROCESSING PLANTS

*Dairy processing plants in Thailand are operated by both global players and local companies. Most of local dairy processing plants usually have 1-2 flagship dairy products unlike, global players that produce various dairy products*

## DAIRY PROCESSING PLANTS

Most of large dairy processors in Thailand are a global dairy producers such as Nestle, F&N, Danone, FrieslandCampina, Mead Johnson Nutrition, CP-Meiji (JV between Thai and Japanese company). These global players establish diary processing plants to supply for both domestic and export market. Most of global players produce various dairy products, most of them are pasteurized/UHT RTD milk, yogurt, drinking yogurt and condensed milk.

Local dairy processing plants are also considered as key player in the market with significantly market share which are Dutchmill, Betagen, Mary Anne, The Thai Dairy Industry or Mali Group and etc. as well as The Dairy Farming Promotion Organization of Thailand (DPO) is a Thai state enterprise under the oversight of the Ministry of Agriculture and Cooperatives. It is best known as the manufacturer of the Thai-Denmark (previously known as Thai-Danish) brand of dairy products.

Local dairy processing plants through it might have various product line, most of them usually have 1-2 flagship dairy products. For example, Dutchmill and Betagen has its strong market for yogurt and drinking yogurt. The Thai Dairy Industry or Mali Group focus on condensed milk. Thai-Denmark's flagship product is pasteurized and UHT milk.

### Top 20 Dairy Processors

Unit: Annual Revenue - Million BRL

| | | |
|---|---|---|
| 1 | Nestlé (Thai) | 8,071 |
| 2 | Dairy Plus (Dutchmill) | 2,328 |
| 3 | F&N Dairy (Thailand) | 2,317 |
| 4 | Danone Specialized Nutrition (Thailand) | 1,802 |
| 5 | FrieslandCampina Thailand | 1,710 |
| 6 | Dutchmill | 1,662 |
| 7 | CP-Meiji | 1,454 |
| 8 | Mead Johnson Nutrition (Thailand) | 1,379 |
| 9 | Betagen | 581 |
| 10 | Mary Anne | 424 |
| 11 | The Thai Dairy Industry | 414 |
| 12 | Yakult (Thailand) | 372 |
| 13 | Mali Group 1962 | 346 |
| 14 | Abico Dairy Farm | 318 |
| 15 | Chom Thana | 249 |
| 16 | Chiangmai Freshmilk | 201 |
| 17 | Yearrakarn | 198 |
| 18 | FrieslandCampina Fresh (Thailand) | 172 |
| 19 | Daily Foods | 155 |
| 20 | Minor Dairy | 150 |

Source: Department of Business Development

# IMPORTERS OF CHEESE AND DAIRY PRODUCTS

*During the January to August 2021, there are total 322 companies imported cheese and dairy products*

## IMPORTERS OF CHEESE AND DAIRY PRODUCTS

Based on the latest data from the Ministry of Commerce, during the January to August 2021, there are total 322 companies imported cheese and dairy products. About 97 companies (or 30%) of them imports more than one type of dairy products. Cheese is the product with highest number of importers (114 companies), followed by skimmed milk powder (107 companies) and whey protein (92 companies).

### No. of Importers – dairy products

| Products | HS Code | # of Importers |
|---|---|---|
| Butter | HS Code: 0405 | 71 |
| Cheese | HS Code: 0406 | 114 |
| Drinking Yogurt | HS Code: 040390 | 32 |
| Raw milk | HS Code: 0401 | 28 |
| Skimed milk powder | HS Code: 0402 | 107 |
| UHT milk | HS Code: 220299 | 57 |
| Whey | HS Code: 0404 | 92 |
| Yogurt | HS Code: 040310 | 38 |

Source: Ministry of Commerce, Import data during Jan - Aug 2021

## KEY IMPORTERS OF DAIRY PRODUCTS

Most of dairy processors directly import dairy products especially skimmed milk powder for dairy products. These companies also import other dairy products such as cheese, butter, whey, UHT milk, raw milk for sales in Thailand as well.

For Cheese, there are various businesses that import cheese. Top 3 cheese importers are Imperial General Foods Industry (subsidiary of KCG Group), Fonterra and the Minor Food Group. Most of importers are distributors and wholesalers of cheese and dairy products especially for cheese. Key distributors and wholesalers of food ingredients in Thailand are Siam Food Service, Food Project (Siam), Jagota Brothers, Food Tech Products. For butter, key distributors are Intercontinental Special Milk and American-European Products.

In addition to food ingredient distributors, food service companies especially pizza also import cheese directly to be used as ingredients. The Minor Food group operates the Pizza Company which is the leading pizza quick service restaurant in Thailand.

