

MARKET BRIEF

THE PHILIPPINES

Global Exports to the Philippines in 2018–2019

- Rank at #3 in the global dairy market (by volume).
- Destination for 580,000 tonnes of dairy product, worth US \$1,123.8 million (April 2018 to March 2019).
- Exports to the Philippines have increased by 42.8 per cent over the past five years.
- The biggest volume growth (product categories exceeding US\$20 million) has been in: Buttermilk (1076%), Yogurt (125%), Butter (111%), Butter Oil (103%) and Cream (102%).
- The biggest volume decline (product categories exceeding US\$20 million) has been in: WMP (-23%).

Australian Market Share in 2018–2019

- Rank at #5 in the share of the Philippines import volume.
- Destination for more than 37,000 tonnes of Australian dairy product, worth US \$63.8 million (April 2018 to March 2019).
- Exports to the Philippines have increased by 52.8 per cent over the past five years.
- The biggest volume growth (product categories exceeding US\$1 million) has been in: Milk (168%), Cheese (90%), Whey Powder (27%) and SMP (19%).
- The biggest volume decline (product categories exceeding US\$1 million) has been in: Buttermilk Powder (-69%).

Market developments

The Philippines has quickly grown to become an important consumer of dairy products. The Philippines is the second most populous country in the ASEAN region and traditionally dairy has not played a key part of the local diet. A large proportion of the population lives below the poverty line which, in the past, has created a small market for premium priced dairy products. However, as the economy expands and the population grows, demand for dairy has started to increase. This has resulted in a 42.8 per cent increase in dairy exports to the Philippines over the past five years.

Local production of dairy is minimal, with low milk production per cow figures, due to the lack of dairy infrastructure and high production costs. The majority of milk consumed in the market is sourced from overseas, making the Philippines the third largest market for dairy exports. Liquid UHT milk is the most commonly consumed dairy product, however, milk consumption per capita remains subdued and consumers are highly price sensitive. This means most milk sold is retailed in small, more affordable pack sizes. Yoghurts and drinking yoghurts have not been widely consumed and remain a somewhat niche product, although, in the past five years the category has experienced strong growth.

The domestic regulation process can present challenges for exporters. Any new product exported to the market needs to obtain a Certificate of Product Registration (CPR). Any additional change to the product, including changes to the label or packaging style, will require a new CPR. These regulatory processes may prolong the period it takes for exporters to get product onto shelves, as it traditionally takes three to four months to get a CPR approved.

Tariff environment

Australia and the Philippines are both party to the multilateral ASEAN, Australia, New Zealand, Free Trade Agreement (AANZFTA). Entry came into force in January 1st 2010, with a reduction in tariffs for selected dairy products, and with all tariffs (except liquid yogurt and dairy spreads) scheduled to be removed by 2020. A schedule of Philippine tariffs can be found in Figure 7*.

Key international marketing programs and activities

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

Figure 1 Dairy imports

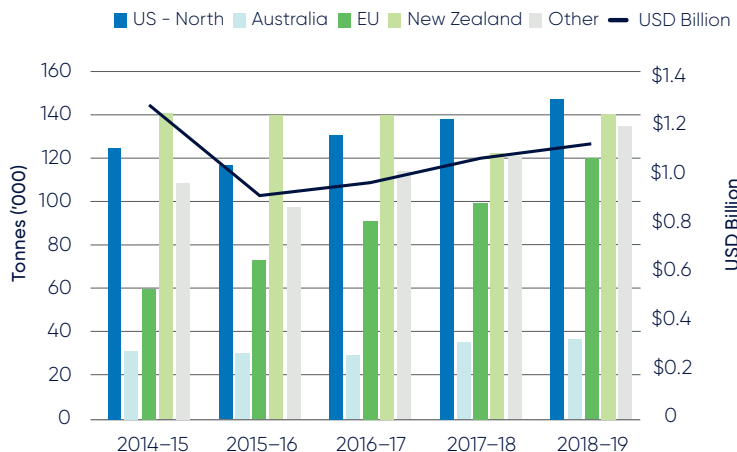


Figure 2 Top dairy imports by volume

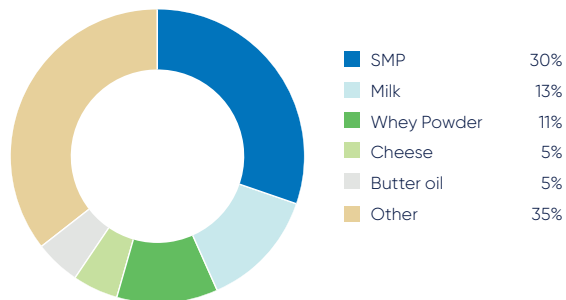


Figure 3 Top dairy imports by USD value

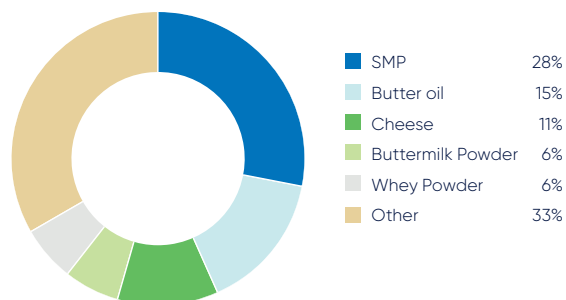


Figure 6 Australian exports

Product group	Market Share (USD)		Volume (1000 of tonnes)		Value (Million USD)	
	2014-15	2018-19	2014-15	2018-19	2014-15	2018-19
Buttermilk Powder	16.9	3.4	3.5	1.2	12.0	2.4
Cheese	13.9	21.4	3.2	6.2	16.1	27.5
Milk	12.0	24.9	8.3	19.4	7.5	14.8
SMP	7.3	5.5	10.5	9.6	33.5	18.3
Whey Powder	2.3	1.8	1.3	1.7	1.9	1.4
Total Imports	6.6	5.7	28.5	38.9	75.8	67.1

Figure 4 Top Australian dairy exports by volume

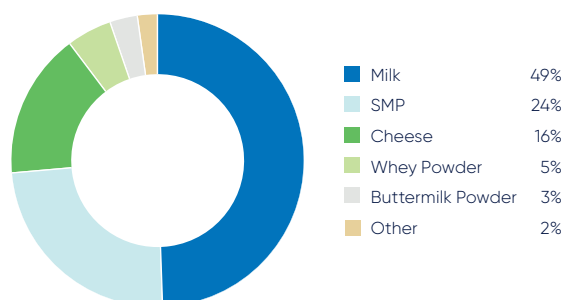


Figure 5 Top Australian dairy exports by USD value

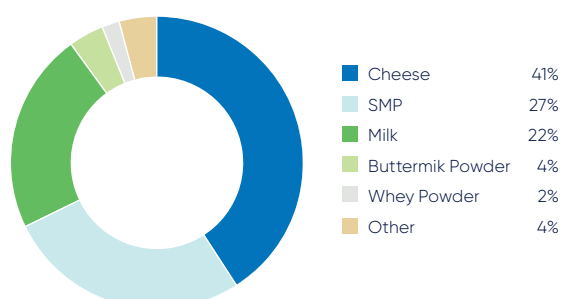


Figure 7 Dairy tariffs

Tariff category	Product category	Applied tariff
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.	2.0%
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter.	0.0%
0404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.	0.0%
0406	Cheese and curd.	0.0%

FOR FURTHER INFORMATION

Email sofia.omstedt@dairyaustralia.com.au or T 03 9694 3777.