Retailers such as Siam Makro, Big C, Central also import directly for retail sales at their own outlet. These retailers usually import finished product such as cheese, UHT milk, yogurt, butter to serve customer locally.

# KEY IMPORTER OF DAIRY PRODUCTS

**Top 20 Raw Milk Importers**

| | |
|---|---|
| 1 | N.Z.MILK PRODUCTS (THAILAND) CO., LTD. |
| 2 | URC ( THAILAND ) CO.,LTD. |
| 3 | MERDIENT COMPANY LIMITED |
| 4 | PERFECT COMPANION GROUP COMPANY LIMITED |
| 5 | KOBE-YA SHOKUHIN KOGYO COMPANY LIMITED |
| 6 | DKSH (THAILAND) LIMITED |
| 7 | FRIESLANDCAMPINA FRESH [THAILAND] COMPANY LIMITED |
| 8 | MIKA LIMITED PARTNERSHIP |
| 9 | GOURMET & BEVERAGE ONE GROUP (THAILAND) CO., LTD. |
| 10 | C.P. MERCHANDISING COMPANY LIMITED |
| 11 | JAGOTA BROTHERS TRADING COMPANY LIMITED |
| 12 | KCG CORPORATION COMPANY LIMITED |
| 13 | FOOD PROJECT (SIAM) COMPANY LIMITED |
| 14 | THAI IMPORT CORPORATION COMPANY LIMITED |
| 15 | KING TECHNOMIX COMPANY LIMITED |
| 16 | DAISHO (THAILAND) COMPANY LIMITED |
| 17 | GLOBAL FOOD PRODUCTS COMPANY LIMITED |
| 18 | KHOTCHER GLOBAL FOOD COMPANY LIMITED |
| 19 | REPERTOIRE CULINAIRE (THAILAND) COMPANY LIMITED |
| 20 | CREATEX ADVERTISING COMPANY LIMITED |

**Top 20 Skimmed Milk Powerd Importers**

| | |
|---|---|
| 1 | F&N DAIRIES (THAILAND) COMPANY LIMITED |
| 2 | NESTLE (THAI) COMPANY LIMITED |
| 3 | INTERCONTINENTAL SPECIALITY MILK CO.,LTD. |
| 4 | DAIRY PLUS COMPANY LIMITED |
| 5 | FRISLANDCAMPINA (THAILAND) PUBLIC COMPANY LIMITED |
| 6 | DUCH MILL COMPANY LIMITED |
| 7 | MEAD JOHNSON NUTRITION (THAILAND) COMPANY LIMITED |
| 8 | FOODSOH CO.,LTD. |
| 9 | GREEN SPOT COMPANY LIMITED |
| 10 | CP-MEIJI CO., LTD. |
| 11 | AB FOOD & BEVERAGES (THAILAND) CO.,LTD. |
| 12 | DANONE SPECIALIZED NUTRITION (THAILAND) CO., LTD. |
| 13 | 4 CARE COMPANY LIMITED. |
| 14 | OMPICO CO.,LTD. |
| 15 | NESTAR FOOD COMPANY LIMITED |
| 16 | UNITED GLOBAL AGENCIES (THAILAND) CO., LTD. |
| 17 | MERDIENT COMPANY LIMITED |
| 18 | KHOTCHER GLOBAL FOOD COMPANY LIMITED |
| 19 | ABICO DAIRY FARM COMPANY LIMITED |
| 20 | S M C FOOD (THAILAND) COMPANY LIMITED |

**Top 20 UHT Milk Importers**

| | |
|---|---|
| 1 | SINO-PACIFIC TRADING (THAILAND) COMPANY LIMITED |
| 2 | DUCH MILL COMPANY LIMITED |
| 3 | C.P. MERCHANDISING COMPANY LIMITED |
| 4 | COFFEE CONCEPTS RETAIL CO., LTD. |
| 5 | AMWAY (THAILAND) COMPANY LIMITED |
| 6 | S.E.A. CONSUMER PRODUCT COMPANY LIMITED |
| 7 | CARABAO TAWANDANG COMPANY LIMITED |
| 8 | M&B ENTERPRISE COMPANY LIMITED |
| 9 | CONNECT & GATHER COMPANY LIMITED |
| 10 | UCC UESHIMA COFFEE (THAILAND) CO., LTD. |
| 11 | CREATEX ADVERTISING COMPANY LIMITED |
| 12 | ASH ASIA INTERNATIONAL LIMITED |
| 13 | MARUSAN-AI (THAILAND) COMPANY LIMITED |
| 14 | PIRIYAPUL INTERNATIONAL LIMITED |
| 15 | ITO EN [THAILAND] COMPANY LIMITED |
| 16 | GREENERY LOGISTICS COMPANY LIMITED |
| 17 | GENNIS BEAN COMPANY LIMITED |
| 18 | FOOD GALLERY COMPANY LIMITED |
| 19 | GLOBAL FOOD PRODUCTS COMPANY LIMITED |
| 20 | EMRO KANG YONG TECHNOLOGY CO.,LTD. |

Source: Ministry of Commerce, Import data during Jan - Aug 2021

# KEY IMPORTER OF DAIRY PRODUCTS

## Top 20 Yogurt Importers

| | |
|---|---|
| 1 | GLOBAL FOOD PRODUCTS COMPANY LIMITED |
| 2 | JEBSEN & JESSEN INGREDIENTS (T) COMPANY LIMITED |
| 3 | KCG CORPORATION COMPANY LIMITED |
| 4 | NESTLE (THAI) COMPANY LIMITED |
| 5 | KELLOGG (THAILAND) LIMITED. |
| 6 | FOOD INGREDIENT TECHNOLOGY CO.,LTD. |
| 7 | SIAM MAKRO PUBLIC COMPANY LIMITED |
| 8 | SUN 31 COMPANY LIMITED |
| 9 | SMART PRODUCT CO., LTD. |
| 10 | GRIFFITH FOODS COMPANY LIMITED |
| 11 | KERRY INGREDIENTS (THAILAND) CO.,LTD. |
| 12 | CONTINENTAL DISTRIBUTORS COMPANY LIMITED |
| 13 | AMERICAN-EUROPEAN PRODUCTS CO., LTD. |
| 14 | BIG C.SUPERCENTER PUBLIC COMPANY LIMITED |
| 15 | THAI OOI YAMAMOTO COMPANY LIMITED |
| 16 | JAGOTA BROTHERS TRADING COMPANY LIMITED |
| 17 | GOURMET ONE (THAILAND) COMPANY LIMITED |
| 18 | BJC SPECIALTIES COMPANY LIMITED |
| 19 | ALL RICE PLUS COMPANY LIMITED |
| 20 | INGRAM CHEMICAL SUPPLY COMPANY LIMITED |

## Top 20 Buttermilk Importers

| | |
|---|---|
| 1 | MEAD JOHNSON NUTRITION (THAILAND) COMPANY LIMITED |
| 2 | F&N DAIRIES (THAILAND) COMPANY LIMITED |
| 3 | UNITED GLOBAL AGENCIES (THAILAND) CO., LTD. |
| 4 | FRISLANDCAMPINA (THAILAND) PUBLIC COMPANY LIMITED |
| 5 | INTERCONTINENTAL SPECIALITY MILK CO.,LTD. |
| 6 | DAILY FOODS COMPANY LIMITED |
| 7 | MALI GROUP 2012 COMPANY LIMITED |
| 8 | NESTLE (THAI) COMPANY LIMITED |
| 9 | AB FOOD & BEVERAGES (THAILAND) CO.,LTD. |
| 10 | UNIFY CHEMICAL COMPANY LIMITED |
| 11 | WINSOME GREEN COMPANY LIMITED |
| 12 | KCG CORPORATION COMPANY LIMITED |
| 13 | MINTANA CO., LTD. |
| 14 | EUROPEAN FOOD PUBLIC COMPANY LIMITED |
| 15 | CP-MEIJI CO., LTD. |
| 16 | FRIESLANDCAMPINA FRESH [THAILAND] COMPANY LIMITED |
| 17 | URC ( THAILAND ) CO.,LTD. |
| 18 | VICCHI ENTERPRISE COMPANY LIMITED. |
| 19 | ABICO DAIRY FARM COMPANY LIMITED |
| 20 | CYTECHASIA SOLUTION COMPANY LIMITED |

## Top 20 Cheese Importers

| | |
|---|---|
| 1 | KCG CORPORATION COMPANY LIMITED |
| 2 | N.Z.MILK PRODUCTS (THAILAND) CO., LTD. |
| 3 | THE PIZZA PUBLIC COMPANY LIMITED |
| 4 | SIAM FOOD SERVICES COMPANY LIMITED |
| 5 | MINOR CHEESE COMPANY LIMITED |
| 6 | FOOD PROJECT (SIAM) COMPANY LIMITED |
| 7 | JAGOTA BROTHERS TRADING COMPANY LIMITED |
| 8 | SIAM MAKRO PUBLIC COMPANY LIMITED |
| 9 | FOODTECH PRODUCTS (THAILAND) COMPANY LIMITED |
| 10 | CARGILL MEATS (THAILAND) COMPANY LIMITED |
| 11 | EAST WEST TRADING & AGENCIES COMPANY LIMITED |
| 12 | ADAMS (THAILAND) CO., LTD. |
| 13 | DKSH (THAILAND) LIMITED |
| 14 | FANUCCHI DAIRY COMPANY LIMITED |
| 15 | MC THAI COMPANY LIMITED |
| 16 | GLOBAL FOOD PRODUCTS COMPANY LIMITED |
| 17 | AMERICAN-EUROPEAN PRODUCTS CO., LTD. |
| 18 | BIG C.SUPERCENTER PUBLIC COMPANY LIMITED |
| 19 | CONNELL BROTHERS (THAILAND) CO.,LTD |
| 20 | WINNER GROUP ENTERPRISE PUBLIC COMPANY LIMITED |

Source: Ministry of Commerce, Import data during Jan - Aug 2021

# KEY IMPORTER OF DAIRY PRODUCTS

| Top 20 Whey Importers | |
|---|---|
| 1 | F&N DAIRIES (THAILAND) COMPANY LIMITED |
| 2 | CPF (THAILAND) PUBLIC COMPANY LIMITED |
| 3 | FRISLANDCAMPINA (THAILAND) PUBLIC COMPANY LIMITED |
| 4 | NESTLE (THAI) COMPANY LIMITED |
| 5 | AMPLUSCHEM CO.,LTD. |
| 6 | KHOTCHER GLOBAL FOOD COMPANY LIMITED |
| 7 | DAIRY PLUS COMPANY LIMITED |
| 8 | MALI GROUP 2012 COMPANY LIMITED |
| 9 | FEED CLUB CO.,LTD. |
| 10 | AB FOOD & BEVERAGES (THAILAND) CO.,LTD. |
| 11 | URC ( THAILAND ) CO.,LTD. |
| 12 | INTER FEEDTECH (THAILAND) CO.,LTD. |
| 13 | S.P.M. FEEDMILL COMPANY LIMITED |
| 14 | INTERCONTINENTAL SPECIALITY MILK CO.,LTD. |
| 15 | D.M.V. NUTRITION COMPANY LIMITED |
| 16 | UNITED GLOBAL AGENCIES (THAILAND) CO., LTD. |
| 17 | IMCD (THAILAND) COMPANY LIMITED |
| 18 | F & N UNITED CO.,LTD. |
| 19 | UNIFY CHEMICAL COMPANY LIMITED |
| 20 | JOMTANA KHONSONG LIMITED PARTNERSHIP |

| Top 20 Butter Importers | |
|---|---|
| 1 | KCG CORPORATION COMPANY LIMITED |
| 2 | INTERCONTINENTAL SPECIALITY MILK CO.,LTD. |
| 3 | N.Z.MILK PRODUCTS (THAILAND) CO., LTD. |
| 4 | AMERICAN-EUROPEAN PRODUCTS CO., LTD. |
| 5 | NESTLE (THAI) COMPANY LIMITED |
| 6 | MALI GROUP 2012 COMPANY LIMITED |
| 7 | QUALITY COFFEE PRODUCTS COMPANY LIMITED |
| 8 | FRISLANDCAMPINA (THAILAND) PUBLIC COMPANY LIMITED |
| 9 | THREE TOP CHEMICAL & FOODS CORPORATION LTD. |
| 10 | CENTURY HOUSE DAIRY CO., LTD. |
| 11 | RAOMIFOOD COMPANY LIMITED |
| 12 | MERDIENT COMPANY LIMITED |
| 13 | REPERTOIRE CULINAIRE (THAILAND) COMPANY LIMITED |
| 14 | SIAM FOOD SERVICES COMPANY LIMITED |
| 15 | PARIS BANGKOK BAKERY COMPANY LIMITED |
| 16 | AB FOOD & BEVERAGES (THAILAND) CO.,LTD. |
| 17 | MINOR DAIRY COMPANY LIMITED |
| 18 | F&N DAIRIES (THAILAND) COMPANY LIMITED |
| 19 | FUJI OIL (THAILAND) CO.,LTD. |
| 20 | JAGOTA BROTHERS TRADING COMPANY LIMITED |

Source: Ministry of Commerce, Import data during Jan - Aug 2021

# RETAIL DISTRIBUTION

*Key retailers also directly import dairy products and work with importers/distributors for products supply*

**RETAIL SALES OF DAIRY PRODUCTS**

There are two type of in-store retail sales in Thailand which are modern trade and traditional trade. Modern trade is estimated to account about half of total retail sales in Thailand (about 46% based on the estimation of EIC). Imported dairy products are available at most of modern trade retail outlets especially those located in Greater Bangkok and key economic cities in each region. There are three main types of modern trade where imported dairy products are available as follow;

**Supermarket:** The supermarket business in Thailand is driven by key players as follow: Central Food Retail (Central Food Hall and Tops Market), The Mall Group (Home Fresh Mart and Gourmet Market), Foodland Supermarket, Villa Market. For some products, subsidiaries of supermarket companies including Villa Market, Central Food Retail, Citi Mall Group also directly import dairy products for sales. At supermarket especially high-end one (e.g., Gourmet Market) there is usually a cheese bar where variety of imported cheese available for sales, while packaged dairy products are usually available at chilled food station

**Hypermarket:** The largest two hypermarkets are Lotus and Big C. Both hypermarkets offer a wide range of premium products including a wide selection of imported cheese, butters, yogurt, pasteurized milk, UHT milk in stores targeting middle- and high-income customers. Siam Makro also has its own import division, which delivers dairy products imported and local food products to Siam Makro outlets in Cambodia. Big C and Siam Makro also imports directly of dairy products for sales.

**Convenience store:** The leading convenience store chain is 7-Eleven, which accounts for 64% of the 17,205 convenience stores in Thailand. Most cheese and butter sold in convenient stores are in small packages and only available at branches in city centers

Cheese bar at Gourmet Market


Cheese and dairy products in package at chilled food station

# ONLINE DISTRIBUTION

*Key players throughout the value chain from importers, distributors, retailers and also independent traders as well as start-ups are developing their eCommerce capabilities*

## ONLINE SALES OF RETAIL PRODUCTS

Online sales for dairy products is estimated to be marginal comparing to in-store sales. However, the online grocery market has been becoming one of the fastest-growing categories in Thailand. Between 2017 and 2019, the revenue from grocery eCommerce increased by 24.7% YoY and grew by 26% in 2020. Correspondingly, the number of customers jumped from 6.5 million in 2017 to 8.1 million in 2019, and the market penetration rate reached 11.7% in 2019.

For imported dairy products, since the past few years, key players throughout the value chain from importers, distributors, retailers and also independent traders as well as start-ups are developing their eCommerce capabilities. There are 4 main channels of online sales where dairy products are sold as follow;

**eMarketplace:** Shopee and Lazada are the most popular eMarketplace where fresh fruits products are available for online sales.

**eRetailer:** All key modern trade retailers develop their own eCommerce platform including MakroClick, TescoLotus, Tops, Big C,Grocer Lock and Nasket. 7-Eleven Delivery

**Brand.com:** key importers developed their own eCommerce brand with products delivery available including GNC (https://www.gnc.co.th), Optimum Nutrition (https://www.optimumnutritionsea.com/TH/TH), Ultrapro (https://www.megawecare.co.th), VitaXtrong (https://fitwhey.com/), Matell (https://www.matell.co.th/), Lowell (https://lowellwhey.com/)

**Social commerce:** For whey products, In addition to the official website for eCommerce, Thailand is also famous for social commerce via Facebook and Instagram

KEY PLAYERS IN ONLINE SALES

| | |
|---|---|
| eMarketplace | Shopee, Lazada |
| eRetailer | makro click, TESCO Lotus, Tops picks, Big C SHOPPING ONLINE bigc.co.th, GROCER LOCK Your Home Supermarket, Nasket, 7-ELEVEN Delivery |
| brand.com | GNC LIVE WELL, ON, FW FITWHEY, MATELL, LOWELL |
| Social Commerce | |

# PART 5

## COMMERCIALIZATION AND MARKETING

# KEY MARKET TRENDS RELATING TO CHEESE AND DAIRY PRODUCTS

## *New product development: Functional dairy products*




**Functional dairy products**

- To differentiate products in competitive markets, new product developing using advanced ingredients are used to target health-conscious segment as Thailand is entering into ageing society.
- There have been new functional dairy products launched in the market such as "Meiji High Protein," a new pasteurized milk with high protein appropriate for athletes, "Meiji lactose free" or "Meiji B Complex" pasteurized milk blended with vitamin B complex with selling point to help nourish the brain is suitable for lactose intolerant people or those who drink fresh milk and experience gastrointestinal pain, bloating, or diarrhea.
- Similarly, the Yogurt and Curd market is growing. Ready-to-drink yogurt shots like 'Meiji Pro-C' are an example. Functional Yogurt is ready-to-drink yogurt with probiotics and high in vitamin C in concentrated shot form. The product is designed to help strengthen the functioning of the entire immune system from the intestines to the white blood cells. in order to benefit from good health

# KEY MARKET TRENDS RELATING TO CHEESE AND DAIRY PRODUCTS

*The culture of cheese consumption is expanding.*





**The culture of cheese consumption is expanding.**

- The growing acceptance of cheese consumption, particularly among younger Thais, has been well documented, as cheese is used in a variety of foods and desserts, including pasta, pizza, salads, and cheesecake.
- Cheese has been incorporated into new product lines and dishes by food manufacturers and food service operators, including cheese instant noodles, cheese dipping sauces for French fries, BBQ, and toasts. Additionally, food manufacturers have developed cheese-based snacks to differentiate themselves and add interest to their products.
- The success of cheese production in Thailand will be contingent on robust and consistent marketing campaigns aimed at increasing awareness of the authenticity and quality of dairy ingredients through the introduction of novel product applications, packaging, and presentation.

# RECOMMENDED PRACTICES IN THE THAI MARKET

*Market entry practices depend on type of dairy products to introduce into the market*

## MARKET PRACTICES

### RAW MATERIALS

Raw milk/skimmed milk powder for diary processors

**Key customers**

**Large dairy processors** esp. UHT milk, yogurt, cheese, butter or manufacture of bread, cake and pastry, ice-cream. Skimmed mlik powder is imported mainly for production for export market

**Key concerns**

To import skimmed milk powder and UHT milk, importers need to obtain import quota as these are restricted products.

### FOOD INGREDIENTS

Dairy end products e.g. cheese, butter, whey for food services

**Key customers**

**Large food services companies** especially pizza such as The Pizza Company, Pizza Hutz. These food services import large volume of cheese for their food services business.

**Key concerns**

The market is highly concentrated as there aren't many players who has high volume of cheese/dairy demand.

### RETAIL PRODUCTS

Dairy products e.g. cheese, butter, yogurt, whey protein

**Key customers**

These products are imported by **food ingredient distributors, wholesaler and retailers** to distribute for via retail channel or supply as food ingredients to SMEs food services

**Key concerns**

The most common channel to approace for market entry however, the market is highly competitive.

There are a variety of entry points into the Thai dairy market, depending on the nature of the products.

- For skimmed milk powder, the market is considered highly competitive due to importers being subject to quota restrictions. These importers are dairy processors who are cost conscious.
- When it comes to products with no import volume restrictions, such as cheese, butter, yogurt, or whey, buyers are frequently a mix of large food service companies, food ingredient distributors, and retailers. This is the primary channel through which imported dairy products enter the Thai market.
- Imported dairy products can be classified into sub segments such as health-conscious consumers, premium consumers, and product innovation such as functional food that are open to newcomers..

# MARKETING PRACTICES (1/2)

## *Most of marketing activities for imported cheese and dairy products are driven by food ingredient distributors/importers*

For imported cheese and dairy products, most of marketing activities are driven by food ingredient distributors/importers. Most of marketing practices are via social media or below-the-line marketing to promote in retail market as follow;

- **Country of origin.** Imported cheese and dairy products usually use the source of its origin as the key marketing message. For example, Mainland won NZ Champions of Cheese Award 2019.
- **Social media marketing.** Key imported cheese brands including Allowrie, the Laughing Cow, Anchor set up a Facebook page for customers to follow for product launch and marketing activities. Key content promote within their page including cooking recipe with cheese or butter. In addition, imported cheese and dairy products also often use influencers to promote their products.
- **Lucky draw**. In 2021, to increase its sales while the retail market plummeting, imported cheese brand, the Laughing cow launched a lucky draw campaign via their social media channel including the launch of limited-edition products with redesign package.
- **Trade show**. Prior to the pandemic, attending trade show related to food is also a common practice, the largest tradeshow is THAIFEX, which has transformed into virtual tradeshow. THAIFEX - Anuga Asia is the leading annual international trade exhibition for food & beverages, foodservice, food technology



# MARKETING PRACTICES (2/2)

*Cheese and dairy brands promote their product during the pandemic using various marketing tactics*





During the pandemic, the government issued orders closing restaurants and limiting retail hours, as well as encouraging remote work. Consumers have gravitated toward home-cooked and imported cheeses, and brands have aggressively promoted their products through the following marketing practices:

- **Recipe for cooking.** As cheese and butter are not a common cooking ingredient in Thai cuisine, and the majority of Thai are unfamiliar with how to prepare them, Leading cheese and butter brands launch a series of campaigns and cooking recipes to educate consumers about the variety of cheeses and butters available and how to prepare them. These activities are typically carried out via social media or by enlisting the assistance of food influencers/bloggers.
- **Package of dairy products in a small size.** To further support the home-cooking market, brands have introduced smaller package sizes and reduced the price of cheese.
- **Shelf promotion.** To increase sales during the pandemic, the majority of leading cheese and dairy products offer discounts or freemium.
- **Cheese festival.** To encourage retailers to promote cheese and dairy products, cheese events are frequently organized to offer shoppers special promotions.

# PART 6

## EVALUATION OF OPPORTUNITIES FOR BRAZILIAN PRODUCTS

# CHALLENGES TO ENTER MARKET

*Thailand market is highly competitive*

**HIGH**
A free trade agreement between Australia and New Zealand would put new producers and importers from other regions under pressure to enter the Thai market.

**HIGH**
Existing competitors face growing competition, as exporters from New Zealand and Australia enjoy a significant advantage. However, domestic and export demand for milk continues to grow, creating opportunities for new entrants as raw material importers.


**HIGH**
Raw milk/skimmed milk powder are under import quota and eligible only to those who has a license. For other dairy products, food ingredients importer/distributors also have variety of choices for selection.

**LOW**
Brazil currently exports to more than 110 countries. Current exports are mostly focused in milk powder, whole/skimmed milk, UHT and condensed milk, and cheeses.

**HIGH –** for cheese, butter, whey protein. Thailand has a well-established dairy processing plants operating by a global dairy processors and also Thai companies. With the government promotion to increase milk consumption, the policy is supportive to enable Thailand to get materials for dairy production for export market.

# MARKET OPPORTUNITIES

## *Cheese and functional UHT milk could be potential market entry products*

### IMPORT VOLUME AND VALUE - CHEESE AND DAIRY PRODUCTS FY 2020

| | Imported Volume | Imported Value | CAGR '17 - '20 |
|---|---|---|---|
| Milk and cream | 230,261 tons | BRL 2,718 mil | 11.96% |
| Flavored UHT milk-based drinks | 2,869,318 tons | BRL 8,089 mil | 6.93% |
| Cheese | 18,044 tons | BRL 440 mil | 5.64% |
| Yogurt and other buttermilk | 128,379 tons | BRL 873 mil | 0.87% |
| Butter and other fats and oils derived from milk | 12,597 tons | BRL 314 mil | -3.46% |
| Whey protein | 76,936 tons | BRL 442 mil | -5.71% |

Source: Customs Department

UHT milk and cheese are two dairy products that grow rapidly. While raw milk/skimmed milk powder has a rapid growth rate, the market is highly restricted by import quotas and is extremely price sensitive. On the other hand, the yogurt market has reached a standstill. The import market for butter and whey protein is contracting.

- **Market for functional beverages based on UHT milk**. Between 2017 and 2021, imports of ultra-pasteurized milk and cheese increased by 6.93 percent per year. The market for premium or functional beverages has significant growth potential as consumers become more health conscious and willing to spend more. Country of origin is less important in functional dairy production, and no brand has a stronghold in this segment.
- **The cheese market is appealing.** Consumption of cheese is becoming more prevalent among young people. Cheese is a high-priced ingredient that is typically only available in major economic hubs. By 2025, the cheese market is expected to be more competitive, with additional products imported duty-free from Australia and New Zealand.

# APPENDIX

# TOP 10 IMPORTED COUNTRIES

**Top 10 Imported Countries FY 2020**
Unit: Tons

| | | Flavored UHT milk-based drinks | Cheese | Butter and other fats and oils derived from milk | Yogurt and other buttermilk | Whey protein | Milk and cream |
|---|---|---|---|---|---|---|---|
| 1 | NEW ZEALAND | 0 | 5,487 | 8,451 | 6,257 | 213 | 77,934 |
| 2 | U.S.A. | 293 | 1,390 | 12 | 1,411 | 20,305 | 10,117 |
| 3 | AUSTRALIA | 842 | 6,008 | 2,187 | 1,187 | 3,145 | 11,973 |
| 4 | MALAYSIA | 4,573 | 1 | 2 | 0 | 1,211 | 10,672 |
| 5 | FRANCE | 29 | 590 | 536 | 894 | 9,525 | 2,468 |
| 6 | GERMANY | 30 | 448 | 21 | 2,182 | 7,740 | 1,827 |
| 7 | BELGIUM | 0 | 846 | 246 | 100 | 50 | 9,633 |
| 8 | NETHERLANDS | 100 | 236 | 384 | 1,325 | 3,495 | 4,433 |
| 9 | SPAIN | 1 | 6 | | 91 | 7,046 | 33 |
| 10 | POLAND | 0 | 110 | 0 | 686 | 5,483 | 710 |
| 46 | BRAZIL | 0 | 3 | | | | |

Source: Customs Department

# TOP 10 IMPORTED COUNTRIES

**Top 10 Imported Countries FY 2020**
Unit: BRL '000

| | | Flavored UHT milk-based drinks | Cheese | Butter and other fats and oils derived from milk | Yogurt and other buttermilk | Whey protein | Milk and cream |
|---|---|---|---|---|---|---|---|
| 1 | NEW ZEALAND | 16 | 119,905 | 206,911 | 99,475 | 4,251 | 1,211,491 |
| 2 | U.S.A. | 1,709 | 34,807 | 655 | 20,900 | 100,107 | 138,808 |
| 3 | AUSTRALIA | 4,740 | 140,627 | 51,920 | 17,507 | 19,646 | 183,864 |
| 4 | MALAYSIA | 13,136 | 56 | 112 | 1 | 18,955 | 80,131 |
| 5 | FRANCE | 282 | 21,390 | 20,416 | 13,128 | 72,529 | 35,173 |
| 6 | GERMANY | 139 | 12,141 | 493 | 30,598 | 29,282 | 25,539 |
| 7 | BELGIUM | 1 | 17,109 | 8,171 | 1,301 | 693 | 130,869 |
| 8 | NETHERLANDS | 1,271 | 7,837 | 10,016 | 20,114 | 20,312 | 63,612 |
| 9 | SPAIN | 8 | 414 | | 1,171 | 32,433 | 600 |
| 10 | POLAND | 0 | 3,192 | 1 | 8,231 | 31,357 | 10,775 |
| 46 | BRAZIL | 0 | 183 | | | | |

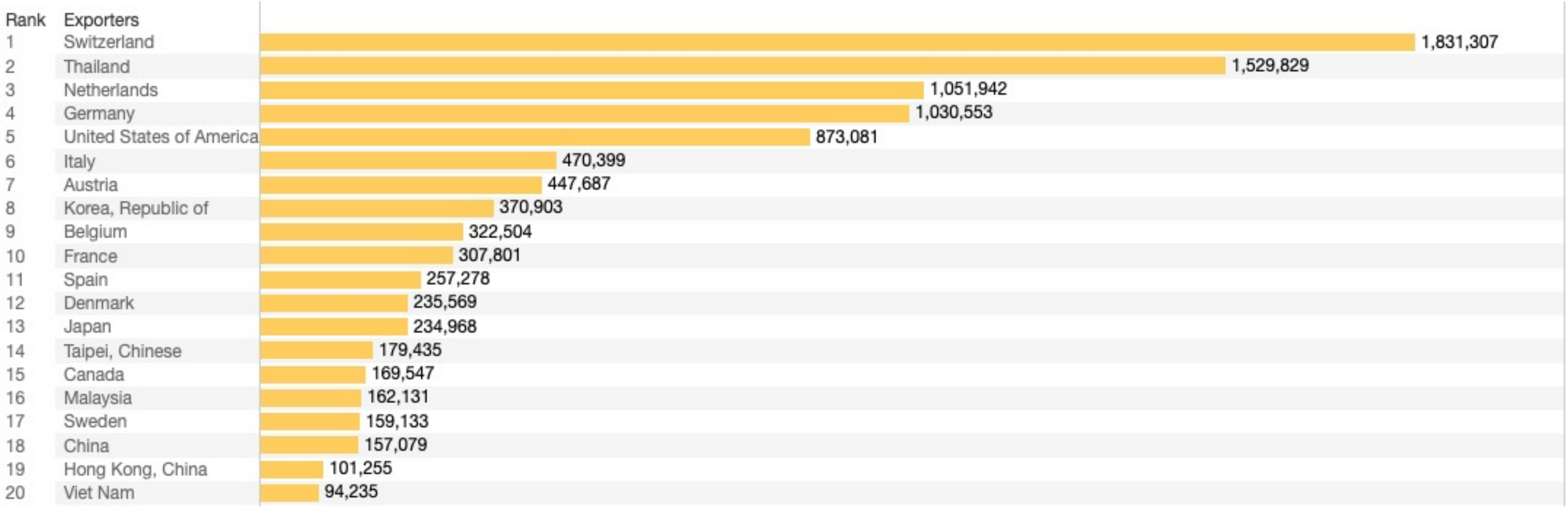
Source: Customs Department

# TOP 20 EXPORTERS FOR THE FLAVORED UHT MILK-BASED DRINKS

**Top 20 Exporters** - Flavored UHT milk-based drinks

**Product: 220299 Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)**

Unit: USD Million




*Sources: ITC calculations based on UN COMTRADE and ITC statistics.*

# APPENDIX : KEY INTERVIEWEE

| | Companies | Position of Interviewee |
|---|---|---|
| 1 | MC THAI COMPANY LIMITED | Purchasing Manager |
| 2 | N.Z.MILK PRODUCTS (THAILAND) CO., LTD | Purchasing Executive |
| 3 | VITA FRESH COMPANYLIMITED | Marketing Manager |
| 4 | DAIRY MAN CO., LTD | Marketing Manager |
| 5 | INTERCONTINENTAL SPECIALITY MILK CO.,LTD | Purchasing Manager |
| 6 | S M C FOOD (THAILAND) COMPANY LIMITED | Purchasing Executive |
| 7 | UNITED GLOBAL AGENCIES (THAILAND) CO., LTD. | Purchasing Manager |
| 8 | VEGGIE DAIRY CO., LTD | Marketing Manager |
| 9 | OPTIMUM NUTRITION THAILAND CO., LTD | Sales Executive |
| 10 | FITWHEY CO., LTD | Sales Executive |
| 11 | MY PROTEIN THAILAND CO., LTD | Sales Executive |

# End of Document